NYSAC
57th Annual County Finance School

Retirement System Update
May 3, 2023

Presented by:
Colleen C. Gardner, Executive Deputy Comptroller
Agenda

• New York State and Local Retirement System
  • Membership/Retirement Trends
  • Fund and Performance
  • Funding/Contributions
  • Service and Legislative Update
• Retirement Online Update
  ▪ Member Self Service Portal
  ▪ Employer Enhanced Reporting/Billing
• Reporting Elected and Appointed Officials
New York State & Local Retirement System

- **Members, Retirees and Beneficiaries:**
  - 1,193,373 Members, Retirees and Beneficiaries
  - 685,450 Members
  - 465,317 Retirees
  - 42,606 Beneficiaries

- **Participating Employers:**
  - 2,972 Participating Employers

- **Plan Combinations:**
  - 304 Plan Combinations

- **Value of the Fund:**
  - $272.1 billion as of March 31, 2022

- **Two Retirement Systems:**
  - ERS and PFRS
NYSLRS is a Defined Benefit Plan
Fixed pension guaranteed for life, determined by:

SERVICE CREDIT
\[ \times \]
FINAL AVERAGE EARNINGS
\[ \times \]
a PLAN FORMULA

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

NYSLRS is a Qualified Plan
The Value of a Pension

The National Institute on Retirement Security surveyed public workers and asked them about the value they put on their pensions.

98% of state and local employees say that providing retirement income that lasts is an important feature of a pension.

94% of state and local employees have favorable views of defined benefit pensions.

80% of state and local employees say a pension is better than a 401(k) for maintaining their standard of living in retirement.

Source: “State and Local Employee Views on Their Jobs, Pay and Benefits” by Tyler Bond and Kelly Kenneally

Note: This graphic is based on the findings of the source material and does not reflect the opinions of NYSLRS.
## Average Pension (FY 2021–22)

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>New Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$ 26,467</td>
<td>$ 32,982</td>
</tr>
<tr>
<td><strong>PFRS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$ 58,522</td>
<td>$ 84,024</td>
</tr>
</tbody>
</table>
# Pension Amounts (3/31/22)

<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>108,142</td>
<td>23.24%</td>
<td>23.24%</td>
</tr>
<tr>
<td>10,000 – 19,999.99</td>
<td>85,127</td>
<td>18.29%</td>
<td>41.53%</td>
</tr>
<tr>
<td>20,000 – 29,999.99</td>
<td>77,940</td>
<td>16.75%</td>
<td>58.28%</td>
</tr>
<tr>
<td>30,000 – 39,999.99</td>
<td>67,478</td>
<td>14.50%</td>
<td>72.79%</td>
</tr>
<tr>
<td>40,000 – 49,999.99</td>
<td>46,604</td>
<td>10.02%</td>
<td>82.80%</td>
</tr>
<tr>
<td>50,000 – 99,999.99</td>
<td>71,848</td>
<td>15.44%</td>
<td>98.24%</td>
</tr>
<tr>
<td>$100,000 plus</td>
<td>8,178</td>
<td>1.76%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>465,317</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>
NYSLRS processed 4,208 more service retirements in FYE 2022 than in FYE 2013, a 21% increase.
ECONOMIC IMPACT OF NYSLRS RETIREES
$13.9 Billion IN SPENDING*

Responsible for an estimated 79,200 jobs as a result of spending in NYS

*As of calendar year 2020
$2.83 Billion IN TAXES*

Property Tax: $2.07 Billion
State Sales Tax: $385 Million
Local Sales Tax: $375 Million

* As of calendar year 2020
NYSLRS
MEMBERSHIP TRENDS
## Membership by Tier (3/31/22)

<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>1,043</td>
<td>0.2%</td>
<td>17</td>
<td>-</td>
<td>1,060</td>
</tr>
<tr>
<td>Tier 2</td>
<td>1,042</td>
<td>0.2%</td>
<td>17,032</td>
<td>48.4%</td>
<td>18,074</td>
</tr>
<tr>
<td>Tiers 3 &amp; 4</td>
<td>263,561</td>
<td>40.5%</td>
<td>173</td>
<td>0.5%</td>
<td>263,734</td>
</tr>
<tr>
<td>Tier 5</td>
<td>33,619</td>
<td>5.2%</td>
<td>1,950</td>
<td>5.5%</td>
<td>35,569</td>
</tr>
<tr>
<td>Tier 6</td>
<td>350,986</td>
<td>54.0%</td>
<td>16,027</td>
<td>45.5%</td>
<td>367,013</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>650,251</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>35,199</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>685,450</strong></td>
</tr>
</tbody>
</table>
# Active Members by Employer Type (3/31/22)

<table>
<thead>
<tr>
<th>Government Type</th>
<th>ERS</th>
<th>PFRS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>151,720</td>
<td>5,849</td>
<td>157,569</td>
</tr>
<tr>
<td>Counties</td>
<td>79,317</td>
<td>5,281</td>
<td>84,598</td>
</tr>
<tr>
<td>Cities</td>
<td>14,088</td>
<td>10,911</td>
<td>24,999</td>
</tr>
<tr>
<td>Towns</td>
<td>34,912</td>
<td>3,686</td>
<td>38,598</td>
</tr>
<tr>
<td>Villages</td>
<td>11,116</td>
<td>3,377</td>
<td>14,493</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>73,443</td>
<td>3,065</td>
<td>76,508</td>
</tr>
<tr>
<td>School Districts</td>
<td>109,319</td>
<td>-</td>
<td>109,319</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>473,915</strong></td>
<td><strong>32,169</strong></td>
<td><strong>506,084</strong></td>
</tr>
</tbody>
</table>
FUNDING AND CONTRIBUTIONS
How Pensions Are Funded*

23¢
Employer Contributions

2¢
Employee Contributions

75¢
Investment Earnings

*How NYS pensions were paid from April 1, 2002 – March 31, 2022*
COMMON RETIREMENT FUND AND PERFORMANCE
Percentage of Fund’s Total Investments — March 31, 2022

- **Domestic Equity**: 34.7%
- **Global Fixed Income**: 19.3%
- **International Equity**: 14.4%
- **Private Equity**: 13.6%
- **Real Estate**: 8.4%
- **Short-Term Investments**: 3.4%
- **Credit**: 2.2%
- **Opportunistic Funds / Absolute Return Strategies**: 2.1%
- **Real Assets**: 1.4%
- **Mortgage Loans**: 0.5%
Common Retirement Fund

Fund assumes a 5.9% long-term rate of return
(no change in assumed rate, effective for 2022 valuation)
ACTUARIAL FUNDING AND CONTRIBUTIONS


How the Actuary Sets Employer Rates

The Future Value of Benefits

Start with
• How much money is needed in the fund today to pay benefits in the future

Subtract
• The value of the pension fund today + anticipated employee contributions

Equals
• The amount employers will need to pay during their employees’ working lives
How the Actuary Sets Employer Rates
Future Value of Benefits

The Actuary uses long-standing actuarial methods to make some economic and demographic assumptions to estimate the cost to pay all current and future benefits.

Some of those assumptions include:

- Future salary and service amounts
- Probabilities of retirements and withdrawals
- Life expectancies
Rates are set by tier/plan, since different plans provide different benefits.

Each employer pays based on rates for plans the employer has chosen to offer its employees.
How the Actuary Sets Employer Rates

The Assumed Rate of Return

- The law requires Actuary to recommend an assumed rate of return on investments at least every 5 years.
- The recommendation is based on investment returns and forecasts of economic growth, inflation and interest rates.
- The assumed rate of return is a critical factor for calculating the present value of benefits.
- The present value of benefits is used to determine employer contribution rates.
The value of the Fund as of March 31, 2022 was $272.1 billion:
  • An overall return of 9.51 percent

Employer contribution rates will increase for FY 2024.
  • Average ERS contribution will increase 1.5% to 13.1% of payroll.
  • Average PFRS contribution will increase 0.8% to 27.8% of payroll.

Higher investment returns were not enough to offset other factors pushing rates higher:
  • Higher salaries and COLA, benefit and mortality improvements

NYSLRS had a funded ratio of 102.9% at the end of fiscal year 2022.
## Gain/Loss Analysis — FY 2024 Contributions

<table>
<thead>
<tr>
<th></th>
<th>ERS</th>
<th>PFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2023 Estimated Contributions (2/1/23 Payment)</strong></td>
<td>11.6%</td>
<td>27.0%</td>
</tr>
<tr>
<td><strong>Changes Due to Gains/Losses In:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2022 Benefit Improvements (e.g. 5 yr vesting)</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>FY 2022 Investment Performance (9.51% v 5.9%)</td>
<td>- 0.3%</td>
<td>- 0.3%</td>
</tr>
<tr>
<td>FY 2022 Cohort Experience (Salary)</td>
<td>0.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>FY 2022 Cohort Experience (Decrement, etc.)</td>
<td>0.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>3.0% COLA in September 2022</td>
<td>0.5%</td>
<td>0.4%</td>
</tr>
<tr>
<td>New CPI-U Assumption</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Mortality Improvement Scale MP-2020 to MP-2021</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>New Entrant</td>
<td>- 0.3%</td>
<td>- 0.7%</td>
</tr>
<tr>
<td>GLIP, Administrative Contributions</td>
<td>0.3%</td>
<td>- 0.2%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td><strong>1.5%</strong></td>
<td><strong>0.8%</strong></td>
</tr>
<tr>
<td><strong>FY 2024 Estimated Contributions (2/1/24 Payment)</strong></td>
<td><strong>13.1%</strong></td>
<td><strong>27.8%</strong></td>
</tr>
</tbody>
</table>
Rates are based on value of fund and other factors for FYE 2023.

The Fund’s performance for the fiscal year that ended March 31, 2022 was strong but recent domestic and global economic volatility demands caution:

- The assumed rate of return will remain at the same rate as the prior year at 5.9%.

Across all state public pension funds, the median assumed rate is 7.0 percent—and decreasing.

NYSLRS manages considerably more assets than all the 11 other systems under 6.5% combined, a testament to how well the Fund is managed.
CONTRIBUTION RATE TRENDS
Historical Employer Contribution Average Rate Trend
Original (2010) and Alternate (2013) Contribution Stabilization Programs

• Provides employers with an option to amortize a portion of annual pension costs.

• Amortized amounts are paid in equal annual installments over a 10- or 12-year period respectively.

• Employers can repay amortizations at any time.

• Interest is charged at a rate which approximates a market rate of return on taxable fixed rate securities of a comparable duration.
Original Contribution Stabilization Program

- Each year, the System graded rate will increase or decrease by up to 1 percent depending on the gap between the System’s average rate and the previous graded rate.
- The “Graded Contribution” is tailored to the tier and plan demographics of each employer.
- For the contribution payment due February 1, 2023, the System graded rate was 14.1% for ERS and 26.4% for PFRS.
  - For ERS, this is higher than the average normal contribution of 11.6%.
- For the contribution payment due February 1, 2024, the System graded rate will be 13.1% for ERS and 27.4% for PFRS.
- Any excess payments above the normal rate will first be used to pay off existing amortizations.
- If all amortizations have been paid, any excess will be deposited into a reserve account and used to offset future rate increases.
FY 2024 Budget Bill Amendments to Contribution Stabilization Program

- Part W of the Public Protection and General Government Budget Article VII Bill (S.4005-C/A.3005-C)
- Allows NYSLRS participating employers to withdraw from the Contribution Stabilization Program, subject to approval by the Comptroller, provided all prior year amortizations including interest are paid in full.
- Allows an employer to use its reserve fund assets to pay a portion of its annual bill when the employer's average actuarial contribution rate exceeds the employer's graded rate.
- Lowers the cap on the employer’s reserve fund assets. Currently, an employer’s reserve fund is capped at 100% of employer’s payroll.
  - Graded payments will now cease when the employer’s reserve fund assets exceed the employer’s actuarial contribution in the prior fiscal year.
Legislative Update

- 2022 Legislative changes affecting public Retirement Systems:
  - Five-year vesting for Tiers 5 and 6.
  - Overtime earnings during COVID-19 are temporarily excluded from the calculation of Tier 6 contributions.
    - For FY 2023 and FY 2024
  - Governor’s executive orders extend waiver of public retirees’ $35,000 annual earnings limit through May 22, 2023.
    - Legislation also suspended the limit for school districts and BOCES through June 30, 2024 in FY 2024 state budget.
NYSLRS Service Update

• Phone and virtual retirement consultations and presentations for employers and members
  • Limited in-person sessions

• Replaced benefit administration system with web-based system called *Retirement Online*
  • Increased use of member self-service
    • Wide use of benefit estimator

• Employers report and enroll members via *Retirement Online*
Retirement Online
Member Self-Service
## Member/Retiree Retirement Online

### Previously Released Options

- ✓ Update Personal and Contact Information
- ✓ Manage Member Beneficiary Designation
- ✓ Apply for a Loan
- ✓ Apply for a Hearing
- ✓ View Status of Open Cases
- ✓ Income Verification Letters
- ✓ Generate Benefit Estimates
- ✓ Purchase Service Credit
- ✓ Apply for Service Retirement
- ✓ Manage Payments
- ✓ Withdraw from Membership
- ✓ View Correspondence
- ✓ Member Annual Statement

### January 2023

- • View Payment Check
- • Update Direct Deposit Information
- • Update Tax Withholdings
- • Self-report Post-Retirement Employment

### January 2024

- • 1099-R View & Reprint
- • Choose Tax Form Delivery Method
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.
Retirement Online

Employer Enhanced Reporting
Employer Reporting Through Retirement Online

Supports Legacy (through 12/31/2023) and Enhanced Formats

**All Reporting Through Retirement Online**

1. Employers log into *Retirement Online*

2. 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
  - Online Enrollment
Benefits of Enhanced Reporting

Real-Time Information for Employers

- Mandatory members may be enrolled in real time, reducing member contribution deficiencies and interest owed.
- New member enrollment and contribution information is available instantly.
- Changes in contribution rates, loan payments, and service credit purchases are communicated in a timelier 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.
Key Activities: 4 Step 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 and an adjustment report
   - 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 and retirees
   - Update member information as needed
   - Submit first regular enhanced report
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](https://web. osc.state.ny.us/retire/retirement_online/get-certified.php)
## Enhanced Transition – Progress to Date

### Breakdown by Employer Type

<table>
<thead>
<tr>
<th>Employer Type</th>
<th>Total Employers</th>
<th>In Progress</th>
<th>Gold Certified</th>
<th>Remaining Legacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>57</td>
<td>28</td>
<td>3</td>
<td>26</td>
</tr>
<tr>
<td>City</td>
<td>61</td>
<td>17</td>
<td>5</td>
<td>39</td>
</tr>
<tr>
<td>Town</td>
<td>917</td>
<td>199</td>
<td>337</td>
<td>381</td>
</tr>
<tr>
<td>Village</td>
<td>479</td>
<td>68</td>
<td>180</td>
<td>231</td>
</tr>
<tr>
<td>School District</td>
<td>685</td>
<td>245</td>
<td>267</td>
<td>173</td>
</tr>
<tr>
<td>BOCES</td>
<td>37</td>
<td>7</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Fire District</td>
<td>175</td>
<td>30</td>
<td>87</td>
<td>58</td>
</tr>
<tr>
<td>Water/Soil/Resource Management</td>
<td>120</td>
<td>12</td>
<td>67</td>
<td>41</td>
</tr>
<tr>
<td>Library</td>
<td>229</td>
<td>33</td>
<td>110</td>
<td>86</td>
</tr>
<tr>
<td>Housing Authority</td>
<td>94</td>
<td>15</td>
<td>41</td>
<td>38</td>
</tr>
<tr>
<td>Development Board/Agency</td>
<td>52</td>
<td>9</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>85</td>
<td>22</td>
<td>24</td>
<td>39</td>
</tr>
<tr>
<td>Higher/Voc Education</td>
<td>31</td>
<td>5</td>
<td>0</td>
<td>26</td>
</tr>
<tr>
<td>Other Educational</td>
<td>22</td>
<td>5</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Locations</strong></td>
<td><strong>3,044</strong></td>
<td><strong>695</strong></td>
<td><strong>1,166</strong></td>
<td><strong>1,183</strong></td>
</tr>
</tbody>
</table>

All Local Employers should be transitioned to Enhanced Reporting by 12/31/2023
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
Retirement Online Notifications Tool

• NYSLRS has created a tool to detail the notifications employers see on their dashboard

• As we improve our notifications, we will keep this tool up-to-date

• Access the notifications tool at this link: https://osc.state.ny.us/retire/retirement_online/notifications.php

• Powerful Search Tool added
Now – Review prior year salaries and adjustments.

May 31 – Deadline for reviewing billable earnings.

Late August – NYSLRS sends your GASB 68 information and rates are set for FY 2025.

September - You receive a Projected Invoice for FY 2024 and an Estimated Invoice for FY 2025.

November - NYSLRS issues your Annual Invoice.

December 15 - Deadline for paying discounted amount.

February 1, 2024 – Payment due date for FY 2024.
REPORTING Elected & Appointed Officials
Each official is required to keep a three-month Record of Activities (ROA).

- Failure to comply with the Regulation will result in suspension of service crediting and membership benefits for the officials.

The ROA is used to calculate the average number of days an official works in a month.

- ROA results are recorded through a Resolution by the official’s governing board and must be publicly posted.

- Resolutions and Affidavit of Postings must be submitted to NYSLRS.
Resources

• Contact the Pension Integrity Bureau:
  • Phone number: (518) 402-3815
  • Email: PensionIntegrity@osc.ny.gov
• Visit our website at www.osc.state.ny.us/retirement
  • Click the Employers tab in the top navigation
  • Click the Reporting Elected & Appointed Officials button
THANK YOU!