The Role of the Delegate
Ambassador of NYS Teachers’ Retirement System

2019 Annual Delegates Meeting
Role of the NYSTRS Delegate

As a delegate of your district, you have two main functions:

1. Elect teacher members to the Retirement Board at the Annual Delegates Meeting; and

2. Serve as an ambassador between NYSTRS and the members in your district.
Main Types of Retirement Plans

Defined Contribution Plan (DC)
- Benefit based on your contributions and market performance.
- No guarantee of the benefit; it is determined by market performance.

Defined Benefit Plan (DB)
- Benefit based on a formula.
- Guaranteed monthly payment, regardless of market performance.
Pension Industry News

In April, the U.S. Government Accountability Office reported that about half of American households over the age of 55 have nothing saved for retirement.
Multiemployer pension plans garnered national headlines and congressional attention this year. Millions of Americans across the country depend on multiemployer pension plans for their retirement. In July, the House of Representatives passed the Rehabilitation for Multiemployer Pensions Act.
In July, Kentucky signed a bill into law that freezes the pension payments for quasi-governmental institutions for another year, essentially allowing them to pay half of their bill until it significantly increases after 2020. The law also allows those agencies to leave the state's pension system and pay off their debt, with interest, over the next 30 years; those agencies can also now move employees hired after 2013 out of the state retirement system.

https://www.pbs.org/wgbh/frontline/film/the-pension-gamble/
Pension Industry News

In September, a lawsuit was filed in state Supreme Court representing local St. Clare’s Hospital employees who have lost part or all of their vested pension rights when the pension plan folded in November 2018.
Pension Industry News

In October, General Electric announced it was freezing the pension plans of about 20,000 of its workers and offering pension buyouts to 100,000 former employees in an attempt to reduce its mountain of debt and pension deficit.
Noise About Pension Plans
Our Agenda

Serving in the Role of Ambassador

• Pension Education Toolkit (NYSTRS.org)
  ▪ Benefits of the Defined Benefit Pension System
  ▪ Economic Impact of Pension Across the State

• Educational Resources for You and Members

• NYSTRS’ Mission and Vision
Pension Education Toolkit

Located within the Library section on our public website (NYSTRS.org), the Pension Education Toolkit is designed to help deepen your understanding of defined benefit public pension plans and the strength of our retirement system.

Supplemental information is located on our Facts & Research page.

Additional data available through our Public Pension Partners.
Common Misconception:
Taxpayers fund the bulk of the defined benefit plans.
U.S. Public Pension Revenue

State and Local Pensions

- Investments: 63%
- Employers: 26%
- Members: 11%

1989 - 2018

National Association of State Retirement Administrators
NYSTRS Pension Revenue

1989 - 2019

85%

13%

2%

Investments

Employers

Members
NYSTRS Employer Contributions

- The NYSTRS employer contribution rate (ECR) is expressed as a uniform percentage of member payroll and is set more than a year in advance of its collection.

- The rate is determined annually by the System’s valuation of its assets and liabilities.

- Except in the case of a few employers, required to pay directly, payments are deducted from State Aid apportioned during September, October and November of each school year.
The Pension Dollar

Cents and Sensibility

Providing our members with a secure pension is a shared responsibility. Over the past 30 years, earnings on investments and member contributions produced the bulk of NYSTRS' income. Taxpayers contribute by way of employer contributions. The result of this shared commitment is a well-funded plan.

A breakdown of the NYSTRS pension dollar
30 years ending 6/30/2019
Common Misconception:
Current workers are funding the benefits of retirees.
Advance Funding

NYSTRS invests the employer and member contributions throughout a member’s career and accumulates the assets necessary to provide a fully funded benefit in retirement.
Benefits of Advance Funding

Generational Equity
• Each generation of taxpayers pays only for the benefits earned by its public employees as they work.

Investment Income
• The System is able to collect and invest money, reducing employer costs.

Level Contributions
• Allows for a more level contribution pattern.

Strong Portfolio
• Protects the fund and allows the System to weather turbulent markets.
Employer Contributions

*Lessons from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm.*

“The most fundamental principle in ensuring a plan achieves a 100% funding ratio is ensuring that the plan sponsors pay the entire amount of the annual required contribution (ARC) each year, because anything short of a full ARC payment will have a negative impact on the plan’s funding ratio in the long run.”
Common Misconception: Defined Benefits are expensive to administer.
“The study calculates that the economic efficiencies embedded in defined benefit (DB) pensions enable these retirement plans to deliver the same retirement income at a 48% lower cost than 401(k)-type defined contribution (DC) accounts.”
Cost Savings Drivers

1. **Pooled Longevity Risk** (10% cost savings)
   An individual investor must save more, in case they live beyond average life expectancy.

2. **Balanced Portfolio** (11% cost savings)
   An individual investor typically moves to lower risk, thus lower return, investments as they age. A DB plan is “ageless.”

3. **Higher Investment Returns** (27% cost savings)
   An individual investor incurs higher management costs than those associated with a DB plan.
Investment Returns

The Center for Retirement Research at Boston College reported that from 1990-2012, DB plans outperformed 401(k)s by an average of 0.7% per year.

In addition, much of the money accumulated in 401(k)s is eventually rolled over into IRAs which, after fees, earn even lower returns.
Role of Fees in the Plan

- In Defined Contribution (DC) plans, investment fees typically account for 80-90% of total expenses.

- DC plans invest through mutual funds and those funds charge fees for buying and selling the stocks within the fund, as well as the research involved that drives the buy and sell decisions.

- These fees can sometimes exceed 1.5% ($1.50 per $100 invested) depending on the fund type. If the fund achieves a 6% return, the net return after fees might only be 4.5%! 
Internal management of assets means lower investment fees. Lower fees mean more money for benefits and investing, and a lighter burden for employers and the taxpayers who fund them.

Overall, NYSTRS manages its investments at a cost of about 26¢ per $100 — well below the 60¢ or more it costs to manage that same amount in a 401(k).

- Internally Managed - Active: $30.9B (59%)
- Externally Managed - Passive: $18.1B (26%)
- Externally Managed - Active: $71.4B (15%)

Assets Under Management
Economic Impact of Pensions

- Paying Taxes
- Supporting Local Businesses
- Supporting Their Communities
In 2016, $578 billion in pension benefits were paid to approximately 27 million retired Americans.

Spending of those defined benefit pensions:
• Generated $1.2 trillion in total economic output,
• Supported about 7.5 million jobs across the country, and
• Produced over $202 billion in tax revenue.
Pensionomics 2018

In 2016, over 900,000 residents of New York received nearly $30 billion in pension benefits from state and local pension plans.

Expenditures stemming from state & local pensions:
• Generated over $42 billion in total economic output
• Poured close to $10 billion into tax revenues, and
• Supported 251,000 jobs, paying nearly $16 billion in wages.
In addition, within the state of New York:

• Each $1 in pension paid out supported $1.69 in total economic activity.

• Each $1 “invested” by taxpayers in these plans supported $7 in total economic output.
NYSTRS paid out $7.3 billion in benefits in 2018-2019.
Benefits Paid by County

Benefits Paid to NYS Residents

Map Key
- $100 million+
- $50-$100 million
- $25-$50 million
- Up to $25 million

To see total payments and number of benefit recipients by county, visit About Us > Press Room at NYSTRS.org.
DB Plans = Quality Education

The defined benefit plan is the most cost-effective, efficient vehicle available to provide retirement security to current and future retirees.

The traditional defined benefit pension plans are vital for attracting and keeping highly qualified, experienced public school teachers.
Delegate as Ambassador
Additional Resources
Delegate News

• Emails that keep delegates (and alternates) informed of important System information and policies.

• We encourage you to share the Delegate News.
The following information was recently provided to NYSTRS’ participating employers. As a Retirement System delegate, it is important you are aware of these issues.

Delegate News

Issue No. 2019-8
September 2019

Help Prepare Your Employees for Retirement; Promote NYSTRS Consultations, PREP Seminars

Among the many retirement planning tools offered by NYSTRS are personal benefit consultations and group seminars focused on retirement planning. Please encourage your employees to visit NYSTRS.org to review the 2019-20 Benefits Consultation and fall 2019 Pension & Retirement Education Program (PREP) schedules, and to book their appointments today. The schedules are accessible through the Retirement Planning page.

Chief school administrators, college and university presidents and school principals will soon receive by U.S. mail a limited number of promotional posters for display. Additional posters may be downloaded from the Retirement Planning website. Pre-service employees may also use the posters to inform students of the retirement planning services available to them.
Leaves of Absence Prior to Retirement

A number of participating employers are now offering provisions in employment contracts and collective bargaining agreements (“CBA”) that essentially provide for a period of paid leave immediately prior to retirement. The purpose of this bulletin is to reiterate the System’s position regarding the treatment, for pension purposes, of earnings paid pursuant to such provisions.

Paid Leaves of Absence Reportable to the System as “Regular Salary”:

In general, a paid leave of absence is reportable to the System as “Regular Salary” if the terms of such leave meet the following criteria:

- The paid leave of absence must be duly provided for in the governing employment contract or CBA;
- The paid leave of absence must not be tied to retirement or resignation;
- The employee is expected to return to his/her position after the leave; and,
- The paid leave of absence is available to all members of the bargaining unit or administrative staff, regardless of age or proximity to retirement.

Under these conditions, the employee is also entitled to service credit in the System for the period of the paid leave.
Welcome back to school and thank you for serving as a NYSTRS delegate or alternate. The 2019 Annual Meeting of NYSTRS Delegates is near! Scheduled for Sunday, Nov. 3 and Monday, Nov. 4 at the Saratoga Springs City Center, the meeting will feature the election of two teacher members to the Retirement Board.

Meeting information is available on the Delegates > Annual Delegates Meeting page at NYSTRS.org. You'll find:
The Delegates Page

- Annual Delegates Meeting agenda, photos, information, and PowerPoint presentations
- Copies of the Delegate News emails
- Delegate election guidelines and election results as reported by districts
NYSTRS.org

• Library
  ▪ Publications
  ▪ Videos

• Infographics

• Search Bar
Member Information Videos

- NYSTRS Benefits (4-part series)
  - Introduction
  - Service Credit
  - Calculation of a NYSTRS Benefit
  - Retirement Process
- Loans
- MyNYSTRS Accounts
- Benefit Profile Tutorial
General Information Videos

• NYSTRS: Your Team for Long-Term Success
  ▪ Our investment game plan means we're equipped to handle short-term market fluctuations without long-term consequences.

• On the Right Track with Public Pensions
  ▪ National Institute on Retirement Security Executive Director Diane Oakley addresses the assembly at NYSTRS' 2013 Delegates Meeting.
MyNYSTRS

• Benefit Profile
  ▪ Current
  ▪ Previous
• Pension Projections
Benefits Consultations

NYSTRS offers one-on-one consultations at 33 sites across New York State

• Book through MyNYSTRS; or
• Call (800) 348-7298, Ext. 6100
PREP Seminars

Pension & Retirement Education Program (PREP)

- Book through MyNYSTRS; or
- Call (800) 348-7298, Ext. 6100

- NYSTRS Benefits
- Financial Planning
- Social Security
- Estate Planning
- Retirement - A New Beginning
- The Retirement Process
Benefit Presentations

David Costello
david.costello@nystrs.org
(800) 348-7298, Ext. 4763

Be prepared to specify:
1. Proposed event date(s)
2. Number of attendees
3. Location
4. Audience type
Connect with NYSTRS

• Call us toll-free: (800) 348-7298
• Utilize Secure Messaging in MyNYSTRS
• Email general questions to communit@nystrs.org
NYSTRS Vision and Mission

Vision: To be the model for pension fund excellence and exceptional customer service

Mission: To provide our members with a secure pension

Integrity
Excellence
Respect
Resourcefulness
Diversity
Diligence
Balance
Modeling Pension Excellence

NYSTPS Modeling Excellence

85%
Percent of income from investment returns (30 years ending 6/30/19)

$99 billion growth of net assets (30 years ending 6/30/19)

26¢ per $100 approx. cost to manage plan

$123 billion net position (6/30/19)

$7.3 billion in benefits paid last year

8.8%
30-year avg. rate of return on investments