

Overview

The New Jersey Public Employees' Retirement System (PERS) is a part of the state's Division of Pensions and Benefits, established in 1955. The system provides a defined benefit (DB) pension for its 285,710 active employees, and 152,147 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 5.5% of salary to PERS.
- Employers contribute 3.4% to the fund.
- Each dollar invested by New Jersey taxpayers in PERS supported \$8.82 in total economic activity in the state.



▶ Key New Jersey Data¹

The chart below summarizes the key PERS data, as of June 30, 2012:

Total active employees	285,710
Total retired members and beneficiaries	152,147
Average annual service retirement benefit (state employees)	\$25,189
Employer contribution rate	3.4%
Employee contribution rate	5.5%
Actuarial value of assets (state fund)	\$9.9 billion
Funded ratio (state fund)	54.3%
Unfunded actuarial accrued liability (state fund)	\$8.4 billion
Percent of ARC contributed (state fund)	56.8% (2007); 42.1% (2008); 7.9% (2009); 4.1% (2010); 3.6% (2011); 16.1% (2012)

* The employee contribution rate will increase to 6.5% plus an additional 1% phased-in over 7 years beginning in fiscal year 2013.

▶ The Economic Impact of New Jersey Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to New Jersey communities and the state economy. Within the state of New Jersey, 2012 expenditures stemming from state and local pensions supported:

- 96,763 jobs that paid \$5.5 billion in wages and salaries,
- \$15.3 billion in total economic output, and
- \$2.4 billion in federal, state, and local tax revenues.

Each dollar paid out in pension benefits supported \$1.77 in total economic activity in New Jersey.

Each dollar “invested” by New Jersey taxpayers in these plans supported \$8.82 in total economic activity in the state.

¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **New Jersey Public Employees' Retirement System (PERS)**. PERS provides retirement benefits for state and local employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$8.82 The total economic activity in New Jersey for each dollar invested by New Jersey taxpayers in PERS.

\$15.3 billion Total economic output in New Jersey created in 2009 when public sector retirees spent their pension income.

\$2.4 billion Federal, state and local tax revenues generated by spending of New Jersey public pension income.

96,763 Jobs created from pension income spending by New Jersey state and local government retirees.

285,710 Total active members of PERS.

\$25,189 Average annual pension benefit for a PERS retiree.

5.5 Percentage of salary that PERS employees contribute from every paycheck to their pension benefit to share the funding responsibility.

5.0 Median employee contribution rate nationally.

54.5 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new employee with 30 years of service.

80 Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either the Division of Pension and Benefits or the National Institute on Retirement Security.



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Overview

The New Jersey Teachers' Pension and Annuity Fund is a part of the state's Division of Pensions and Benefits, established in 1955. The system provides defined benefit (DB) pension benefits for its 152,158 active public school employees and 89,276 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 5.5% of salary to the fund.
- Employers contribute 3.3% of salary to the fund.
- Each dollar invested by New Jersey taxpayers in the fund supported \$8.82 in total economic activity in the state.



▶ Key New Jersey Teachers Data¹

The chart below summarizes the key Teacher’s Pension data, as of June 30, 2012:

Total active employees	152,158
Total retired members and beneficiaries	89,276
Average annual service retirement benefit	\$39,551
Employer contribution rate	3.3%
Employee contribution rate*	5.5%
Actuarial value of assets	\$32.3 billion
Funded ratio	62.8%
Unfunded actuarial accrued liability	\$19.1 billion
Percent of ARC contributed	49.1% (2006); 44.8% (2007); 6.0% (2009); 1.8% (2010); 1.4% (2011); 14.0% (2012)

* The employee contribution rate will increase to 6.5% plus an additional 1% phased-in over 7 years beginning in fiscal year 2013.

▶ The Economic Impact of New Jersey Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to New Jersey communities and the state economy. Within the state of New Jersey, 2012 expenditures stemming from state and local pensions supported:

- 96,763 jobs that paid \$5.5 billion in wages and salaries
- \$15.3 billion in total economic output
- \$2.4 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.77 in total economic activity in New Jersey.

Each dollar “invested” by New Jersey taxpayers in these plans supported \$8.82 in total economic activity in the state.



¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **New Jersey Teachers' Pension and Annuity Fund (TPAF)**. TPAF provides retirement benefits for public school employees in New Jersey. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$8.82 The total economic activity in New Jersey for each dollar invested by New Jersey taxpayers in TPAF.

\$15.3 billion Total economic output in New Jersey created in 2009 when public sector retirees spent their pension income.

\$2.4 billion Federal, state and local tax revenues generated by spending of New Jersey public pension income.

96,763 Jobs created from pension income spending by New Jersey state and local government retirees.

152,158 Total active members of the New Jersey Teachers' Pension and Annuity Fund.

\$39,551 Average annual pension income for a retired teacher in New Jersey.

5.5 Percentage of salary that employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

54.5 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

589 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$9.2 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the New Jersey Division of Pension and Benefits or the National Institute on Retirement Security.



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As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 5.5% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$39,551 per year, or \$3,296 per month.
- TPAF covers 152,158 active school employees and 89,276 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The pension replaces 54.5% of pre-retirement income for a newly hired teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers in New Jersey have pension coverage through the New Jersey Teachers' Pension and Annuity Fund (TPAF).

TPAF covers 152,158 active employees of public educational institutions, and 89,276 retired school employees and beneficiaries. Employees contribute 5.5% out of each of their paychecks to the pension fund. The average retirement benefit is \$39,551 per year, or \$3,296 per month.

The pension replaces 54.5% of pre-retirement income for a teacher hired since 2010 with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in New Jersey⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In New Jersey:

- The cost of turnover in New Jersey is \$15,603 per teacher.
- 589 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$9.2 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's *Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1, 2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Oakley, D, and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.