

The Security of a NYSTRS Pension

Presenter: Mike Corn, TRS Trustee, NYSUT Board Member

TOPICS:

- Defined Contribution vs. Defined Benefit
- NYS Constitutional Guarantee
- NYSTRS Funding
- Employer Contribution Rate
- Tier V
- Constitutional Convention?

.

Pension – Defined Benefit Plan

- 1. Employer assumes risk of investments.**
- 2. Offers disability and death benefits.**
- 3. Credits prior service.**
- 4. No benefit entitlement until vested.**
- 5. Retirement benefit based on final average salary at retirement.**
- 6. Easy to plan for retirement.**

Pension – Defined Benefit Plan (continued)

- 7. Potential for COLA.**
- 8. Limited portability.**
- 9. Favors long-service employees.**
- 10. Guaranteed lifetime income in retirement.**

NYS Constitution Protects Public Pensions

“After July first, nineteen hundred forty, membership in any pension or retirement plan of the state or of a civil division thereof shall be a contractual relationship, the benefits of which **shall not be diminished or impaired.**”



Source: NYS Constitution, Art. VI, Section 7 (As adopted by Constitutional Convention of 1938 and ratified by a vote of the people November 8th, 1938)

New York State Teachers' Retirement System

Funding Sources:

- 1. Employee Contributions (3%)**
- 2. Investment Income**
- 3. Employer Contribution Rate
(ECR)**

Employer Dollars Contributed

**TRS Employer Contributions (ECR –
based) collected in -**

		ECR
Fall 2007	- \$1.1 billion	8.60%
Fall 2008	- \$1.2 billion	8.73%
Fall 2009	- \$1.1 billion	7.63%
<i>Fall 2010</i>	<i>- \$910 million*</i>	<i>6.19%</i>

**estimated*

ECR - The Last 30 Years

'80 -'81:	23.49%	'90 -'91:	6.84%	'00 -'01:	0.43%
'81 -'82:	23.49%	'91 -'92:	6.64%	'01 -'02:	0.36%
'82 -'83:	23.49%	'92 -'93:	8.00%	'02 -'03:	0.36%
'83 -'84:	22.90%	'93 -'94:	8.41%	'03 -'04:	2.52%
'84 -'85:	22.80%	'94 -'95:	7.24%	'04 -'05:	5.63%
'85 -'86:	21.40%	'95 -'96:	6.37%	'05 -'06:	7.97%
'86 -'87:	18.80%	'96 -'97:	3.57%	'06 -'07:	8.60%
'87 -'88:	16.83%	'97 -'98:	1.25%	'07 -'08:	8.73%
'88 -'89:	14.79%	'98 -'99:	1.42%	'08 -'09:	7.63%
'89 -'90:	6.87%	'99 -'00:	1.43%	'09 -'10:	6.19%

*...but 5-Yr. Average Rate of
Return Still Strong at
6/30/08*

Market Value

'03 -'04	16.1%
'04 -'05	10.6%
'05 -'06	11.8%
'06 -'07	19.3%
'07 -'08	-6.4%
5-yr:	9.9%



5-Yr. Average Rate of Return

Now Not So Good

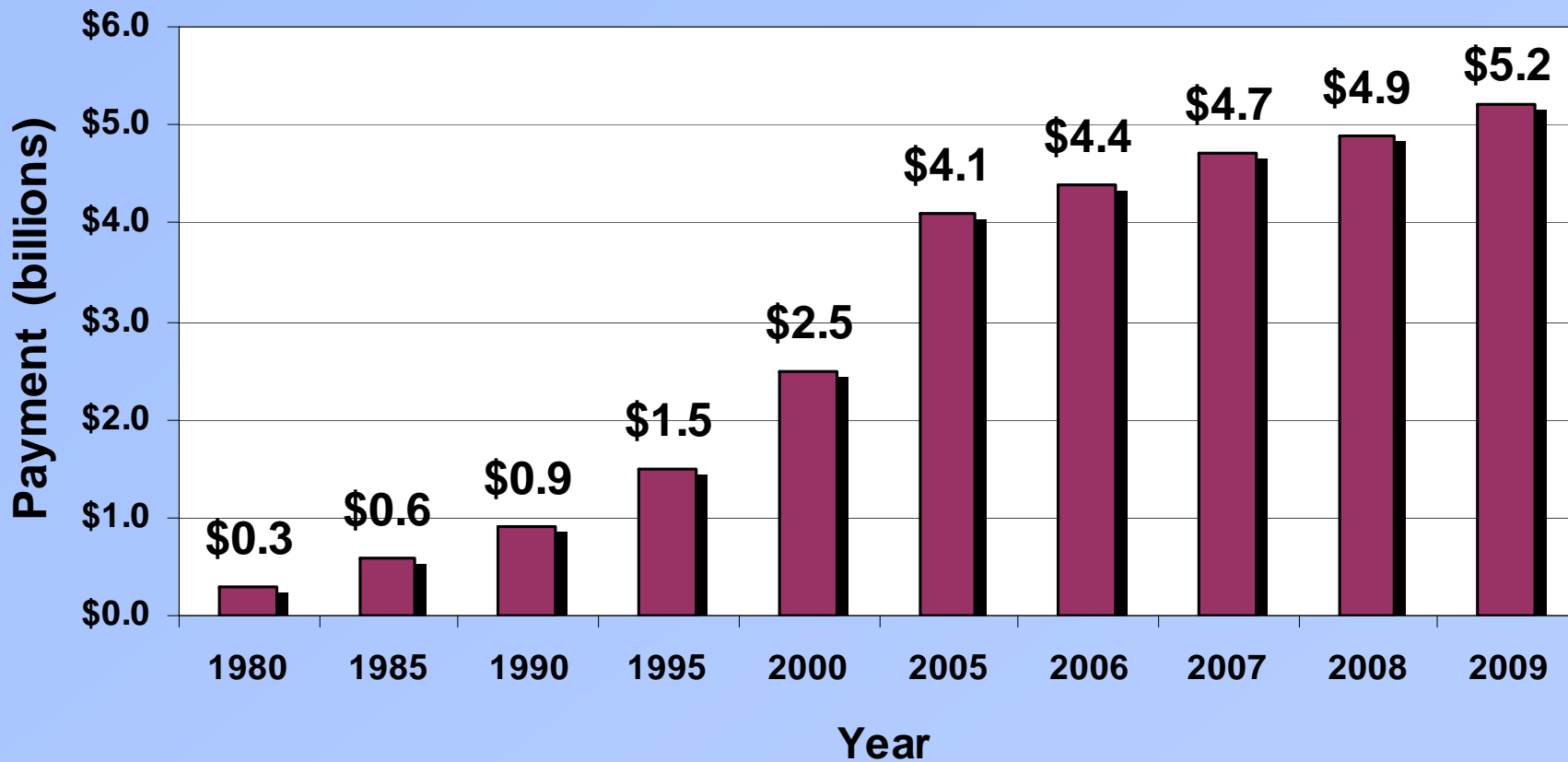
Market Value

'04 -'05	10.6%
'05 -'06	11.8%
'06 -'07	19.3%
'07 -'08	-6.4%
'08 -'09	-21%*
5-yr:	1.8%*

*estimated

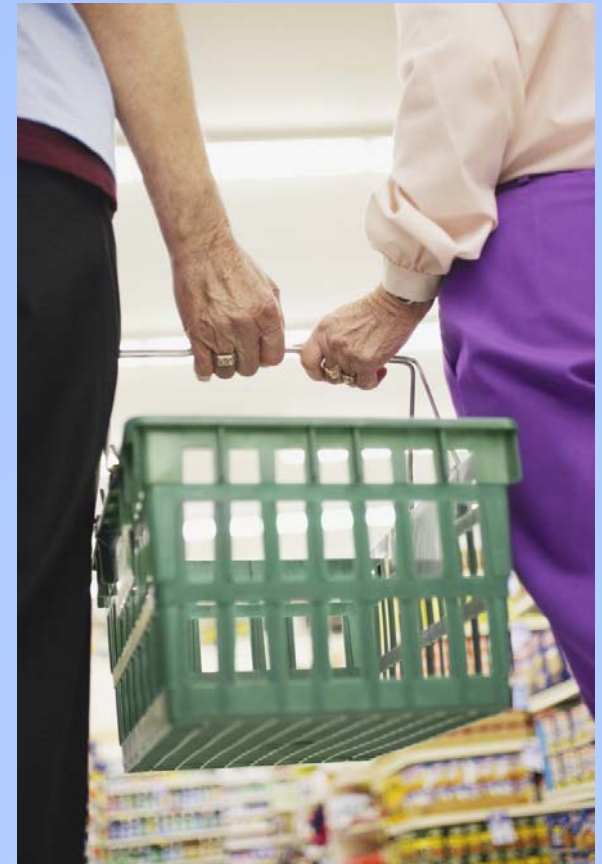


Annual Benefit Payments



This Year's COLA

- Payable Sept. 2009
- FYE 3/31/09 CPI: $-.38\%$
- COLA percentage: 1.0%
- COLA base: \$18,000
- Maximum COLA = \$15.00/month
- Cumulative Max COLA = \$192.00/month



401(k) – Defined Contribution Plan

- 1. Employee assumes all risk of investments.**
- 2. No death or disability protection, other than return on investment.**
- 3. No prior service credit.**
- 4. Immediate vesting.**
- 5. Benefits based on contributions and return on investments.**

401(k) – Defined Contribution Plan (continued)

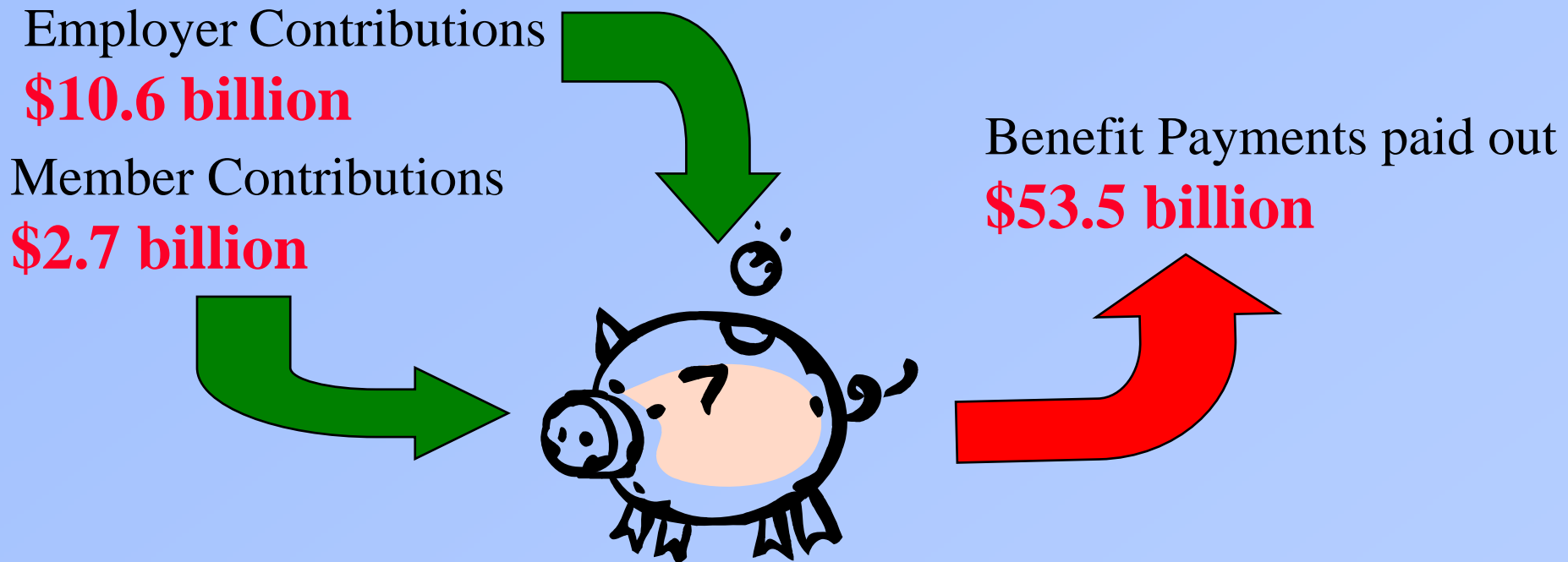
- 6. Projecting future benefits is difficult.**
- 7. No provision for COLA benefits.**
- 8. Higher degree of portability.**
- 9. Favors short-service employees.**
- 10. Much more work for employees – monitoring accounts, returns, fees, etc.**
- 11. No guarantee of lifetime income in retirement.**

Public Pension Plans Are a Real Bargain For New Yorkers...

- Helps to Attract and Retain Quality Staff
- Provides Stable, Guaranteed and Affordable Income Stream for Retired Public Employees
- Provides Investment Seed Monies for New York's Businesses and Residents
- Represents Shareholders in Corporate Boardrooms



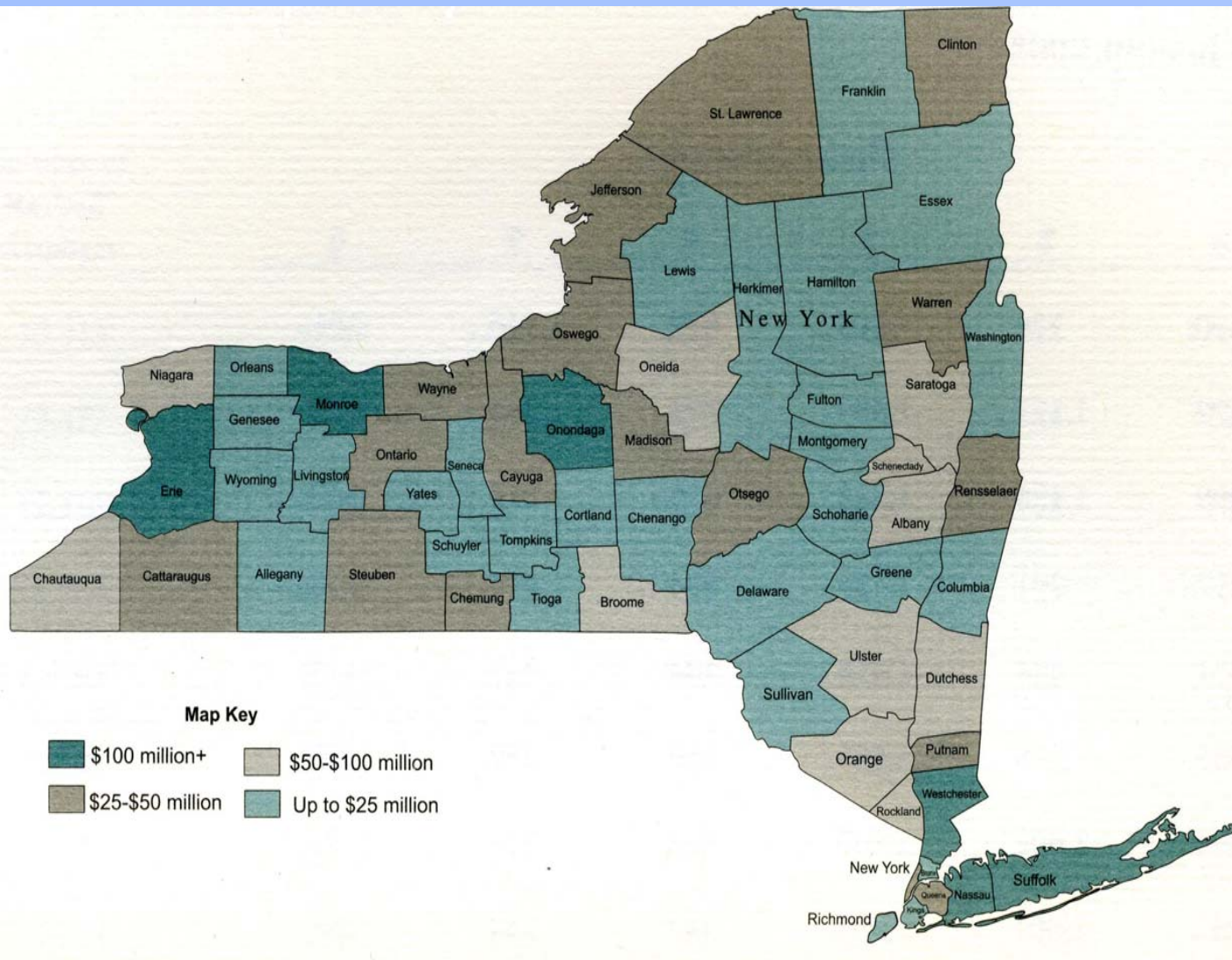
Nineteen Year Period: 1990-2009



Approx. MV of assets – 1990: \$30B

Approx. MV of assets – 2009: \$72B

Distribution of Benefits Paid by County as of June 30, 2008



County	(Top 20)	Annual Benefit
Suffolk		\$701,128,510
Nassau		362,199,541
Erie		352,093,249
Monroe		242,638,981
Westchester		227,286,377
Onondaga		153,486,314
Dutchess		94,578,940
Orange		93,290,995
Saratoga		88,764,346
Rockland		87,006,022
Albany		83,904,523
Oneida		82,079,602
Niagara		76,272,813
Ulster		69,349,628
Broome		62,886,096
Chautauqua		54,728,641
Schenectady		50,451,885
Ontario		47,467,893
Oswego		42,845,521
New York		42,417,002

For the full list of counties, refer to page 102 in the NYSTRS 2008 Annual Report.

Tier 5 bill -

- **3% member contributions throughout**
- **No pre-62 retirement**
- **Formula change – 2.0% after 25 years (instead of 20)**
- **10-year vesting (instead of 5)**
- **Effective for members joining on or after March 1, 2009**

(Gov's original Bill)



Tier 5 bill (cont'd) -

- **New Entrant Rate of 8.4% (currently equal to 11.8%)**
- **When would actual ECR savings be achieved? *A: Down the road***



NY State of Mind -

**Other NY Ret. System ECR's –
(New York State)**



NYS&L ERS –	Tier 1:	9.3%
	Tier 2:	8.6%
	Tier 3/4:	7.0%

NYS&L Police & Fire –	Tier 1:	20.0%
	Tier 2:	15.4%

The BIG Apple -

Other NY Ret. System ECR's – (New York City)

NYCTRS: 27.4%

NYCERS: 19.0%

NYCBERS: 19.6%

NYC Police: 64.3%

NYC Fire: 82.6%



Nationwide Data

Employer Contribution Rate:

- **Range 0 – 35%**
- **Median 8.5%**
- **Average 9.7%**

California STRS

ECR – 8.25%

Employee – 8%

Ohio STRS

ECR – 14%

Employee – 10%

Connecticut

ECR – 15.28%

Employee – 6%

Massachusetts

ECR – 16%

Employee – 5 – 11%

Take Away...

We have a safe and well funded system, but we must be vigilant about political pressure for changes to TRS....