

Public Pensions and NYSTRS: The Real Deal

NYS Teachers' Retirement System
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NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

About NIRS

Who we are

- Research & education organization
- Non-partisan, non-profit
- Founded in 2007 by CII, NASRA, NCTR
- Based in Washington, DC

What we do

- Conduct research on the role of pensions for:
 - Employees/Retirees
 - Employers
 - Economy at Large
- Educate media, policymakers, other audiences



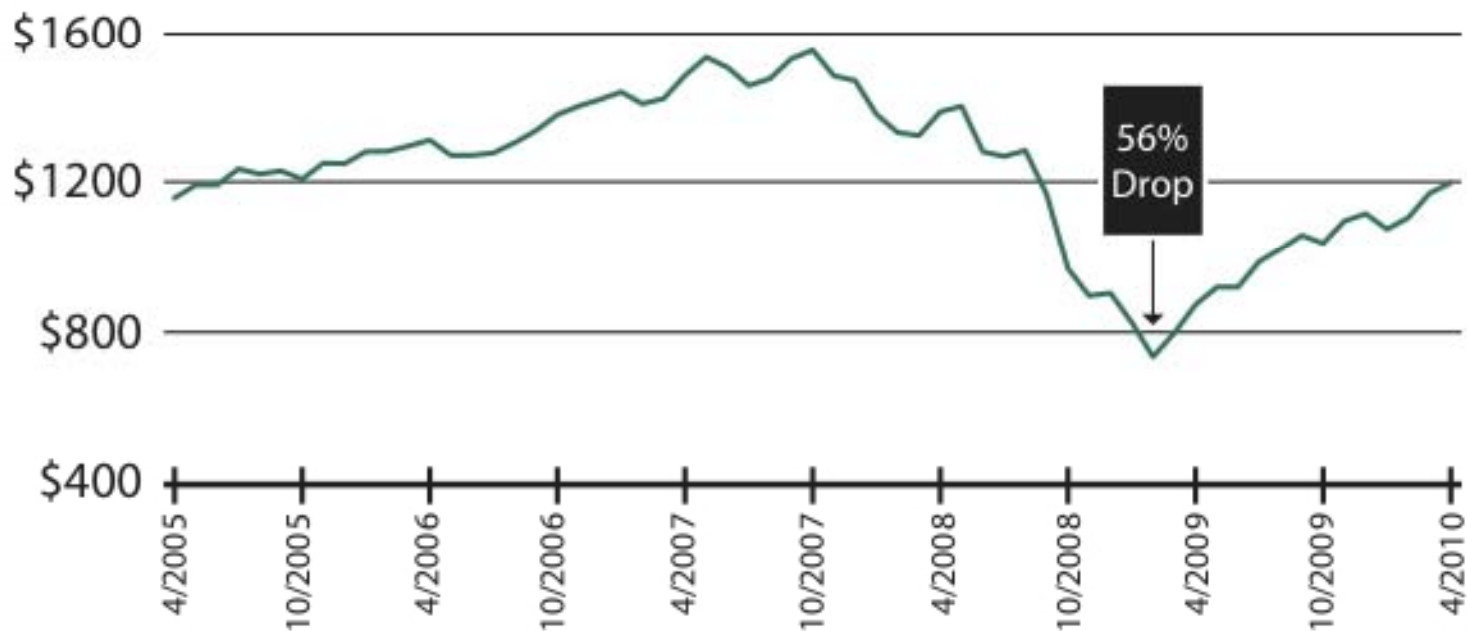
Agenda

- How has the economy affected public plans nationally? NYSTRS?
- Does having a pension still make sense?
For whom?
- Q&A



2008-2009 Saw Historic Market Decline and Recession

Performance of the Standard and Poor 500 Index



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Pensions Had Reserves Stored Before Crash

- Thanks to prefunding, states had lots of pension reserves saved up before the crash.
- States saved about 87 cents for every dollar in benefits they will need to pay in the future.



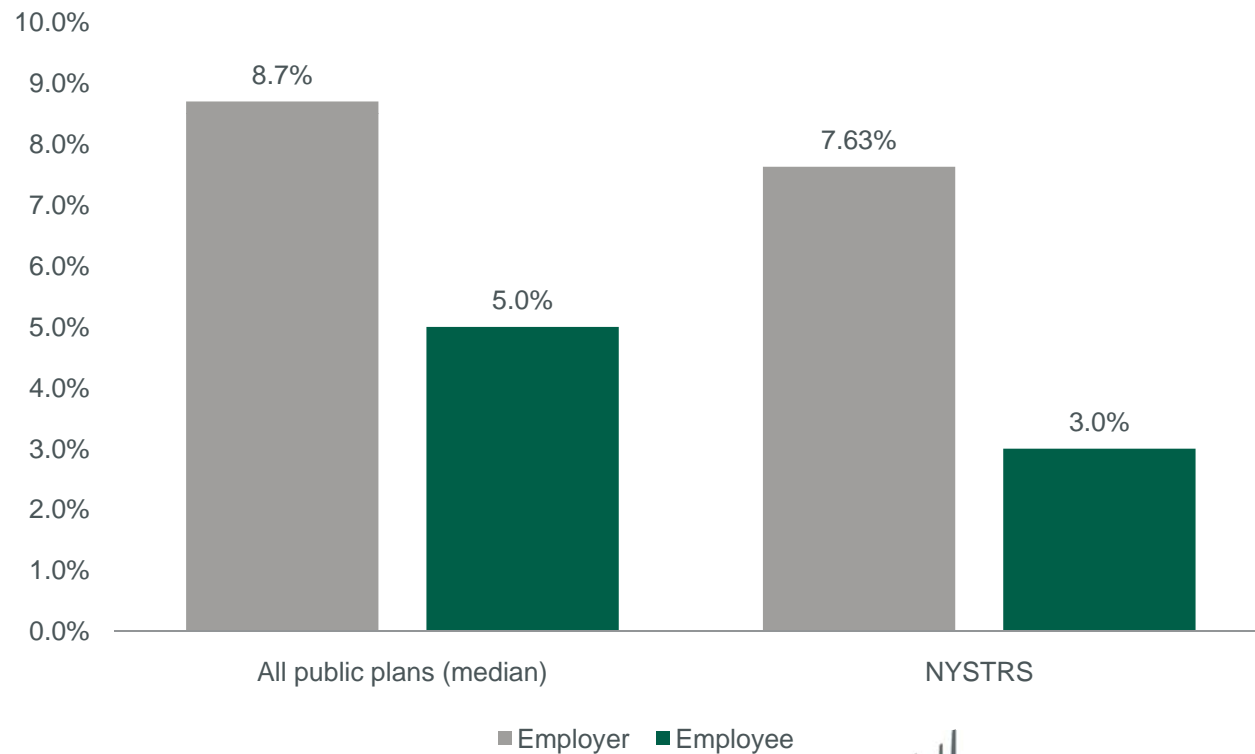
The Economic Downturn Has Affected Public Plans

- The funding level of public plans fell from 87% in 2007 to 85% in 2008.
- Funding levels will continue to decline with new valuations.
- **NYSTRS was fully funded (100%)** at last valuation.



Public Pension Funding is a Shared Responsibility

2008 Employer and Employee Contributions (% of payroll)



Investment Earnings Do Much of the Work Over Time

- Public pension fund receipts over the past 15 years:



- Taxpayers contribute **21 ¢ on the dollar** of total pension receipts.

Investment Earnings Go Even Further for NYSTRS

- NYSTRS receipts over the past 20 years:

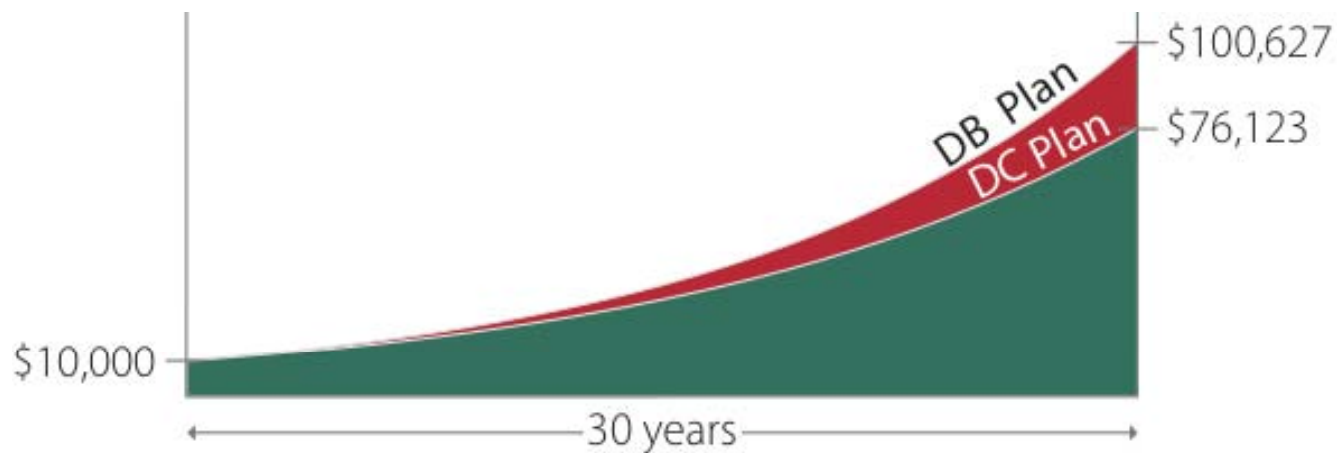


- NY taxpayers contribute **11 ¢ on the dollar** of NYSTRS receipts.

Pensions Achieve Higher Returns than 401(k)s

- DBs average 8% return per year; DCs 7%.

How \$10,000 Invested Grows Over 30 Years



- NYSTRS has achieved **9.25%** annually since 1985.

Pensions Are Still Important

- The traditional three-legged stool is still the best way to achieve retirement security.
 - Social Security provides a basic benefit.
 - Your pension helps you to maintain a middle-class standard of living.
 - Savings provides important supplemental income.



Pensions are Different from 401ks

- Pensions provide monthly income that cannot be outlived...
- **Savings can run out.**
- Pensions often provide disability and spousal benefits...
- **401(k) plans do not.**
- These characteristics make pensions unique.



DC Plans Were Meant as Supplements

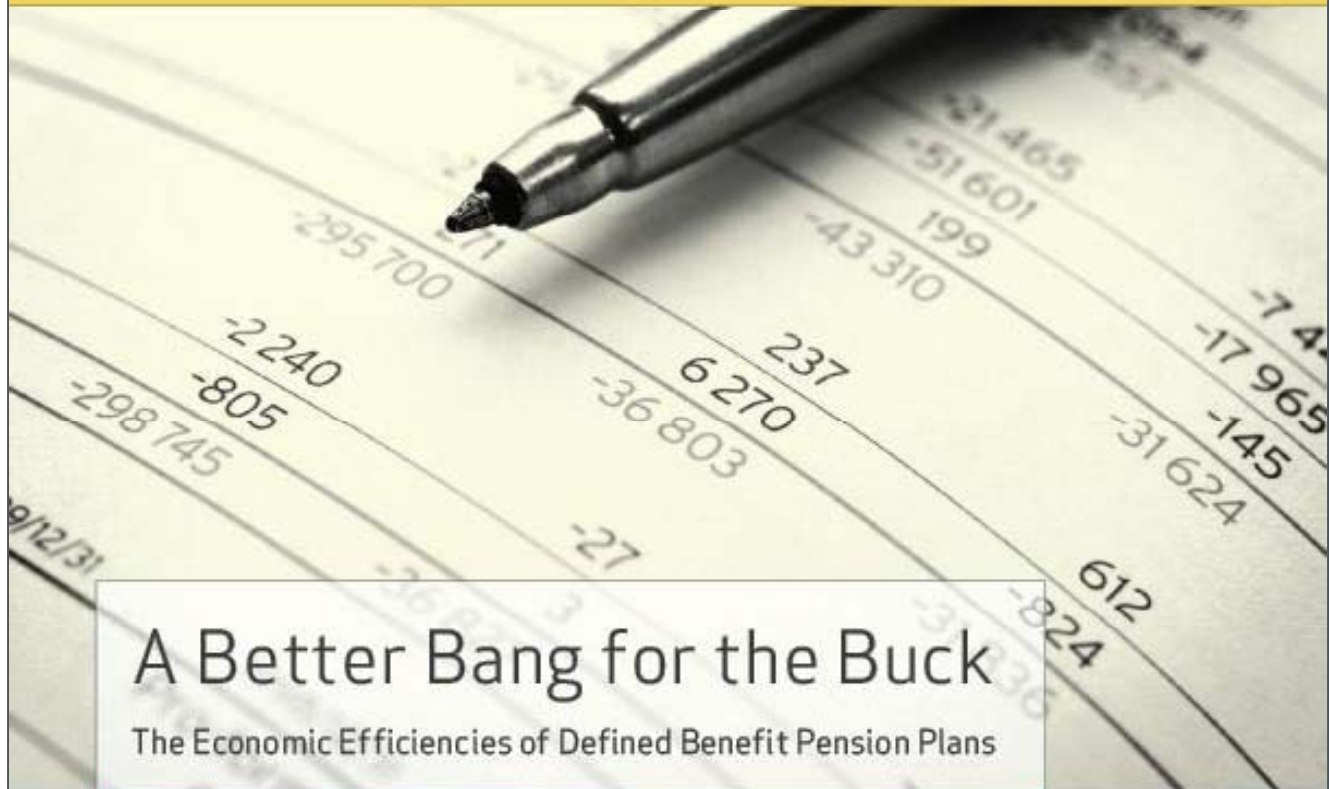
- DC plans were never meant to replace DBs—but this has been the private sector trend.
- This has been devastating. Those without pensions...
 - May have to reduce expenses by 1/3 or more.
 - Are 6x more likely to be in poverty.
 - Face large financial risks in retirement.





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A Better Bang for the Buck

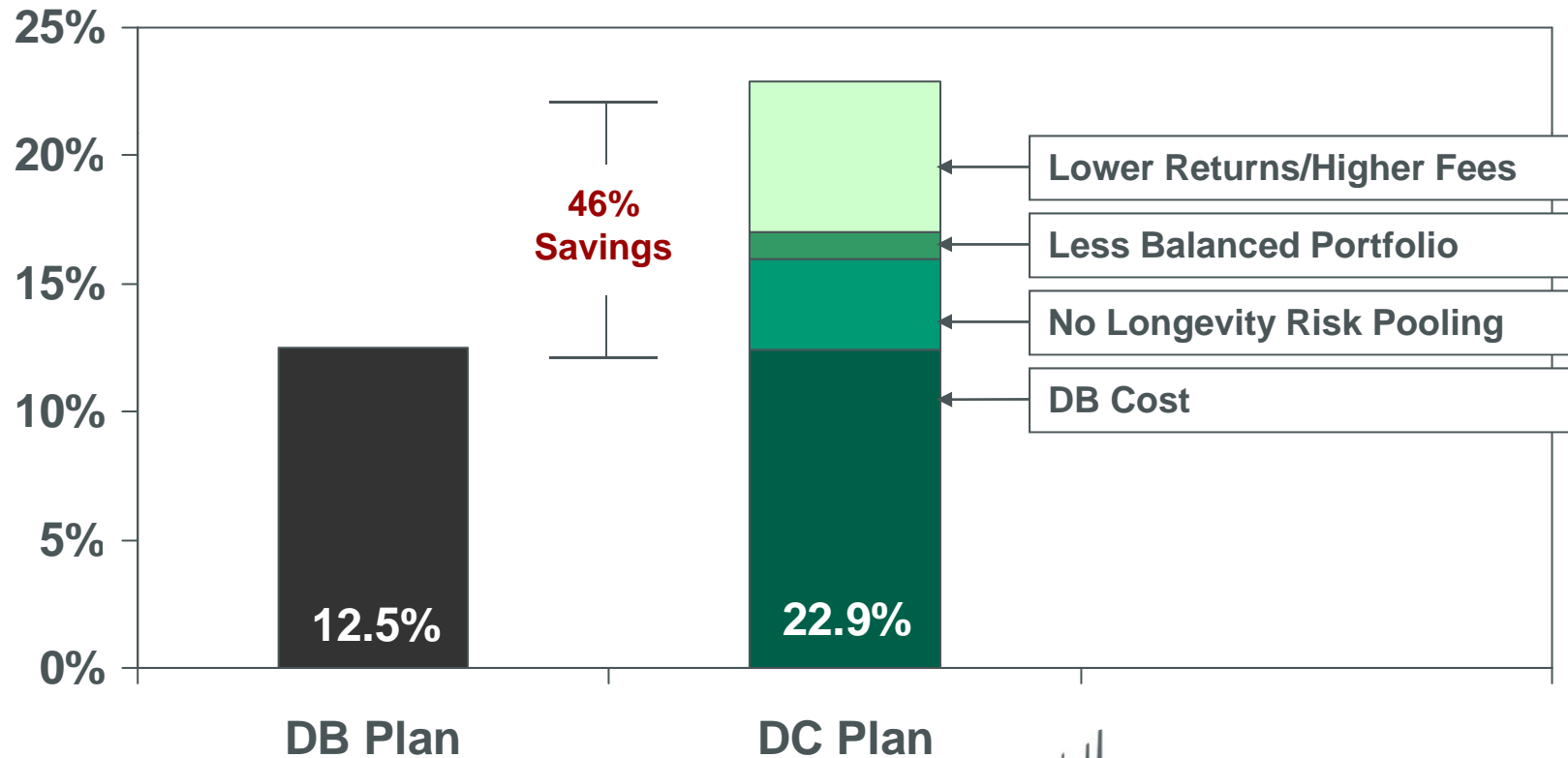
The Economic Efficiencies of Defined Benefit Pension Plans

by Beth Almeida and William B. Fornia, FSA

August 2008

DB Plan Can Deliver Same Benefit at Half the Cost of DC Plan

Cost of DB and DC Plan as % of Payroll



Source: NIRS Report *A Better Bang for the Buck*, 2008

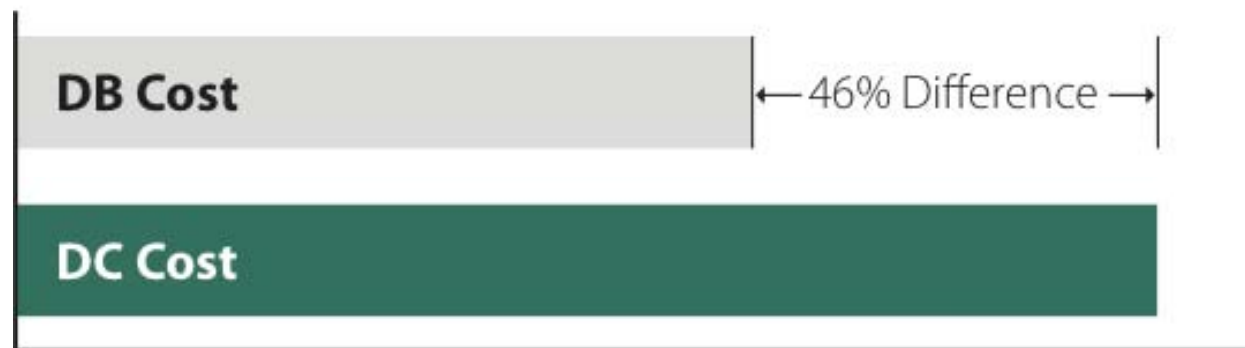


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Pensions Are Extremely Cost-Effective

- DB plans are the most economical way to fund retirement.

Cost to Achieve a Target Benefit in Retirement



- Not only do DBs do the retirement job more effectively than DCs, but they're a lot less expensive to boot.



Pensionomics

Measuring the Economic Impact of State and Local Pension Plans

by Ilana Boivie and Beth Almeida

February 2009

Pensions Have Huge Economic Impacts

Expenditures from public pension benefits supported:

- **2.5 million jobs** that paid **\$92 billion** income
- **\$358 billion** in economic output
- **\$57 billion** in tax revenue



Pensions Have Huge Economic Impacts in NY

Expenditures from public pension benefits supported:

- **137,000 jobs** that paid **\$10.5 billion** in income
- **\$24 billion** in economic output
- **\$4 billion** in tax revenue

... all within the state of New York



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NY Sees a Huge Economic Ripple Effect

- For each \$1 paid out in benefits, **\$1.41 in total economic activity** was supported
- For every dollar contributed by taxpayers, **\$9.61 in economic activity** was supported

... all within the state of New York



Making the Case for Pensions

- **Employees:** Modest, secure benefits
- **Employers and Taxpayers:** Economically efficient way to fund retirement
- **Local business:** Pension expenditures help the bottom line

**The Bottom Line:
Pensions Are a Classic “Win-Win”**



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RETIREMENT SECURITY MATTERS

Nearly half of U.S. workers do not have access to a retirement plan at work. **DO YOU?**

→ TELL US YOUR STORY

FOCUS

Patience is a Virtue: Asset Allocation Patterns of DB DC Plans



Public and private retirement funds represent a considerable source of capital in the United States' financial markets. In 2007, retirement plans held close to \$9 trillion in assets.

[Read More >](#)

MORE RESEARCH >>

NEWS

Experts Tell Congress Pension Funds Are Economic Engines, Provide Critical Investment Capital



July 10, 2008, Washington, D.C. – At a hearing today before the Joint Economic Committee, witnesses testified that pensions are fundamental to ensuring retirement security for Americans.

[Read More >](#)

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EXCHANGE

It's A Good Day for Pensions



At a Congressional hearing before the [Joint Economic Committee](#) yesterday, [Rep. Earl Pomeroy](#), D-N.D., declared it a good day for pensions. First, [Senator Robert Casey](#), D-Penn., has convened the hearing to examine the economic and retirement security benefits of pensions.

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MORE COMMENTARY >>

Questions??

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