



THE STATE OF NEW YORK

The plans:

New York has three large state-administered pension systems, and some locally-administered systems. The state also maintains one retiree health plan. This analysis focuses primarily on the three large state-administered systems – the New York State and Local Employees Retirement System (ERS), The New York State Teachers Retirement System (NYSTRS), and The New York State and Local Police and Firemen Retirement System (PFRS) – which make up about 70 percent of public pension active membership in the state.

The impact of the crisis:

Unlike most public sector retirement systems, the three large state-administered retirement systems in New York use an aggregate cost actuarial accounting method. This method does not separately account for normal cost contributions and unfunded liability amortization payments. Instead, it generates a single contribution rate that is necessary to ensure that benefits are fully funded over the average career of the members of the system. This rate is called the aggregate normal cost. As a result of the economic crisis, the employer's contribution to the aggregate normal cost increased for all three systems. For ERS, the cost jumped from 7 percent to 18 percent of payroll. For NYSTRS, it went from 7 percent to 13 percent of payroll. Finally, for PFRS, costs went from 14 percent to 25 percent of payroll. Importantly, all three systems remained responsible funders over the crisis period, continuing to fund 100 percent of the annual required contribution (ARC). For the state as a whole, the economic crisis increased the share of state and local budgets devoted to pensions from 5.0 percent to 8.3 percent.

The impact of pension plan reforms:

In response to the financial crisis, substantial cuts were made to benefits for new hires. All three systems increased the age and tenure required to receive normal retirement benefits, increased the salary averaging period and, most importantly, reduced the benefit factor. In addition to the benefit cuts, all three systems also increased employee contributions. The benefit cuts, in conjunction with increased employee contributions, substantially decreased the projected employer's contribution to the aggregate normal cost for all three systems. ERS employer costs are projected to drop from 18 percent today to 2 percent of payroll by 2046. For NYSTRS, the employer's contribution will decline from 13 percent today to 1 percent of payroll by 2046. And for PFRS, employer costs will fall from 25 percent to 7 percent of pay. The decline in the aggregate normal costs depends heavily on the continued full payment of the ARC and on assumed returns materializing. If those two conditions are met, the aggregate normal cost payments will decline and the share of state and local budgets devoted to pensions is projected to drop from 3.2 today to 2.5 percent by 2046.

Total state costs:

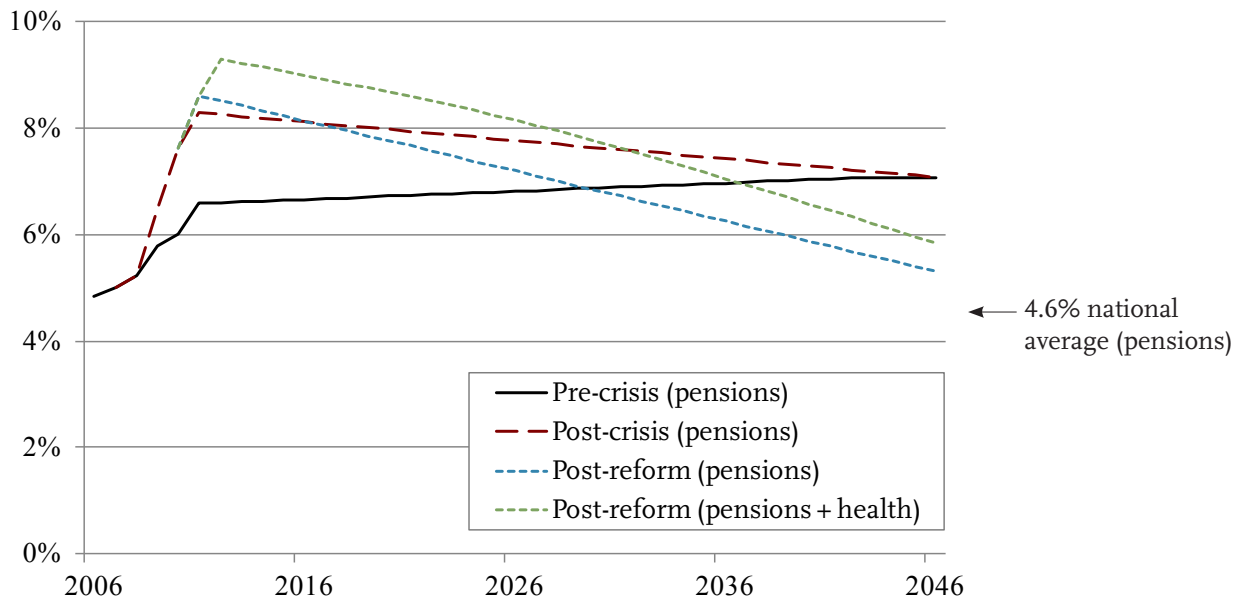
New York state government also provides retiree health benefits, which amounted to about .7 percent of state and local budgets prior to the crisis, but are projected to remain steady at .5 percent by 2046. When retiree health and pension costs are combined, New York's total retirement benefit costs as a percent of state and local budgets equaled 5.7 percent prior to the crisis, increased to 9.0 percent during the crisis, and are projected to drop to 5.8 percent in 2046, when pension reforms will be in force for all employees.



PENSION AND RETIREE HEALTH COSTS: PRE- AND POST-CRISIS

NEW YORK: TOTAL PENSION AND RETIREE HEALTH COSTS

FIGURE I. EMPLOYER PENSION AND RETIREE HEALTH COSTS AS PERCENT OF BUDGET: PRE-CRISIS, POST-CRISIS, AND POST-REFORM



Note: Budget = general own source revenues of all New York state/local governments. Retiree health costs assumed pay-as-you-go.

TABLE I. EMPLOYER PENSION AND RETIREE HEALTH COSTS AS PERCENT OF BUDGET, BY PLAN

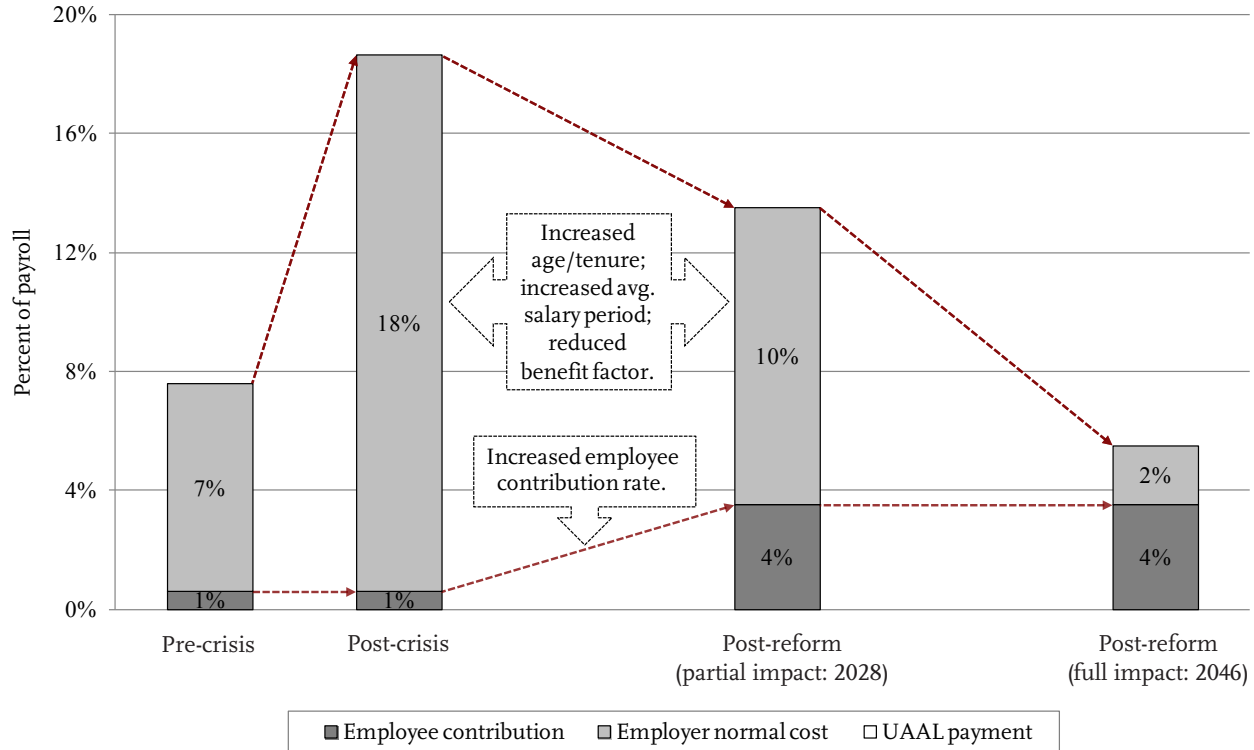
Plan	Pre-crisis	Post-crisis	Post-reform	
			2028	2046
Total pensions	5.0 %	8.3 %	7.0 %	5.3 %
New York State and Local ERS	1.0	2.1	1.3	0.3
New York STRS	0.7	1.0	0.6	0.1
New York State and Local PFRS	0.2	0.4	0.3	0.1
Other pension plans ^a	3.1	4.8	4.8	4.8
Total retiree health	0.7	0.7	0.9	0.5
New York SHIP	0.7	0.7	0.9	0.5
Total	5.7	9.0	7.9	5.8

^a Includes all the locally administered plans within the state of New York.

Sources: CRR calculations from plan actuarial valuations; and U.S. Census Bureau, *State and Local Government Finances* and *State and Local Public-Employee Retirement Systems*.

NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM (ERS)

FIGURE 2. PENSION COSTS AS PERCENT OF PAYROLL: PRE-CRISIS, POST-CRISIS, AND POST-REFORM



KEY FACTS

Structure of retirement system

- Social Security coverage
- Defined benefit
- Defined contribution/hybrid

Funding method and history

- Set by statute
- Actuarially determined

Has always paid 100 percent of its ARC. The system uses an aggregate cost method that does not separate the ARC into normal cost and UAAL amortization payment.

Plan design changes

- Cut COLA
- Increased employee contribution: new hires only
- Increased age/tenure eligibility: new hires only
- Increased average salary period: new hires only
- Reduced benefit factor: new hires only
- None

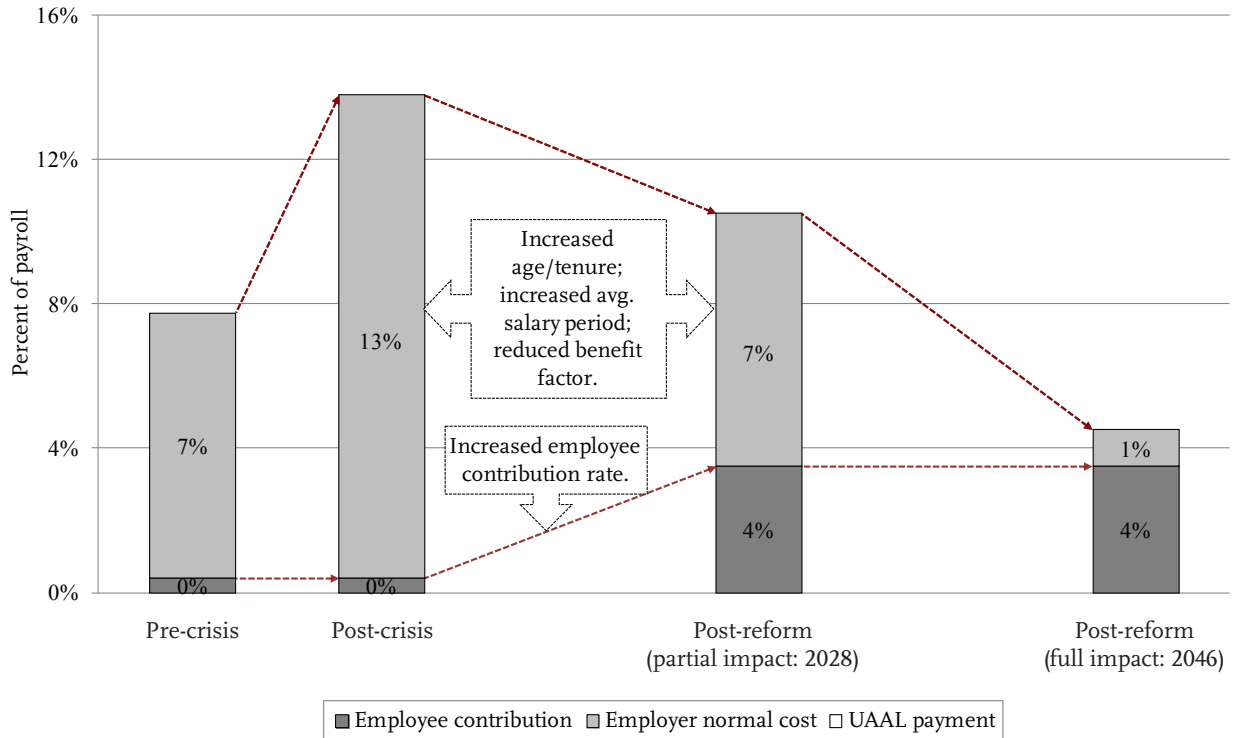
TABLE 2. PENSION FINANCES AND ACTUARIAL ASSUMPTIONS

Item	Pre-crisis	Post-crisis	Post-reform	
			2028	2046
Plan finances				
Funded ratio	107.3 %	90.2 %	-	-
Employer ARC rate	7.0	18.0	10.3	2.2
Percent of ARC paid	100.0	100.0	100	100
Assumptions				
Discount rate	8.0	7.5	7.5	7.5
Payroll growth	5.4	4.8	4.8	4.9
Amortization period	-	-	-	-

Sources: Actuarial valuations and CRR calculations.

NEW YORK STATE TEACHERS RETIREMENT SYSTEM (NYSTRS)

FIGURE 3. PENSION COSTS AS PERCENT OF PAYROLL: PRE-CRISIS, POST-CRISIS, AND POST-REFORM



KEY FACTS

Structure of retirement system

- Social Security coverage
- Defined benefit
- Defined contribution/hybrid

Funding method and history

- Set by statute
- Actuarially determined

Has always paid 100 percent of its ARC. The system uses an aggregate cost method that does not separate the ARC into normal cost and UAAL amortization payment.

Plan design changes

- Cut COLA
- Increased employee contribution: new hires only
- Increased age/tenure eligibility: new hires only
- Increased average salary period: new hires only
- Reduced benefit factor: new hires only
- None

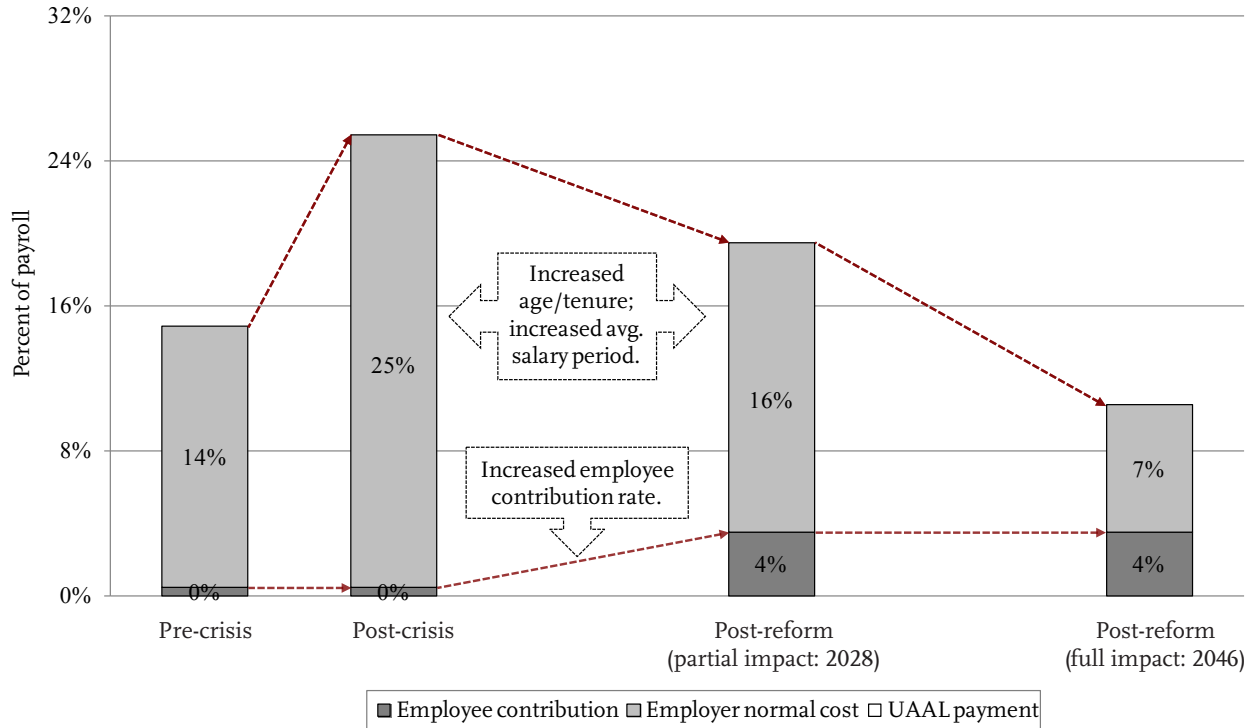
TABLE 3. PENSION FINANCES AND ACTUARIAL ASSUMPTIONS

Item	Pre-crisis	Post-crisis	Post-reform	
			2028	2046
Plan finances				
Funded ratio	106.6 %	96.7 %	-	-
Employer ARC rate	7.4	13.4	7.4	1.1
Percent of ARC paid	100.0	100.0	100	100
Assumptions				
Discount rate	8.0	8.0	8.0	8.0
Payroll growth	6.5	5.6	5.6	5.6
Amortization period	-	-	-	-

Sources: Actuarial valuations and CRR calculations.

NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM (PFRS)

FIGURE 4. PENSION COSTS AS PERCENT OF PAYROLL: PRE-CRISIS, POST-CRISIS, AND POST-REFORM



KEY FACTS

Structure of retirement system

- Social Security coverage
- Defined benefit
- Defined contribution/hybrid

Funding method and history

- Set by statute
- Actuarially determined

Has always paid 100 percent of its ARC. The system uses an aggregate cost method that does not separate the ARC into normal cost and UAAL amortization payment.

Plan design changes

- Cut COLA
- Increased employee contribution: new hires only
- Increased age/tenure eligibility: new hires only
- Increased average salary period: new hires only
- Reduced benefit factor
- None

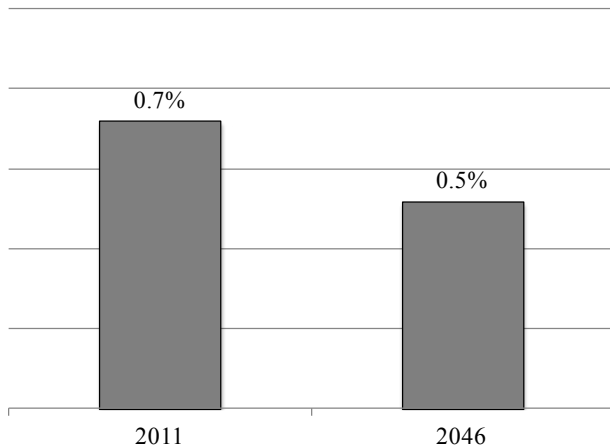
TABLE 4. PENSION FINANCES AND ACTUARIAL ASSUMPTIONS

Item	Pre-crisis	Post-crisis	Post-reform	
			2028	2046
Plan finances				
Funded ratio	108.0 %	91.9 %	-	-
Employer ARC rate	14.5	25.1	16.3	7.0
Percent of ARC paid	100.0	100.0	100	100
Assumptions				
Discount rate	8.0	7.5	7.5	7.5
Payroll growth	6.7	5.4	5.4	5.4
Amortization period	-	-	-	-

Sources: Actuarial valuations and CRR calculations.

NEW YORK STATE HEALTH INSURANCE PROGRAM (NYSHIP)

RETIREE HEALTH AS PERCENT OF BUDGET

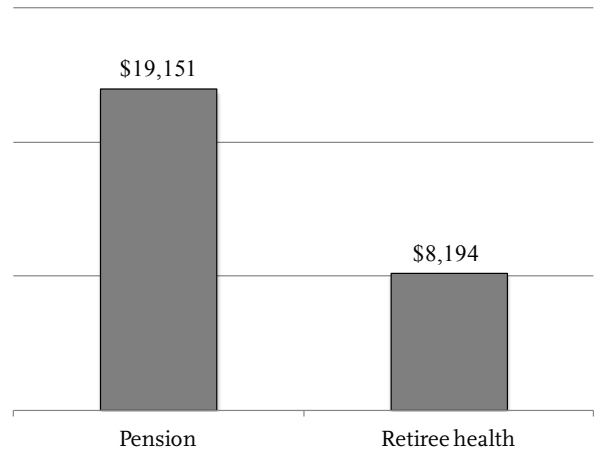


Sources: CRR calculations from plan actuarial valuations; and U.S. Census Bureau, *State and Local Government Finances*.

Retiree health funding and costs

- Funding method: Pay-as-you-go.
- Medical inflation rate: 10 percent, drops to 5 percent by 2015.
- Employer contribution: Varying percentages of premium, depending upon retiree's date of retirement. The most common arrangement is for employers to pay 90 percent of cost of single coverage and 25 percent of dependent coverage.

AVERAGE ANNUAL BENEFIT



Source: CRR calculations from plan actuarial valuations.

Benefits and membership

- Benefit eligibility: Must have at least 10 years of service, be receiving pension benefits, and have been enrolled in NYSHIP when they retired.
- Benefits provided for Medicare-eligible retirees: Secondary coverage provided by the plan.
- Active employees: 200,225
- Beneficiaries: 130,457
- Most recent actuarial valuation: 4/1/08