

Public employee pensions in New York state



School district employees in New York, outside of New York City, generally belong to one of two public pension systems: the New York State Teachers' Retirement System (TRS) and the New York State Employee Retirement System (ERS). TRS members include teachers, counselors, and principals, while support staff members are generally part of ERS.

The pension benefits that individual retirees receive depend on various factors, including their salary, when they began working, and their length of service.

The pension systems have three primary sources of revenue:

- Employee contributions, based on a set percentage of an employee's salary, depending when they entered the pension system;
- Employer contributions, which each system sets annually as a percentage of employee salaries; and
- Investment income realized by each pension fund.

Each pension system determines employer contribution rates annually based on what it will take to meet current and future

The majority of retiree benefits are funded by investment income. When the economy was slow in recent years, government employers – taxpayers – had to make up the difference to keep the systems funded sufficiently. With improvements in financial markets, schools and taxpayers will see some relief from this cost in the coming year.

liabilities (pension payments) and the fund's investment performance. Therefore, as economic conditions fluctuate, so too do the actuarially determined rates paid by government employers — those that directly impact taxpayers. When markets are down, as they were during the most recent recession, schools often need to make difficult choices

School districts are required to participate in the pension systems. Retirement benefits are not negotiated locally between school districts and their employees.

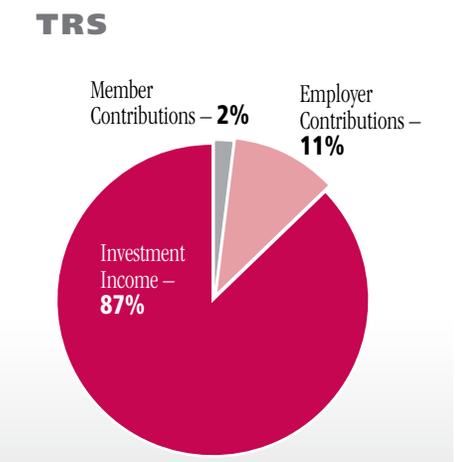
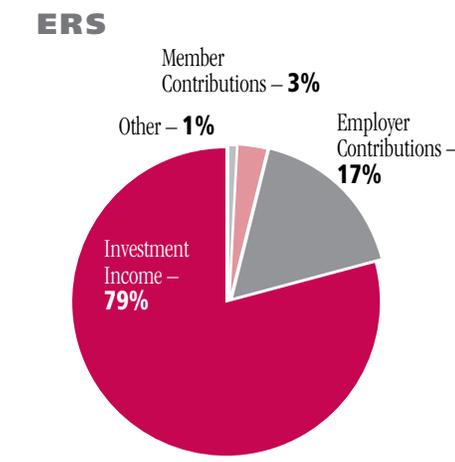
NEW YORK PUBLIC EMPLOYEE PENSION SYSTEMS BY THE NUMBERS...

ERS	TRS
609,565	270,039
Active members	Active members
389,288	155,931
Retirees & beneficiaries	Retirees & beneficiaries
\$21,285	\$41,650
Average pension benefit	Average pension benefit

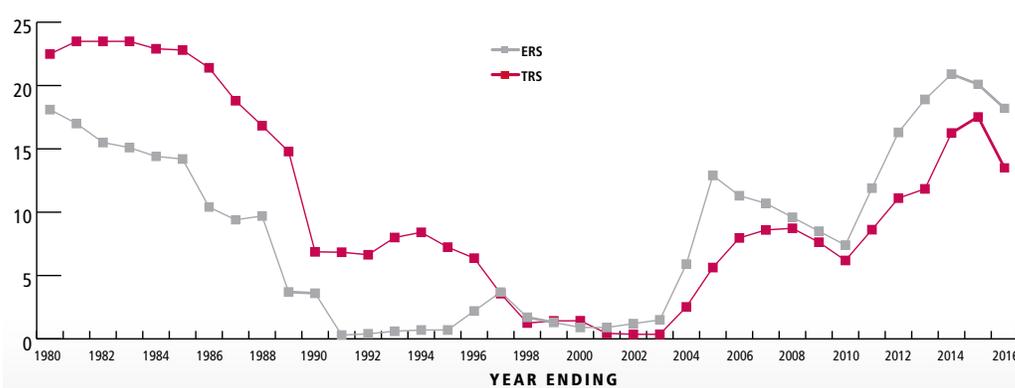
Sources for the data in this factsheet include analysis of the comprehensive annual fiscal reports of the NYS Teachers' Retirement System and New York State and Local Retirement System, accessible online at <http://www.nystrs.org/> and <http://www.osc.state.ny.us/retire/>.

about programs and taxes to meet the cost of increased contribution levels. When contribution rates moderate, it can provide schools some relief in the magnitude of these annual payments. Although the contribution rates for each system are expected to decrease in the coming year, they remain high in comparison with most of the last 35 years.

Breakdown of Pension Fund Income Sources, 1995-2014



ANNUAL EMPLOYER CONTRIBUTION RATES

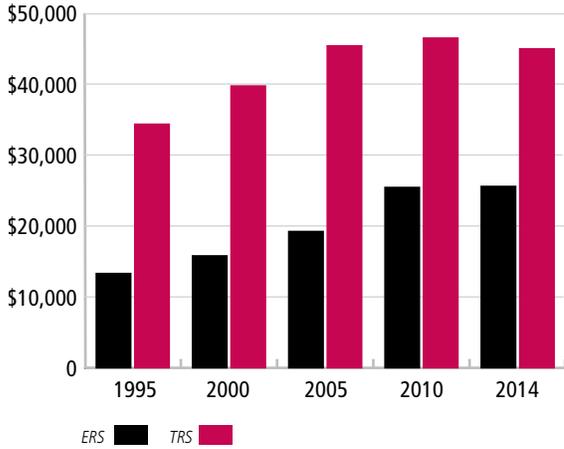


* For TRS 2015-16, estimated maximum rate is shown

TRENDS OVER TIME: PENSION BENEFITS AND SCHOOL DISTRICT COSTS

Average Pension Benefits for New Retirees

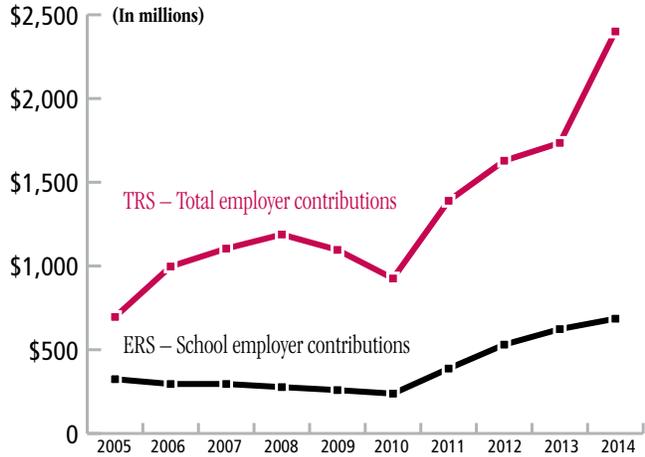
The chart below shows the average pension benefits of new retirees for each system at intervals over the last 20 years.



*TRS based on maximum benefit, although some retirees may have chosen another option.

School Pension Costs - 10 Year History

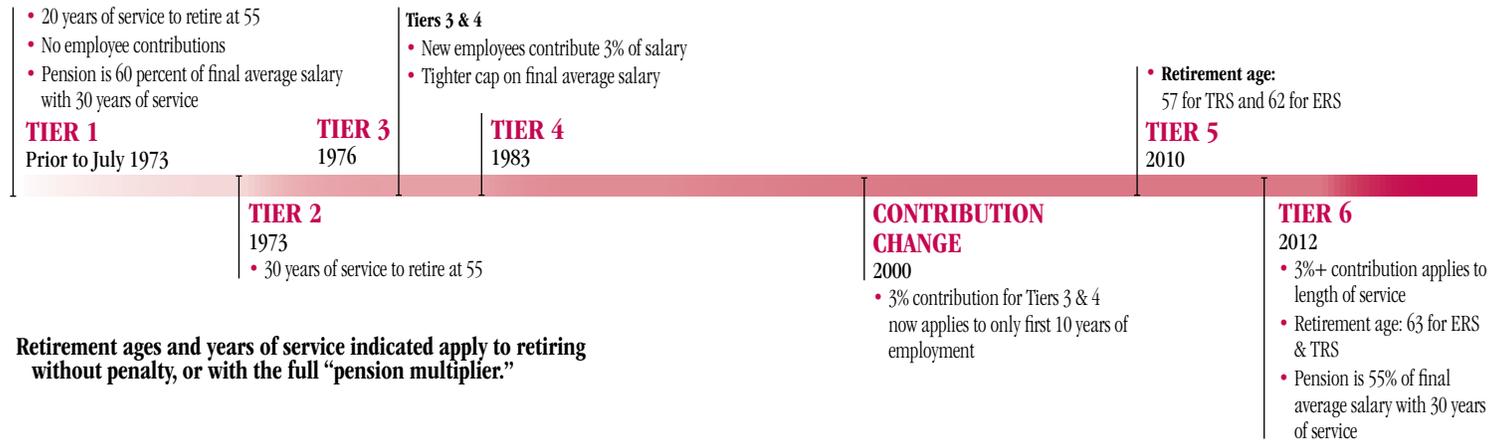
This chart shows the total contributions employers made to each system over the last 10 years. For ERS, this chart specifically reflects system contributions made by school employers, while TRS reflects total employer contributions; the vast majority of employers who contribute to TRS are public school districts.



PURSuing PENSION SAVINGS: MEMBERSHIP TIERS

Over time, lawmakers have tried to reduce future pension costs for state and local governments and school districts by creating new “tiers.” Tiers are essentially levels of membership, based upon when an employee began service, that carry different benefits and employee contribution requirements. This timeline shows some of the major changes to public employee pensions as new tiers have been added. Employees are members of the tier that was most recently implemented at the time they are hired. For example, an employee hired in 2011 is a member of Tier 5.

PROGRESSION OF PENSION TIERS IN NEW YORK



Retirement ages and years of service indicated apply to retiring without penalty, or with the full “pension multiplier.”

ACTIVE MEMBERS BY TIER

	ERS		TRS	
	Number	% of total	Number	% of total
Tier 1	5,249	1%	1,439	1%
Tier 2	6,297	1%	1,810	1%
Tiers 3 & 4	482,520	79%	222,545	85%
Tier 5	57,229	9%	19,124	7%
Tier 6	58,270	10%	17,368	7%

PENSION PAYMENTS AND THE STATE'S TAX LEVY “CAP”

Under the provisions of the state’s property tax levy cap formula, school district pension costs that are attributable to an increase in the mandated employer contribution rate beyond 2 percentage points are excluded from the cap. Because the contribution rates for each system are expected to decrease slightly in the coming school year, there will be no exclusion from the tax levy limit calculation for pension costs. Regardless of whether or not an exclusion applies, school districts are required to make their full pension payments. In fact, the amount each school district owes for pension contributions is automatically deducted from state aid payments before they are received.