

New York State Association of Counties

Virtual Finance School Series #5

Retirement System Update

July 8, 2020

Presented by:

Colleen C. Gardner, Executive Deputy Comptroller



Office of the New York State Comptroller
Thomas P. DiNapoli

 **NYSLRS**
New York State & Local Retirement System
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Colleen C. Gardner
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Overview

- New York State and Local Retirement System
 - About NYSLRS
 - Economic Impact of NYSLRS Retirees
 - Funding/Contributions
 - Actuarial Assumptions
 - Rate Trends
 - Fund and Performance
- COVID-19 Update
- Retirement System Redesign
- Appendix

Defined Benefit (DB) Plans

- Benefit based on service, pay and age
- Paid as periodic payments for life
- Funded via a trust
- Plan does NOT define the cost
 - Cost is determined actuarially
- Employer historically paid full cost
- Employers *and* employees now typically contribute
- Subject to many rules (IRS, etc.)

New York State & Local Retirement System

NYSLRS is a Defined Benefit Plan

Fixed pension guaranteed for life, determined by:

SERVICE CREDIT

×

FINAL AVERAGE SALARY

Three or five year highest consecutive average

×

a PLAN FORMULA

NOT a Defined Contribution Plan

Contributions accrued during employment, but no guarantees

NYSLRS is a Qualified Plan

New York State & Local Retirement System (NYSLRS)



Two
Retirement
Systems

3,020
Participating
employers

327
Plan
Combinations

1,139,971
Members, Retirees
and Beneficiaries

658,176 Members
441,088 Retirees
40,707 Beneficiaries

Value of the Fund:
\$210.5 billion
as of March 31, 2019

Membership by Tier (3/31/19)

Tier	ERS	Percentage	PFRS	Percentage	Total
Tier 1	1,937	0.3%	27	0.1%	1,964
Tier 2	2,278	0.4%	21,938	62.5%	24,216
Tiers 3 & 4	334,606	53.7%	230	0.7%	334,836
Tier 5	41,578	6.7%	1,949	5.6%	43,527
Tier 6	242,691	38.9%	10,942	31.2%	253,633
Total	623,090	100.0%	35,086	100.0%	658,176

Membership by Employer Type (3/31/19)

Government Type	ERS	PFRS	Total
State	203,421	6,712	210,133
Counties	103,965	5,303	109,268
Cities	18,251	11,659	29,910
Towns	46,611	4,090	50,701
Villages	14,867	4,072	18,939
Miscellaneous	99,042	3,250	102,292
School Districts	136,933	-	136,933
Total	623,090	35,086	658,176

Average Salary by Government Type

Government Type	ERS	PFRS
State	\$ 64,309	\$ 112,509
Counties	\$ 55,735	\$ 152,998
Cities	\$ 50,885	\$ 94,161
Towns	\$ 45,013	\$ 102,702
Villages	\$ 45,555	\$ 95,455
Miscellaneous	\$ 60,622	\$ 117,169
School Districts	\$ 32,961	N/A

ERS Employment

ERS	2015	2019	Change
State	168,743	169,708	0.6%
Counties	83,735	82,339	-1.7%
Cities	14,241	14,535	2.1%
Towns	35,383	35,804	1.2%
Villages	10,890	11,271	3.5%
Miscellaneous	72,694	76,804	5.7%
School Districts	105,872	110,576	4.4%

PFRS Employment

PFRS	2015	2019	Change
State	5,538	6,264	13.1%
Counties	4,932	5,173	4.9%
Cities	10,898	10,956	0.5%
Towns	3,732	3,709	- 0.6%
Villages	3,514	3,402	- 3.2%
Miscellaneous	2,758	3,069	11.3%
School Districts	N/A	N/A	N/A

NYSLRS Facts

\$12.74 billion paid in benefits (FYE 2019)

Average ERS pension **\$24,345**

Average ERS pension **\$30,397**
(FYE 2019 retirees)

Average PFRS pension **\$52,804**

Average PFRS pension **\$77,116**
(FYE 2019 retirees)

Pension Cohorts (3/31/19)

Annual Benefits	Service & Disability Retirees	Percentage of Total	Cumulative Percentage
\$0 – 9,999.99	114,537	25.97%	25.97%
10,000 – 19,999.99	85,242	19.33%	45.29%
20,000 – 29,999.99	76,543	17.35%	62.65%
30,000 – 39,999.99	61,684	13.98%	76.63%
40,000 – 49,999.99	40,055	9.08%	85.71%
50,000 – 99,999.99	57,677	13.08%	98.79%
\$100,000 plus	5,350	1.21%	100.0%
Total	441,088	100%	

A stylized silhouette of a human figure, split vertically. The left half is a solid red color, and the right half is a light gray color. The silhouette is positioned on the left side of the slide, with the head and torso visible. The text is centered on the right side of the slide.

ECONOMIC IMPACT OF NYSLRS RETIREES

Long Island

1

\$530 M

Capital District

2

Western New York

3

\$1,140 M

\$1,870 M

Upper Hudson

4

\$1,570 M

\$1,030 M

\$510 M

Central New York

5

\$1,410 M

Finger Lakes

6

Lower Hudson

7

\$920 M

\$2,570 M

North Country

8

So. Tier

9

\$12.5 Billion IN SPENDING*



Responsible for an estimated
76,100 jobs as a result of spending in NYS

* As of calendar year 2018

Long Island

1

\$90 M

Capital District

2

Upper Hudson

3

Lower Hudson

4

Western New York

5

Central New York

6

Finger Lakes

7

North Country

8

So. Tier

9

\$2.7 Billion IN TAXES*



Property Tax:
\$1.95 Billion



State Sales Tax:
\$360 Million



Local Sales Tax:
\$350 Million

* As of calendar year 2018

\$265 M

\$200 M

\$205 M

\$330 M

\$90 M

\$300 M

\$270 M

\$815 M

A stylized silhouette of a human head and shoulders in profile, facing right. The silhouette is rendered in a light gray color with a subtle drop shadow, giving it a three-dimensional appearance. It is positioned on the left side of the slide, with the head and neck area overlapping the red text.

FUNDING AND CONTRIBUTIONS

How Pensions Are Funded



25¢
Employer
Contributions

2¢
Employee
Contributions

73¢
Investment
Earnings

NYS pensions paid April 1, 1999 – March 31, 2019

Actuarial Funding

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

$$B_{\text{enefits}} + E_{\text{xpenses}} = I_{\text{ncome}} + C_{\text{ontributions}}$$

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

Some algebra...

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

Effect on Contributions

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

If benefits, expenses, and employee contributions are held constant, a reduction in the expected investment income must result in an increase in the employer contributions.

Assumed Rate of Return

- The actuary is required by the RSSL to recommend to the Comptroller at least once every five years an assumed return on investments.
- For the most recent actuarial valuation (4/1/19), the actuary recommended reducing the assumed return from 7.0% to 6.8%.
- By itself, this assumption change generates losses which increases employer contribution rates.
- However, 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 2020 and FYE 2021 and a small increase in the PFRS system average rate from 23.5% for FYE 2020 to 24.4% for FYE 2021.

Gain/Loss Analysis

	ERS	PFRS
2020 Estimated Contributions (2/1/20 Payment)	14.6%	23.5%
Changes Due to Gains/Losses In:		
FY 2015 Investment Performance (7.2% v 7.5%)	0.1%	0.1%
FY 2016 Investment Performance (0.2% v 7.0%)	1.0%	1.1%
FY 2017 Investment Performance (11.5% v 7.0%)	- 0.6%	- 0.7%
FY 2018 Investment Performance (11.4% v 7.0%)	- 0.6%	- 0.7%
FY 2019 Investment Performance (5.2% v 7.0%)	0.3%	0.3%
Mortality Improvement Scale MP-2014 to MP-2018	- 2.4%	- 2.1%
Assumed return reduction from 7.0% to 6.8%	2.4%	3.1%
Non-Investment Assumptions (Demographic, Salary Scale, COLA)	0.4%	0.4%
Tier 6 New Entrant	- 0.6%	- 0.8%
GLIP, Administrative Contributions	0.1%	0.1%
Miscellaneous	- 0.1%	0.1%
Net Change	0.0%	0.9%
2021 Estimated Contributions (2/1/21 Payment)	14.6%	24.4%

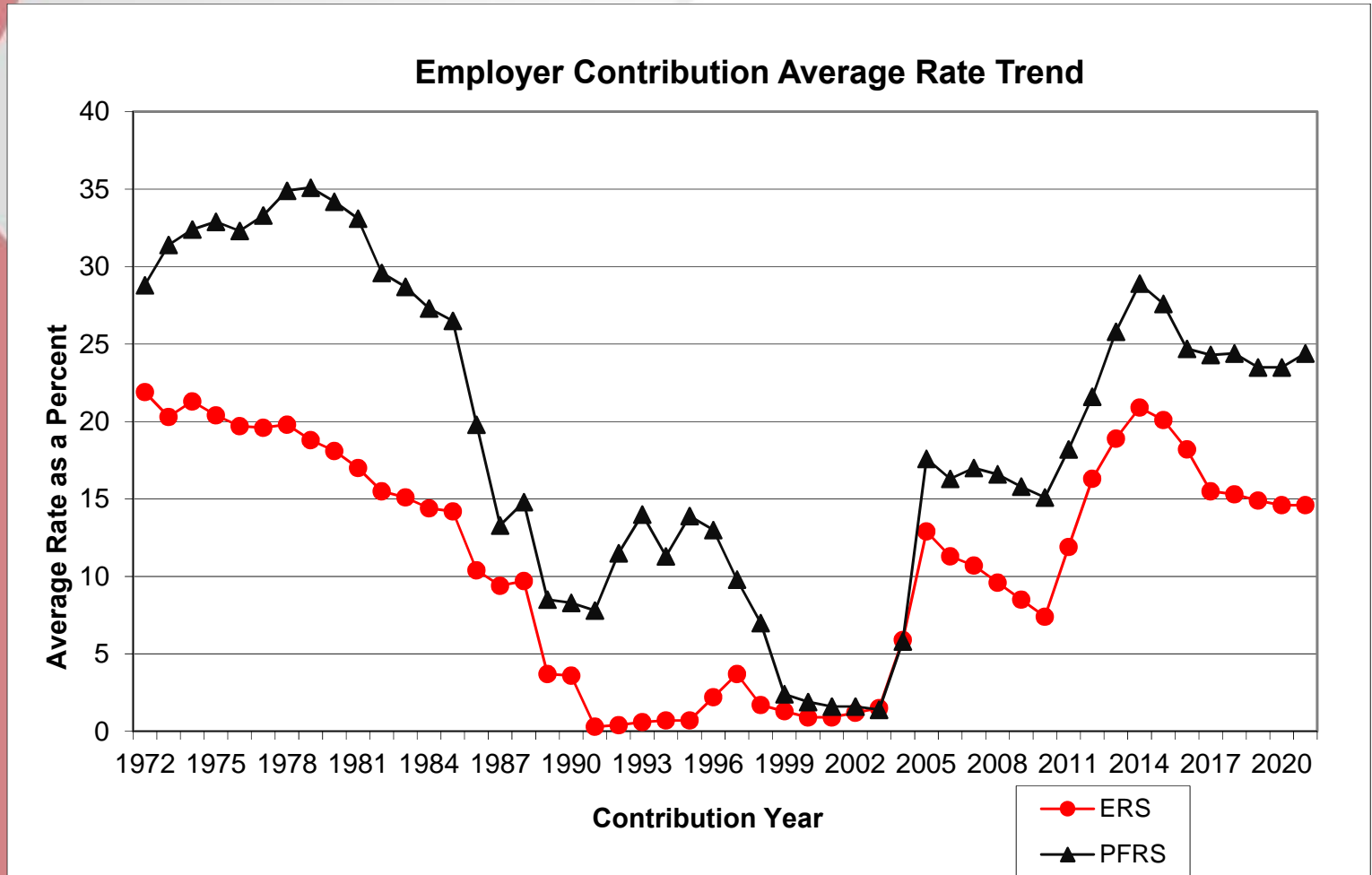
The image features a stylized profile of a person's head and shoulders. The profile is rendered in two colors: a solid red on the left side and a light gray on the right side. The red portion is solid, while the gray portion is semi-transparent, allowing the white background to show through. The profile is facing right. In the center of the gray portion, the text "RATE TRENDS" is written in a bold, red, sans-serif font.

RATE TRENDS

Historical Employer Contribution Average Rate Trend

Year	Average Rate		Year	Average Rate		Year	Average Rate	
	ERS	PFRS		ERS	PFRS		ERS	PFRS
1974	21.3	32.4	1990	3.6	8.3	2006	11.3	16.3
1975	20.4	32.9	1991	0.3	7.8	2007	10.7	17.0
1976	19.7	32.3	1992	0.4	11.5	2008	9.6	16.6
1977	19.6	33.3	1993	0.6	14.0	2009	8.5	15.8
1978	19.8	34.9	1994	0.7	11.3	2010	7.4	15.1
1979	18.8	35.1	1995	0.7	13.9	2011	11.9	18.2
1980	18.1	34.2	1996	2.2	13.0	2012	16.3	21.6
1981	17.0	33.1	1997	3.7	9.8	2013	18.9	25.8
1982	15.5	29.6	1998	1.7	7.0	2014	20.9	28.9
1983	15.1	28.7	1999	1.3	2.4	2015	20.1	27.6
1984	14.4	27.3	2000	0.9	1.9	2016	18.2	24.7
1985	14.2	26.5	2001	0.9	1.6	2017	15.5	24.3
1986	10.4	19.8	2002	1.2	1.6	2018	15.3	24.4
1987	9.4	13.3	2003	1.5	1.4	2019	14.9	23.5
1988	9.7	14.8	2004	5.9	5.8	2020	14.6	23.5
1989	3.7	8.5	2005	12.9	17.6	2021	14.6	24.4

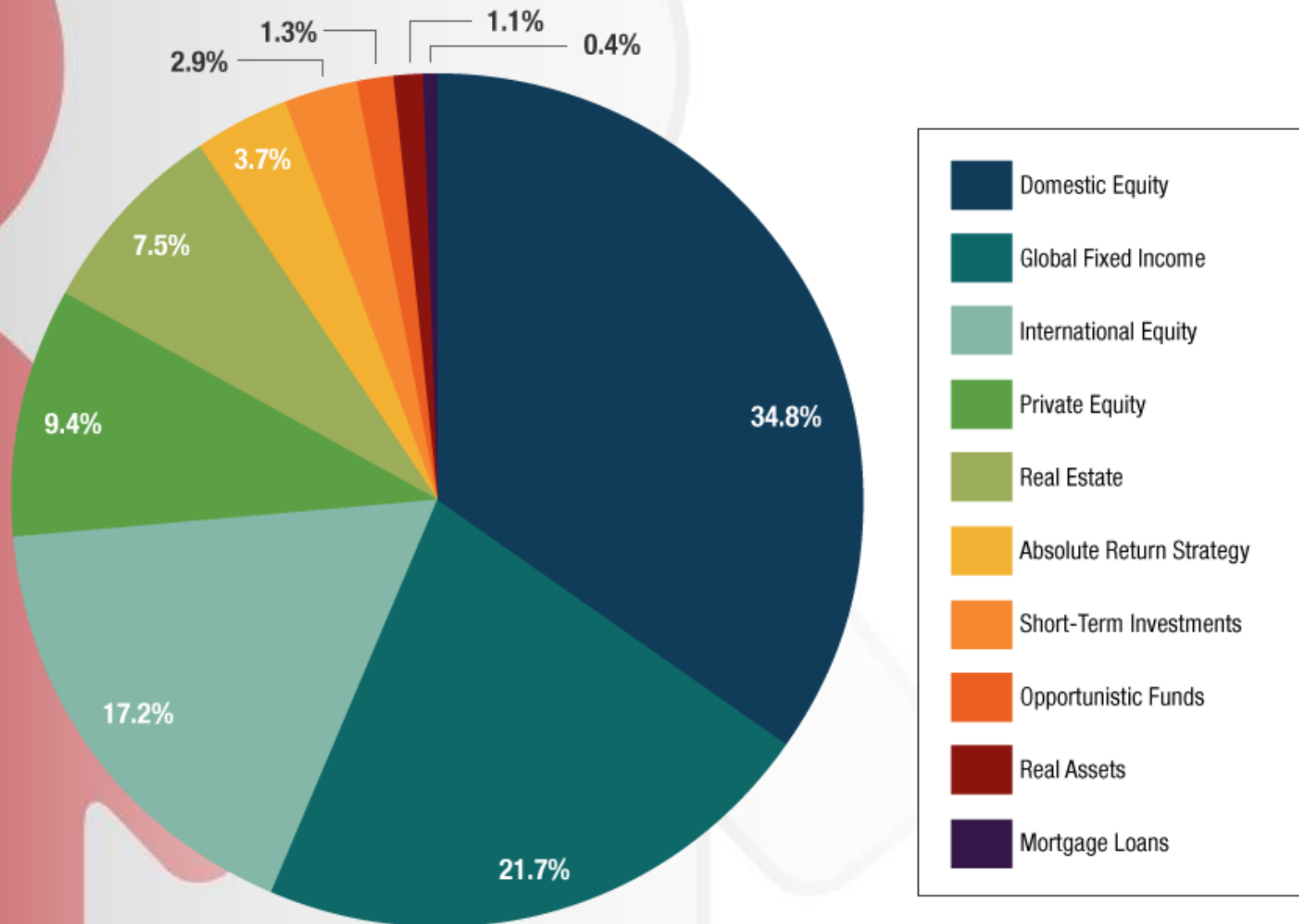
Historical Employer Contribution Average Rate Trend



A stylized silhouette of a human head and shoulders in profile, facing right. The silhouette is rendered in a light gray color with a subtle drop shadow, giving it a three-dimensional appearance. It is positioned on the left side of the slide, with the head and neck area overlapping the red text.

COMMON RETIREMENT FUND AND PERFORMANCE

Percentage of Fund's Total Investments — March 31, 2019



Common Retirement Fund

Value on 3/31/2015:	\$184.5 billion
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

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

Total Value of Fund

Common Retirement Fund Performance

2012:	6.0 %
2013:	10.4 %
2014:	13.0 %
2015:	7.2 %
2016:	0.19%
2017:	11.48%
2018:	11.35%
2019:	5.23%

Annual Return on Investments

A stylized silhouette of a human figure, split vertically. The left half is a solid red color, and the right half is a light gray color. The silhouette is positioned on the left side of the page, with the head and torso visible. The text "COVID-19 UPDATE" is centered on the right side of the page.

COVID-19 UPDATE

Pensions – Economic Benefit

- Many government workers are on the front lines battling the coronavirus in their communities every day.
 - Importance of service and disability retirement and death benefits.
- Gov Exec Order on Section 212 – retiree earnings from public employment from March 27 thru July 6 doesn't count toward cap
- We pay out \$1.1B in benefits monthly, infusing much-needed money into economies across the state.
 - Pension benefit dollars account for significant amounts of total personal income in counties across the state.

NYSLRS' COVID-19 RESPONSE

- We are paying monthly pensions on time and processing new service and disability retirements and death benefits.
 - Encourage direct deposit (EFT).
- Our Call Center is handling calls and NYSLRS staff continue to conduct business.
- To protect the health of our members and employees, our Retirement System consultation offices are closed until further notice.
 - Providing phone consultations
- Use *Retirement Online* to do business with NYSLRS at this time, or email us using our [secure contact form](#).

Service Retirement

- Service retirements can be filed electronically using [Retirement Online](#).
- A service retirement must be on file with NYSLRS at least 15 days before your retirement date, and cannot be canceled if your retirement date has passed.
- Comptroller DiNapoli requested governor to issue an Executive Order waiving the statutory 15-day waiting period before a public employee's service retirement can take effect.
 - Covers retirements filed between April 16 and July 7, 2020
- This will safeguard benefits for families who may lose a loved one to COVID-19 before their service retirement can be made official.

Disability due to COVID-19

- If member eligible to retire dies, may only have a one-time in-service death benefit if don't file for retirement.
- Should member file for service or disability retirement?
 - Guidance on filing on website.
- If member recovers, can withdraw disability retirement.
- If member dies, date of retirement is date of death.
- Can file for disability and service retirement at same time.
- Accept applications and option election forms by email.

Reporting Issues and Furloughed Employees

- **Members who are being paid or on paid leave**
 - Continue to report employees paid for work performed or through use of leave accruals (including the COVID-19 related leave provided for by the Families First Coronavirus Response Act and Emergency Family and Medical Leave Expansion Act).
 - Special provisions.
- **Members who are furloughed**
 - Employees not working or being paid by their employer should not be reported to NYSLRS. When a furloughed member returns to work, begin reporting their salary and service to NYSLRS once again.
 - May be able to defer their loan payments for 12 months or until they are working again, whichever occurs first.

Retirement Incentives

- Any changes to the formula for service credit or retirement calculations would require a change in state law.
- Counties may offer a payment to employees as a retirement incentive, but such payments in anticipation of retirement cannot be included in a member's final average earnings for pension purposes.

Pensions Are Funded for Years to Come

- Employers' contribution rates for FY 2020-21 have already been set.
 - In 2020-21 employer contributions for ERS will remain flat at 14.6%.
 - PFRS average contributions will increase by 0.9% to 24.4%.
- The value of the Fund as of March 31, 2020 will first begin to factor into employer contribution rates for 2021-22.
 - Impact will be spread over 5 years.

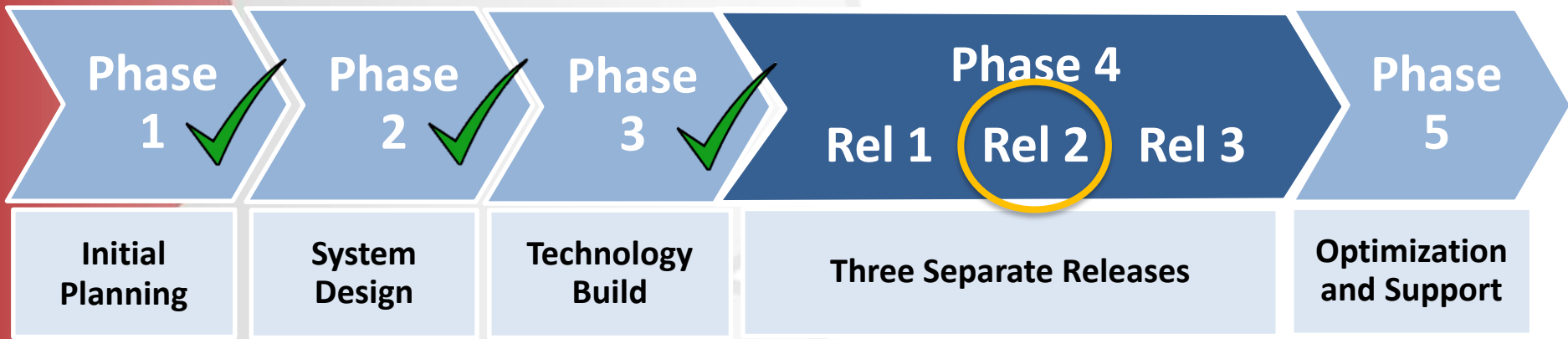
State Common Retirement Fund

- We finalizing the value of the Fund as of March 31. 2020.
- We went into this pandemic crisis as one of the best funded State Pension Funds in the nation.
- Last year, we lowered our long term assumed rate of return to 6.8% from 7.0%, because we anticipated a lower return environment.
- We didn't meet our assumed rate of return, but the Fund remains strong and returns have bounced back.
- We are long-term investors and were prepared for this.
- We have plenty of liquidity, and we have weathered big storms before.
- **Bottom Line: Pensions are safe. People should not worry. The markets will ultimately recover.**

A stylized silhouette of a human head and shoulders in profile, facing right. The silhouette is composed of two overlapping shapes: a solid red shape on the left and a light gray shape on the right. The red shape is more solid and occupies the left side of the frame, while the gray shape is semi-transparent and overlaps it, extending towards the right. The overall effect is a layered, modern graphic.

Retirement System Redesign

Plan for Redesigning Retirement



★ ✓ "Hire to Retire" Staff and COL Employer Reporting
May 2019

★ ✓ Member Self Service
Friends & Family – Nov 2019
Public Release – Feb 2020

★ Member Annual Statements – June 2020
Employer Billing/GASB - 2020

Rel =
Release

Recent Releases

- **Employers now report through Retirement Online**
 - Legacy and Enhanced Reporting
- **New Member Self-Service capability.**
- **Member Annual Statements** were generated through our new system and mailed to members' home addresses in June 2020.
- **Employer Billing** (estimates, invoices and payments) and **GASB** will be generated through our new system this summer and will be viewable in a New Billing Dashboard
 - Billable earnings, prior year adjustments, GASB, estimates and projections
 - Employers must designate ***Billing Contact security roles*** within Retirement Online now for future access

The background features two stylized human figures in profile, facing right. The figure on the left is a solid red silhouette, while the figure on the right is a light gray outline. The text is centered between the two figures.

Appendix – Retirement Online for Employers

Employer Reporting Through Retirement Online

(Supports Legacy 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



Trigger automatic enrollment

Member/Retiree Retirement Online

Initial Release (1/2017)

- ✓ Register for Self-Service
- ✓ View Account Information
- ✓ Update Personal and Contact Information
- ✓ Manage Member Beneficiary Designation
- ✓ Apply for a Loan
- ✓ Apply for a Hearing
- ✓ Generate Income Verification Letters

Recently Added (2/2020)

- ✓ Generate Benefit Estimates
- ✓ Purchase Service Credit
- ✓ Apply for Service Retirement
- ✓ Manage Payments - Loans & Service Credit Purchase (SCP)
- ✓ Withdraw from Membership
- ✓ View Status of Open Cases
- ✓ View Correspondence
- ✓ Member Annual Statement Electronic Delivery

Enhanced Report Overview

- Collects more detailed data for a larger population
- Reduces the need to request this information later from employers
- Decreases benefit calculation and service credit purchase calculation processing time
- Supports automated enrollment for mandatory members
- Reduces timing issues and mandatory arrears at time of enrollment
- Enables reporting of job status changes such as leave of absence, return from leave, or change in job data

Enhanced Reporting through *Retirement Online*



Enhanced File Format

Four transaction types

Biographical
Data

Days &
Contribution

Job Data

Earnings Details



Location Code

Identifies the Employer



NYSLRS ID and Employment Instance

Identifies the employee and
the specific job



Pre and Post Tax Amounts

For Contributions and Service
Credit Purchase Payments



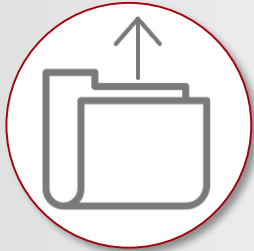
Earnings Codes

In addition to earnings amounts

Enhanced Reporting Benefits

- Streamlines enrollment of mandatory members
 - Reduction in member contribution deficiencies owed and interest
- Provide more accurate service credit information
- Reduce the number of inquiries for information employers receive from NYSLRS
 - Service credit requests will be processed more quickly
 - Benefit estimates will be more accurate
- Eliminates the need for NYSLRS to obtain additional information at employees time of retirement
 - Streamline retirement process for members

How Employers Report – Enhanced Reporting



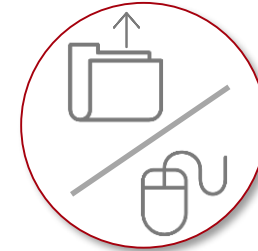
File Upload

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 Differences: Legacy to Enhanced

Legacy	Enhanced
Registration numbers accepted	Use of NYSLRS ID and employment instance only
Only mandatory and participating optional members are reported	All NYSLRS eligible employees must be reported <i>(includes all retirees from reciprocal systems*)</i>
All contributions reported in lump sum	Pre and post tax contributions reported separately
All service credit reported in lump sum	Pre and post tax service credit are reported separately

* NYSLRS, NYSTRS, NYCERS, NYCTRS, NYCPPF, NYCDFPF, NYCBERS

Key Differences: Legacy to Enhanced

Legacy	Enhanced
Adjustments reported separately	Does not require separate system to report adjustments
Adjustments reported as “should be” amounts	Adjustments are +/- corrections to previously reported data and can be negative numbers
Data Collected: <ul style="list-style-type: none">• Days• Earnings• Total Contributions• Arrears and Loans	Data Collected: <ul style="list-style-type: none">• Biographical Information• Job Information (salary, reg/temp, part/full time etc.)• Days & Contributions (pre-post tax amounts, loans)• Earnings Information (break out types of earnings)

Gold Certification: Transitioning to Enhanced Reporting



- Work with NYSLRS coaches to develop transition plan based on chosen reporting method - manual, file upload or hybrid.
- Complete training on how to prepare, create, and submit the enhanced reporting format.
- Create and submit the enhanced report during a training session.
- Begin reporting using the enhanced format.



Key Benefits

- Reduces the need to request information from employers when an employee applies for retirement
- Decreases processing times for retirement and service credit purchase calculations
- Eliminates the need for a paper enrollment form to be submitted to NYSLRS for mandatory members
- Returns contribution rate when the employer report is submitted for employees that were automatically enrolled
- Allows employers to report data for each job that a person has at that organization using Employment Instance

Support Resources

NYSLRS Employer Retirement Online Helpdesk



Phone: 1-844-619-9614



Email: RetirementHelpDesk@osc.ny.gov



[Visit our Website:](#)

www.osc.state.ny.us/retire/retirement_online/employers.php

For Members and Retirees:

- Check out our website: www.osc.state.ny.us/retire
- Our Call Center is open (1-866-805-0990; 518-474-7736 in the Albany Area) from 7:30 am to 4:30 pm.
- Use *Retirement Online* to do business with NYSLRS at this time.
- Email us using our [secure contact form](#).
- We also coordinate with NYSAC.



QUESTIONS?

THANK YOU!



Office of the New York State Comptroller
Thomas P. DiNapoli

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