

Research Bulletin

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Measuring average public pensions

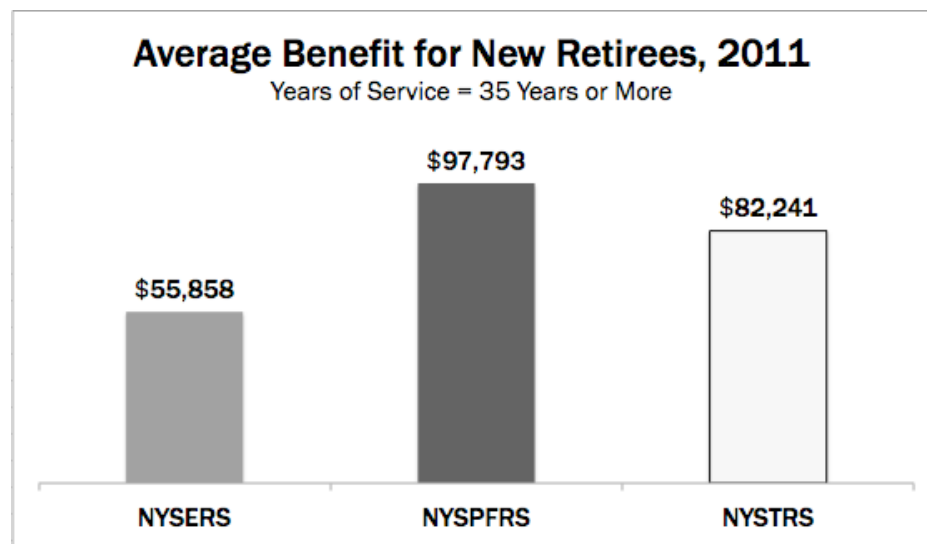
Opponents of a proposed Tier 6 pension reform frequently note that the average annual benefit paid by the state pension system in 2011 was \$19,151 -- “not a big amount for someone whose [sic] gave a lifetime of service,” as the Public Employees Federation (PEF) puts it in a letter to state legislators.¹

But that figure is very misleading. It includes payments to former employees who only minimally vested in a public pension plan – those who worked only part of their careers and those who worked only part-time – many of whom last worked for the government decades ago. It also includes disability benefits and reduced payments to survivors of deceased retirees.

If New York’s newly retired state and local employees earned an average pension of just over \$19,000 after a full career in government, Tier 6 wouldn't be a raging issue, because pension costs (while still rising) wouldn't be nearly as high. In reality, the average benefit for newly retired general government employees after a “lifetime of service” is considerably higher than \$19,151 – more than two and half times as high, in fact.

What are annual average pension for latest crop of employees retiring after a full career in New York state or local government? The answers for three categories of state and local employee are illustrated below.

(continued)



ERS – Employee Retirement System PFRS – Police and Fire Retirement System
TRS – Teachers’ Retirement System

Source: Weighted averages based on data from 2011 Comprehensive Annual Financial Reports of New York State and Local Retirement System and New York State Teachers Retirement System

The pension numbers in the chart are weighted averages of the regular “service retirement” pensions (excluding disability benefits) for newly retired members of the New York State Employee Retirement System (NYSERS), the New York State Police and Fire Retirement System (NYSPFRS) and the New York State Teachers’ Retirement System (NYSTRS) who had at least 35 years of service in fiscal 2011.

The ERS and PFRS averages are calculated from data presented in the following tables in the pension system financial report.

ERS				PFRS			
New Service Retirements				New Service Retirements			
Years of Service	Number Granted	Average Allowance	% of FAS	Years of Service	Number Granted	Average Allowance	% of FAS
Under 5	22	\$ 1,247	6	Under 5	0	\$ 0	0
5 – 9	1,013	3,791	11	5 – 9	7	4,083	12
10 – 14	2,017	6,657	18	10 – 14	16	6,972	19
15 – 19	1,504	11,206	25	15 – 19	4	8,730	27
20 – 24	2,789	21,130	41	20 – 24	377	53,478	52
25 – 29	2,973	31,502	51	25 – 29	174	69,499	58
30 – 34	3,463	41,068	62	30 – 34	188	87,263	66
35 – 39	2,438	50,288	73	35 – 39	81	89,557	72
40 & Over	1,993	62,672	83	40 & Over	33	118,008	78
Total	18,212	\$ 31,653	50	Total	880	\$ 68,162	58

Source: 2011 Comprehensive Annual Financial Reports of New York State and Local Retirement System, pages 135 (ERS) and 136 (PFRS).

Note that the 4,431 retirees with 35 years or more of service—the “lifetime” cohort on which PEF focuses, which is really the main focus of the reform debate — comprised 24 percent of the total. Another one-quarter of retirees had worked for less than 20 years, and thus had much lower pension allowances. The middle 50 percent of retirees in 2011 worked for 20 to 34 years, and their pensions ranged from \$21,130 to \$41,064. The average for all employees, including those working for much less than a full career, was \$31,653 — which came to 50 percent of final average salary, guaranteed by the taxpayers and partially indexed to rise with inflation. When these employees reach 65 or 66, depending on their age, they will add full Social Security benefits to the mix.

In the police and fire system, only 114 out of 880 new retirees in fiscal 2011 had more than 35 years of service; based on the data in the state report, their weighted average pension was \$97,793. Nearly two thirds of retiring police officers and firefighters had less than 30 years, reflecting pension plans that allow retirement after either 20 years or 25 years. Most police and firefighters, as shown above, averaged \$53,478 and \$69,499, respectively. The 30-34 year service category, which would include most ranking officers, averaged \$87,263. The average for *all* new PFRS retirees in 2011 was \$68,162.

Finally, here's the comparable new retiree table from the latest financial report for NYSTRS:

MEMBERS RETIRED IN 2010-2011 FOR SERVICE* WITH:			
	Less Than 20 Years N.Y.	Between 20 Yrs. N.Y. and 35 Yrs. Total	35 Yrs. Total or More
Number Retired	1,264	4,912	2,139
Age at Retirement:			
Average	60 yrs., 7 mos.	59 yrs., 10 mos.	61 yrs., 0 mos.
Median	60 yrs., 4 mos.	59 yrs., 5 mos.	60 yrs., 3 mos.
Years of Service:			
Average	12 yrs., 0 mos.	28 yrs., 3 mos.	39 yrs., 5 mos.
Median	12 yrs., 0 mos.	29 yrs., 0 mos.	39 yrs., 1 mo.
**Benefit:			
Average	\$8,286	\$48,726	\$82,241
Median	\$5,755	\$48,185	\$78,931
Final Average Salary (FAS):			
Average	\$43,514	\$86,628	\$105,817
Median	\$37,332	\$83,930	\$100,310
***Benefit as % of FAS:			
Average	17.39%	55.31%	77.50%
Median	16.88%	57.78%	78.00%

**Also includes vested retirees.
**The Maximum, even though the member may have chosen an option.
***The average and median of individual benefits as percentages of final average salary.*

Source: New York State Teachers' Retirement System Comprehensive Annual Financial Report for the Fiscal year ended June 30, 2011

A separate table in the NYSTRS report shows that the 2,108 employees retiring in 2011 with 35 or more years of experience comprised 25 percent of all new retirees. Another 2,103 retirees had 30 to 34 years experience, and their annual pension averaged \$60,204.

IMPORTANT NOTE: New state and local retirees in 2011 belonged to older pension tiers that, for non-police and fire employees, allowed earlier retirement ages (55 after 30 years of service) and lower employee contributions while working. Employees hired since Jan. 1, 2010, are members of Tier 5, which restored the original Tier 4 retirement age of 62. However, the Tier 5 annual benefit for full-career general employees is the same as the benefit available to Tier 3 and 4 employees (i.e., all those hired since July 1976): 60 percent of final average salary (FAS) after 30 years, 68 percent of FAS after 35 years and 77 percent of FAS after 40 years, which is the second most generous maximum pension benefit offered in any state.² Tier 5 also boosted employee contributions and capped the overtime available to newly hired police and firefighters, which will gradually reduce PFRS pension costs for members of that tier. However, it did not cap other extras such as accrued sick leave and shift differentials.

How about New York City employees? The average benefits for municipal workers who retired in fiscal 2007 are shown on the following page.

City Pension Benefits Are Very Generous

Retirement System - FY 2007 Retiree Average Benefit	Average Retirement Age ¹	Annual Average Benefit ²
New York City Employees' Retirement System (NYCERS) ³	59	\$31,358
Teacher Retirement System	61	\$48,935
NYC Police Pension Fund - Service with VSF ⁴	45	\$59,455
NYC Police Pension Fund - Disability (ADR)	41	\$75,649
NYC Fire Pension Fund - Service with VSF ⁴	50	\$77,832
NYC Fire Pension Fund - Disability (ADR)	46	\$97,548

¹ Hay Group Inc, 2011, average ages of City employees who retired between 2006 and 2009.

² NYC Office of the Actuary, February, 2012. New York City retirement system members who retired during FY 2007. Amounts represent the maximum benefit payable to someone who chooses not to have his/her benefit reduced in exchange a lifetime benefit to his/her survivor.

³ New York City Employees' Retirement System includes Corrections and Sanitation (in addition to civilians)

⁴ Variable Supplement Fund (VSF) payments are paid to Police and Fire service retirees who have attained 20 years of service.

Source: *New York Leaders for Pension Reform*

by E.J. McMahon

Endnotes

¹ "PEF's Tier 6 FAX/mail blast," *Capital Confidential*, Mar. 2, 2012,

<http://blog.timesunion.com/capitol/archives/118629/pefs-tier-6-faxmail-blast/>

² "The Burden of Pensions on States," *The New York Times*, Mar. 10, 2011, p.B1,

http://www.nytimes.com/2011/03/11/business/11pension.html?_r=1&pagewanted=all