New York State Association of Counties (NYSAC)

Retirement System Update
May 17, 2021

Presented by:
Colleen C. Gardner, Executive Deputy Comptroller
THANK YOU TO OUR SPONSOR

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PKF O’Connor Davies provides accounting, audit and budget advisory services to county governments. Recognized as a premiere accounting and advisory firm, they have served the public sector for over 60 years. They deliver extensive experience in providing services tailored to the specific needs of each county government.

NYSAC ASSOCIATE PARTNER™
Colleen Gardner
Executive Deputy Comptroller
Division of Retirement Services
Office of State Comptroller
Agenda

• New York State and Local Retirement System
  • About NYSLRS
  • NYSLRS COVID-19 Response
  • Funding/Contributions
  • Actuarial Assumptions
  • Rate Trends
  • Fund and Performance
• Retirement Online Features
NEW YORK STATE &
LOCAL RETIREMENT
SYSTEM (NYSLRS)
New York State & Local Retirement System

1,160,743 Members, Retirees and Beneficiaries

Two Retirement Systems

2,962 Participating employers

327 Plan Combinations

673,336 Members
447,461 Retirees
39,946 Beneficiaries

Value of the Fund: $194.3 billion
as of March 31, 2020
NYSLRS is a Defined Benefit Plan
Fixed pension guaranteed for life, determined by:

SERVICE CREDIT
×
FINAL AVERAGE SALARY
×
a PLAN FORMULA

NOT a Defined Contribution Plan
Contributions accrued during employment, but no guarantees

NYSLRS is a Qualified Plan

NYS Retirement and Social Security Law (RSSL) establishes the benefits for members and the benefit options employers can choose for their employees.
## Membership by Tier (3/31/20)

<table>
<thead>
<tr>
<th>Tier</th>
<th>ERS</th>
<th>Percentage</th>
<th>PFRS</th>
<th>Percentage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>1,552</td>
<td>0.2%</td>
<td>24</td>
<td>0.1%</td>
<td>1,576</td>
</tr>
<tr>
<td>Tier 2</td>
<td>1,762</td>
<td>0.3%</td>
<td>20,500</td>
<td>57.6%</td>
<td>22,262</td>
</tr>
<tr>
<td>Tiers 3 &amp; 4</td>
<td>310,985</td>
<td>48.8%</td>
<td>228</td>
<td>0.6%</td>
<td>311,213</td>
</tr>
<tr>
<td>Tier 5</td>
<td>37,697</td>
<td>5.9%</td>
<td>1,955</td>
<td>5.5%</td>
<td>39,652</td>
</tr>
<tr>
<td>Tier 6</td>
<td>285,750</td>
<td>44.8%</td>
<td>12,883</td>
<td>36.2%</td>
<td>298,633</td>
</tr>
<tr>
<td>Total</td>
<td>637,746</td>
<td>100.0%</td>
<td>35,590</td>
<td>100.0%</td>
<td>673,336</td>
</tr>
</tbody>
</table>
## Membership by Employer Type (3/31/20)

<table>
<thead>
<tr>
<th>Government Type</th>
<th>ERS</th>
<th>PFRS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>207,643</td>
<td>6,785</td>
<td>214,428</td>
</tr>
<tr>
<td>Counties</td>
<td>105,939</td>
<td>5,306</td>
<td>111,245</td>
</tr>
<tr>
<td>Cities</td>
<td>18,583</td>
<td>11,745</td>
<td>30,328</td>
</tr>
<tr>
<td>Towns</td>
<td>47,833</td>
<td>4,147</td>
<td>51,980</td>
</tr>
<tr>
<td>Villages</td>
<td>15,257</td>
<td>4,175</td>
<td>19,432</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>101,807</td>
<td>3,432</td>
<td>105,239</td>
</tr>
<tr>
<td>School Districts</td>
<td>140,684</td>
<td>-</td>
<td>140,684</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>637,746</strong></td>
<td><strong>35,590</strong></td>
<td><strong>673,336</strong></td>
</tr>
</tbody>
</table>
## Average Salary by Government Type

<table>
<thead>
<tr>
<th>Government Type</th>
<th>ERS</th>
<th>PFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$ 68,559</td>
<td>$ 120,753</td>
</tr>
<tr>
<td>Counties</td>
<td>$ 55,901</td>
<td>$ 152,459</td>
</tr>
<tr>
<td>Cities</td>
<td>$ 51,666</td>
<td>$ 94,195</td>
</tr>
<tr>
<td>Towns</td>
<td>$ 44,626</td>
<td>$ 105,305</td>
</tr>
<tr>
<td>Villages</td>
<td>$ 46,530</td>
<td>$ 97,413</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$ 62,539</td>
<td>$ 184,195</td>
</tr>
<tr>
<td>School Districts</td>
<td>$ 33,686</td>
<td>N/A</td>
</tr>
</tbody>
</table>
NYSLRS - Annual Pension Benefits

$13.25 billion paid in benefits (FYE 2020)

Average ERS pension - all retirees $25,105
Average ERS pension - new retirees $31,872 (FYE 2020)

Average PFRS pension - all retirees $54,684
Average PFRS pension - new retirees $81,584 (FYE 2020)
# Pension Cohorts

(3/31/20)

<table>
<thead>
<tr>
<th>Annual Benefits</th>
<th>Service &amp; Disability Retirees</th>
<th>Percentage of Total</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 – 9,999.99</td>
<td>111,518</td>
<td>24.92%</td>
<td>24.92%</td>
</tr>
<tr>
<td>10,000 – 19,999.99</td>
<td>84,653</td>
<td>18.92%</td>
<td>43.84%</td>
</tr>
<tr>
<td>20,000 – 29,999.99</td>
<td>77,044</td>
<td>17.22%</td>
<td>61.06%</td>
</tr>
<tr>
<td>30,000 – 39,999.99</td>
<td>63,712</td>
<td>14.24%</td>
<td>75.30%</td>
</tr>
<tr>
<td>40,000 – 49,999.99</td>
<td>42,299</td>
<td>9.45%</td>
<td>84.75%</td>
</tr>
<tr>
<td>50,000 – 99,999.99</td>
<td>62,069</td>
<td>13.87%</td>
<td>98.62%</td>
</tr>
<tr>
<td>$100,000 plus</td>
<td>6,166</td>
<td>1.38%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Total 447,461 100%
# Pensions Greater Than $100k (3/31/20)

<table>
<thead>
<tr>
<th>System</th>
<th>&gt; $100k</th>
<th>Total Retirees</th>
<th>% &gt; $100k</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERS</td>
<td>2,387</td>
<td>412,235</td>
<td>0.58%</td>
</tr>
<tr>
<td>PFRS</td>
<td>3,779</td>
<td>35,226</td>
<td>10.73%</td>
</tr>
<tr>
<td>Total</td>
<td>6,166</td>
<td>447,461</td>
<td>1.38%</td>
</tr>
</tbody>
</table>
ECONOMIC IMPACT OF NYSLRS RETIREES
$15.2 Billion IN SPENDING*

Responsible for an estimated 77,900 jobs as a result of spending in NYS

*As of calendar year 2019
$2.8 Billion IN TAXES*

Property Tax: $1.99 Billion
State Sales Tax: $380 Million
Local Sales Tax: $380 Million

*As of calendar year 2019
NYSLRS
COVID-19 Response
The Retirement System is committed to providing uninterrupted service to employers and members throughout the COVID-19 emergency.
Many employers have had questions about how to report staff affected because of furloughs or taking leave related to COVID. See this page for comprehensive information about reporting.

https://www.osc.state.ny.us/retirement/employers/covid-19-guidance-employers
COVID-19 Response – Employers

Topics covered:

• Furloughed employees and loan payments
• Reporting members who are furloughed
• Reporting members who are being paid or on paid leave
• Special instructions for those using enhanced reporting
• Reporting members under Families First Coronavirus Response Act and Emergency Family and Medical Leave Expansion Act Reporting
COVID-19 Response – Members

The COVID emergency has brought unprecedented disruption to the public employees we serve. We have provided this page to help understand actions they can take should they be affected by COVID-19.

https://www.osc.state.ny.us/retirement/members/covid-19-help-center
COVID-19 Response – Members

This page provides guidance to members and employers about actions that can be taken to protect a member’s benefit.

Advise employees to consider:

- Reviewing and updating designated beneficiaries
- Submitting a Power of Attorney (POA) to NYSLRS (correct POA Template on our website)
- Filing a Disability Retirement Application if hospitalized due to COVID-19
COVID-19 Response – Members

Other topics:
• Filing for Service Retirement through Member Retirement Online account
• 15-day retirement waiting period waiver*
• Waiver of earnings limit for retirees in public employment*
• Allowance for notarization to be performed by audio-video technology*
• The COVID-19 accidental death benefit

*Waivers provided by Executive Order are reviewed monthly by Governor for extension – currently effective through June 5, 2021
COVID-19 Accidental Death Benefit

New legislation provides statutory beneficiary (spouse or dependent children) the option to receive a monthly pension payment in lieu of Ordinary Death Benefit when a member:

• Worked at either their normal workplace or another assigned workplace, not their residence, as directed by their employer, on or after March 1, 2020;
• Contracted COVID-19 within 45 days of the last day that the member reported for work;
• Died on or before December 31, 2022; and
• Died from COVID-19 or COVID-19 caused or contributed to their death.

Additional COVID-19 Resources Offered by OSC

https://www.osc.state.ny.us/covid-19/financial-toolkit

• Links to Financial and Health related information and services for Individuals and Families

• Resources for Small Businesses, Local Governments and Non-Profits

• The Office of the State Comptroller’s Division of Local Government and School Accountability has created a financial toolkit to offer guidance to municipalities in these challenging times: Financial Toolkit for Local Officials in 2020 and Beyond.

https://www.osc.state.ny.us/local-government/financial-toolkit
FUNDING AND CONTRIBUTIONS
How Pensions Are Funded*

29¢ Employer Contributions

2¢ Employee Contributions

68¢ Investment Earnings

*Numbers may not add up to 100 percent due to rounding. NYS pensions paid April 1, 2000 – March 31, 2020
Actuarial Funding

On a present value basis (not an annual basis):

\[ B + E = I + C_{\text{employee}} + C_{\text{employer}} \]

Some algebra...

\[ C_{\text{employer}} = B + E - I - C_{\text{employee}} \]
Effect on Contributions

$$C_{employer} = B + E - I - C_{employee}$$

If benefits, expenses, and employee contributions are held constant, a change in the expected investment income results in a change in the employer contributions.
How Contribution Rates Are Determined

- At the beginning of each fiscal year (April 1), the Actuary performs an actuarial valuation.
  - The Actuary determines the dollar amount needed to pay all current and future benefits (actuarial liabilities).
- The Actuary also establishes the actuarial value of NYSLRS’ assets, using a smoothing method to mitigate employer contribution rate volatility.
  - The actuary is required by the RSSL to recommend to the Comptroller at least once every five years an assumed return on investments.
- When the current value of benefits is greater than actuarial assets, the difference must be made up through employer contributions.
  - That difference is amortized or “spread” over the working lives of current members to determine annual contributions required.
Assumed Rate of Return – 6.8%

• The assumed rate of return impacts employer contribution rates.
• Contribution rates are adjusted based on actual and assumed returns and other factors such as mortality rates.
• For the actuarial valuation (4/1/19), the actuary recommended reducing the assumed return from 7.0% to 6.8%, anticipating a lower return environment.
  • By itself, this assumption change generates losses which increases employer contribution rates.
  • Other gains helped to offset these rate increases such as updating the mortality improvement scale to MP-2018 and new entrant gains.
  • This resulted in a stable ERS system average rate of 14.6% for FYE 2021 and a small increase in the PFRS system average rate to 24.4% for FYE 2021.
• The Actuary monitors the investment returns and forecasts of economic growth, inflation, and interest rates to determine if adjustments should be made in the assumed return rate.
We went into this pandemic crisis as one of the best-funded State Pension Funds in the nation.

The value of the Fund as of March 31, 2020 decreased as global markets declined at the onset of the COVID-19 pandemic. This coincided with our fiscal year end.

We didn’t meet our assumed rate of return in FYE 2020, and rates will increase for FY 2022.

The Fund remains strong and returns have bounced back.

We have plenty of liquidity and we have weathered big storms before.

We are calculating Fund value for FYE 2021, and estimates indicate Fund has regained losses and we are well-funded.
Employers’ Pension Contribution Rates

• The value of the Fund for FYE 2020 will first begin to factor into employer contribution rates for FYE 2022.
  • Impact will be spread over 5 years.
  • Average ERS contribution will increase 1.6% to 16.2% of payroll
  • Average PFRS contribution will increase 3.9% to 28.3% of payroll
• Employers may amortize a portion of increase
• Limited tax cap exclusion for increase in PFRS rates
• Projected contribution rates for FYE 2022 were provided in September.
# Gain/Loss Analysis

<table>
<thead>
<tr>
<th></th>
<th>ERS</th>
<th>PFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2021 Estimated Contributions (2/1/21 Payment)</strong></td>
<td>14.6%</td>
<td>24.4%</td>
</tr>
<tr>
<td><strong>Changes Due to Gains/Losses In:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2016 Investment Performance (0.2% v 7.0%)</td>
<td>1.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>FY 2017 Investment Performance (11.5% v 7.0%)</td>
<td>-0.6%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>FY 2018 Investment Performance (11.4% v 7.0%)</td>
<td>-0.6%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>FY 2019 Investment Performance (5.2% v 7.0%)</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>FY 2020 Investment Performance (-2.7% v 6.8%)</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>FY 2020 Experience</td>
<td>-0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Mortality Improvement Scale MP-2018 to MP-2019</td>
<td>-0.2%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Pensioner &amp; Bene Mortality</td>
<td>1.3%</td>
<td>2.4%</td>
</tr>
<tr>
<td>other Decrements (withdrawal, retirement, death benefits)</td>
<td>-0.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Tier 6 New Entrant</td>
<td>-0.8%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>GLIP, Administrative Contributions</td>
<td>0.0%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-0.1%</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>1.6%</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>2022 Estimated Contributions (2/1/22 Payment)</strong></td>
<td>16.2%</td>
<td>28.3%</td>
</tr>
<tr>
<td>Year</td>
<td>Average Rate</td>
<td>Year</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>------</td>
</tr>
<tr>
<td></td>
<td>ERS</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>20.4</td>
<td>1991</td>
</tr>
<tr>
<td>1976</td>
<td>19.7</td>
<td>1992</td>
</tr>
<tr>
<td>1977</td>
<td>19.6</td>
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<td>1978</td>
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<tr>
<td>1979</td>
<td>18.8</td>
<td>1995</td>
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<td>1980</td>
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<td>1996</td>
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<td>1981</td>
<td>17.0</td>
<td>1997</td>
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<tr>
<td>1982</td>
<td>15.5</td>
<td>1998</td>
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<tr>
<td>1983</td>
<td>15.1</td>
<td>1999</td>
</tr>
<tr>
<td>1984</td>
<td>14.4</td>
<td>2000</td>
</tr>
<tr>
<td>1985</td>
<td>14.2</td>
<td>2001</td>
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<tr>
<td>1986</td>
<td>10.4</td>
<td>2002</td>
</tr>
<tr>
<td>1987</td>
<td>9.4</td>
<td>2003</td>
</tr>
<tr>
<td>1988</td>
<td>9.7</td>
<td>2004</td>
</tr>
<tr>
<td>1989</td>
<td>3.7</td>
<td>2005</td>
</tr>
<tr>
<td>1990</td>
<td>3.6</td>
<td>2006</td>
</tr>
</tbody>
</table>
Historical Employer Contribution Average Rate Trend

Employer Contribution Average Rate Trend

Average Rate as a Percent

Contribution Year

ERS
PFRS
COMMON RETIREMENT FUND AND PERFORMANCE
Common Retirement Fund

Value on 3/31/2016: $178.6 billion
Value on 3/31/2017: $192.4 billion
Value on 3/31/2018: $207.4 billion
Value on 3/31/2019: $210.5 billion
Value on 3/31/2020: $194.3 billion

Fund assumes a 6.8% long-term rate of return
(decreased from 7.0%, effective for 2019 valuation)
# Common Retirement Fund Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>14.6%</td>
</tr>
<tr>
<td>2012</td>
<td>6.0%</td>
</tr>
<tr>
<td>2013</td>
<td>10.4%</td>
</tr>
<tr>
<td>2014</td>
<td>13.0%</td>
</tr>
<tr>
<td>2015</td>
<td>7.2%</td>
</tr>
<tr>
<td>2016</td>
<td>0.19%</td>
</tr>
<tr>
<td>2017</td>
<td>11.48%</td>
</tr>
<tr>
<td>2018</td>
<td>11.35%</td>
</tr>
<tr>
<td>2019</td>
<td>5.23%</td>
</tr>
<tr>
<td>2020</td>
<td>-2.68%</td>
</tr>
</tbody>
</table>
Retirement Online
Member Self-Service
More than 300,000 NYSLRS members and retirees use Retirement Online to do Business with NYSLRS

- Convenient
- Simple to use
- Safe and secure
Services for Members

- Apply for loans
- Generate pension estimates
- Update beneficiaries
Services for Members

Apply for retirement

View Member Annual Statement

Apply for service credit
Services for Members

- Manage payments
- Transfer membership
- Apply for tier reinstatement
Encourage Your Employees to Register for Retirement Online

https://web.osc.state.ny.us/retire/retirement_online/marketing_toolkit/index.php

Use the materials in our marketing toolkit to help spread the word about Retirement Online.
EMPLOYER RETIREMENT ONLINE: New Functionality and Updates
Retirement Online

Billing Dashboard
Instead of using multiple online applications, employers can manage all billing work in one convenient place.
Retirement Online Billing Dashboard

What’s available:

• Salary Listings
• Prior Years’ Adjustments
• GASB Information
• Estimates
• Projections
• Invoices
Retirement Online Billing Dashboard

Get Started: From your Retirement Online Account Homepage, click the Access Billing Dashboard button.
Retirement Online Billing Dashboard

Get Started:

• Any Employer contact with a Retirement Online User ID and the billing security role has Billing Dashboard access.

• Training materials for the Billing Dashboard on the Retirement Online How To page:

web.osc.state.ny.us/retire/retirement_online/how-to.php
All Reporting Through Retirement Online

1. Employers log into Retirement Online
   - They can submit regular reports, adjustment reports, and enroll a member

Enhanced Reporting File Format

- Ability to report the following:
  - Earnings breakdown
  - Job status changes
  - All employees
  - Trigger automatic enrollment
Benefits of Enhanced Reporting

Real-Time Information for Employers
- Mandatory members are auto-enrolled, reducing member contribution deficiencies and interest owed.
- New member enrollment and contribution information is available in real-time.
- Changes in contribution rates, loan payments, and service credit purchases are communicated in a more timely manner.

Improved Accuracy
- Enhanced member data collection eliminates the need to obtain information for retirement from the employer.
- Retiree payments are more accurate.
- Service credit information stores within the system; no more searching old records. Service credit requests and benefit estimates are more accurate.
How Employers Report: Enhanced Reporting

File Upload
Employers submit their reports by uploading a file to *Retirement Online*. This is especially advantageous for employers with over 50 members. Enhanced reports will only be accepted in .txt.

Manual Reporting
Employers create the manual report directly from the dashboard, and the system auto-populates a list of active employees so that employers do not have to manually enter each employee’s NYSLRS ID and Employment Instance.

Hybrid Approach
Employers may prefer to upload a file each month with employer contributions and earnings, but will use manual reporting to enroll new members and update job data on an ad hoc basis.
Retirement Online

Gold Certification Process
Your transition coach will guide you through a series of activities before you begin using enhanced reporting.

1. **Data Mapping**
   - Match your internal HR and Payroll codes to NYSLRS standard values
     - Job Codes
     - Earnings Codes
     - HR Transaction Types

2. **Training**
   - Complete relevant online training based on intended method of use

3. **Instructor Led Training**
   - Practice hiring, enrolling and other key HR activities
   - Practice submitting a regular report including adjustments
   - Practice resolving errors and warnings
   - Review the Member Contribution Rates page for potential updates

4. **Enhanced Report Submission**
   - Enroll any new members, hire optional employees, retirees
   - Update member information as needed
   - Submit first regular enhanced report

Note: we have recently paired down the transition process from 8 steps to 4 steps.
Getting Started With
Gold Certification: Next Steps

• A transition coach will reach out to you to schedule a transition discussion. The timing of this call will depend on factors such as payroll provider readiness, and transition team support capacity.
• Ready to get started or have additional questions? Email: NYSLRSGoldCertification@osc.ny.gov

• The “Get Certified” page has information about the transition to Enhanced Reporting, called “Gold Certification”
• Informational videos, reference materials, and Questions & Answers https://web.osc.state.ny.us/retire/retirement_online/get-certified.php
Reporting and Enrollment Resources
(Links under the Retirement Online Tab)

Administration Roles: staff actions and notifications

How-to Guides: enrollment, viewing information, job codes, submitting reports, warnings & errors, adjustments

Tips & Tricks

Enhanced Report/Gold Certification: benefits and transition process

For Payroll Providers: enhanced file format

Resources: training materials, webinars, member tool kit

web.osc.state.ny.us/retire/retirement_online/employers.php
Support Resources

NYSLRS Employer Retirement Online Helpdesk

Phone: 1-844-619-9614

Email: NYSLRSGoldCertification@osc.ny.gov

Visit our Website: web.osc.state.ny.us/retire/retirement_online/employers.php
QUESTIONS?
THANK YOU TO OUR SPONSOR

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Nick DeSantis, Partner
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