

AARP IN THE STATES



OVERVIEW: New Jersey Public Employees' Retirement System



The **New Jersey Public Employees' Retirement System (PERS)** provides a defined benefit (DB) fund for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 182,492 retired public employees helps support:



\$16.1 billion

in economic output in New Jersey.



86,604 jobs

paying \$5.6 billion in wages supported by retirees' spending from public pensions in New Jersey.



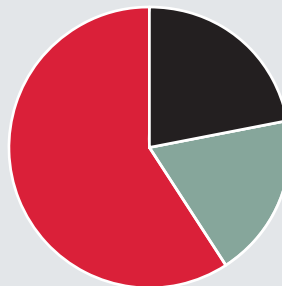
\$3.2 billion

in federal, state, and local tax revenues based on spending of pension benefits in New Jersey.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New PERS employees contribute 7.50% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 22.20% of the cost of pension benefits in New Jersey.

59.1%
Investment Earnings



22.2%
Employer Contributions

18.7%
Employee Contributions

Key facts about the plan and its benefits:



249,045

Total active members of New Jersey Public Employees' Retirement System.



50%

After a 30-year career, a pension benefit from PERS will replace 50% of an employees' pre-retirement income.



\$1,791

Average pension benefit paid to retired PERS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by New Jersey taxpayers (employers) in these plans supported **\$6.65** in total economic activity in the state.



\$1.00



\$6.65



All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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PRIMER: New Jersey Public Employees' Retirement System

The New Jersey Public Employees' Retirement System (PERS) provides benefits to qualified state, county, municipal, authority, and school board employees.

The PERS Pension Works for New Jersey Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



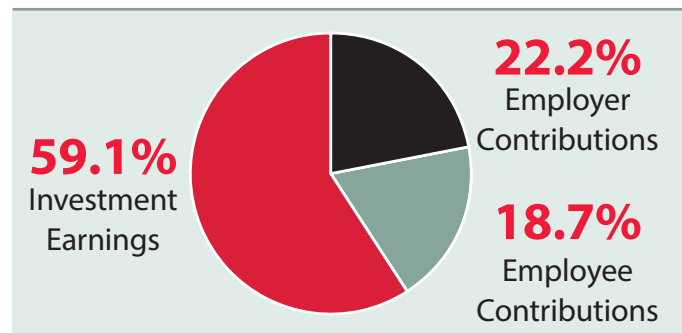
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New PERS employees contribute 7.50% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 22.20% of the cost of benefits in New Jersey.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



PERS serves 249,045 active employees and 182,492 retired members and survivor beneficiaries.



New employees contribute 7.50% of pay to PERS.



Employers contribute 16.72% to the fund.



The average monthly retirement benefit for members is \$1,791.



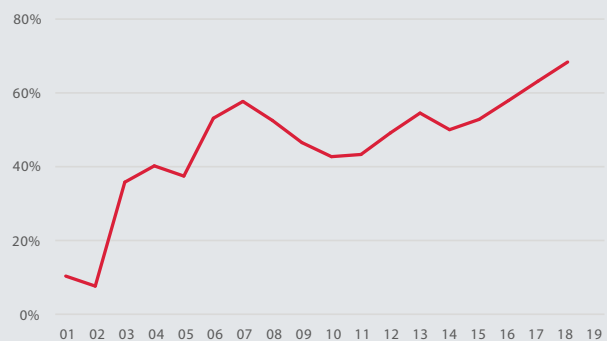
After a 30-year career, a pension benefit from PERS will replace 50% of an employee's final average salary.

Historical PERS Funding Experience

New Jersey established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, PERS had \$31.95 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

New Jersey Paid 45.06% of Weighted Average Percent of ADC from FY2001- FY2019 for PERS



New Jersey Made Plan Changes to PERS in Recent Years

Following the global stock market crash in 2008-2009, New Jersey policymakers proactively made changes to PERS to ensure long-term sustainability. These included:

- Employee contribution rates increased to 5.5% of salary in 2007 and increased further each year after 2011 until hitting 7.5% of salary.
- Employees hired after 5/21/10 had benefits reduced by lowering the multiplier, and expanding the calculation of final average salary. While employees hired after 7/1/11 also had an older normal retirement age.
- Cost of living adjustments (COLAs) were suspended in 2011 until the plan reached 80% funding.

The Economic Impact of New Jersey Pensions:



\$16.1 billion

in economic output generated by retirees' spending from public pensions in New Jersey.



86,604 jobs

paying \$5.6 billion in wages supported by retirees spending from public pensions in New Jersey.



\$3.2 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in New Jersey.

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OVERVIEW: New Jersey Teachers' Pension and Annuity Fund



The **New Jersey Teachers' Pension and Annuity Fund (TPAF)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 106,388 retired public employees helps support:



\$16.1 billion

in economic output in New Jersey.



86,604 jobs

paying \$5.6 billion in wages supported by retirees' spending from public pensions in New Jersey.



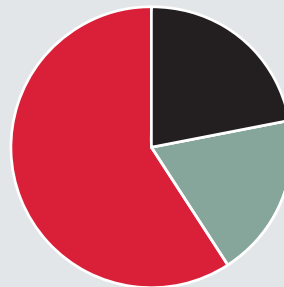
\$3.2 billion

in federal, state, and local tax revenues based on spending of public pension benefits in New Jersey.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TPAF employees contribute 7.50% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 22.20% of the cost of pension benefits in New Jersey.

59.1%
Investment Earnings



22.2%
Employer Contributions

18.7%
Employee Contributions

Key facts about the plan and its benefits:



156,066

Total active members of New Jersey Teachers' Pension and Annuity Fund.



50%

After a 30-year career, a pension benefit from TPAF will replace 50% of an employee's pre-retirement income.



\$3,440

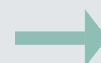
Average pension benefit paid to retired TPAF members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by New Jersey taxpayers (employers) in these plans supported **\$6.65** in total economic activity in the state.



\$1.00



\$6.65



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PRIMER: New Jersey Teachers' Pension and Annuity Fund

The New Jersey Teachers' Pension and Annuity Fund (TPAF) provides benefits to qualified educational professionals.

The TPAF Pension Works for New Jersey Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



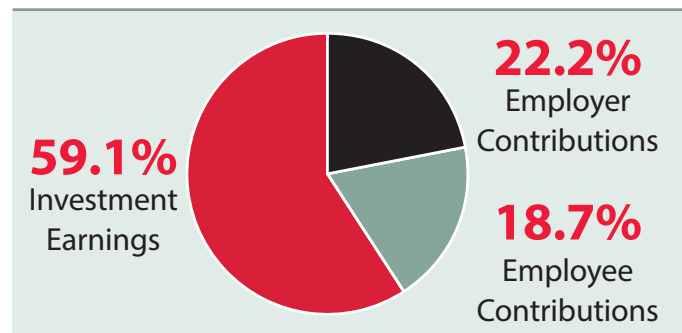
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New TPAF employees contribute 7.50% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 22.20% of the cost of benefits in New Jersey.



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Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



TPAF serves 156,066 active employees and 106,388 retired members and survivor beneficiaries.



New employees contribute 7.50% to TPAF.



Employers contribute 18.62% to the fund for employees.



The average monthly retirement benefit for members is \$3,440.



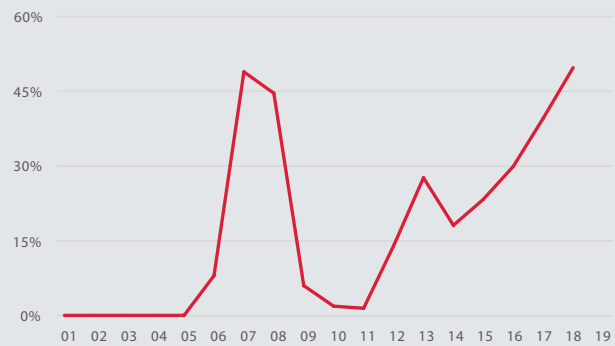
After a 30-year career, a pension benefit from TPAF will replace 50% of final average salary.

Historical TPAF Funding Experience

New Jersey established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, TPAF had \$26.38 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

New Jersey Paid 17.46% of Weighted Average Percent of ADC from FY2001-FY2019 for TPAF



New Jersey Made Plan Changes to TPAF in Recent Years

Following the global stock market crash in 2008-2009, New Jersey policymakers proactively made changes to TPAF to ensure long-term sustainability. These included:

- Employee contribution rates increased to 5.5% of salary in 2007 and increased further each year after 2011 until hitting 7.5% of salary.
- Employees hired after 5/21/10 had benefits reduced by lowering the multiplier, and expanding the calculation of final average salary. While employees hired after 7/1/11 also had an older normal retirement age.
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Pensions Help Deliver Quality Education in New Jersey

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.

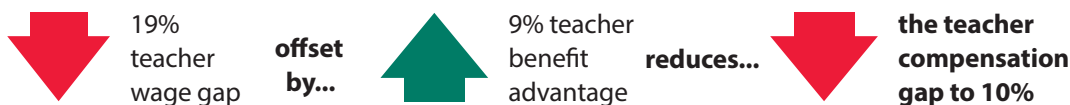
Because pensions help attract and retain workers, New Jersey can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting New Jersey, as enrollment in traditional teacher preparation programs has *declined by 64%* between 2009-2010 and 2017-2018.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 19 percent pay gap relative to comparable private sector workers in 2019. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 10 percent. In New Jersey, teachers experience a 3.1% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



83 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



74 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better 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.⁴

5.2%



Percentage of New Jersey teachers who leave education.

859



The number of New Jersey teachers retained each year due to the DB pension.

\$4.5M to \$9.9M



Savings created by the DB system through reduced teacher turnover costs in school districts across New Jersey.



TPAF serves 156,066 active employees and 106,388 retired members and survivor beneficiaries.



New employees contribute 7.50% to the fund.



Employers contribute 18.62% to the fund.



The average monthly retirement benefit for members is \$3,440.



TPAF has \$26.4 billion in assets and \$39.1 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of New Jersey Pensions

\$16.1 billion



in economic output generated by retirees' spending from public pensions in New Jersey.

86,604 jobs



paying \$5.6 billion in wages supported by retirees' spending from public pensions in New Jersey.

\$3.2 billion



in federal, state, and local tax revenues based on spending of pension benefits in New Jersey.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2020. "Teacher pay penalty dips but persists in 2019." Washington, DC. Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2019. "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis." Washington, DC. NIRS.

⁴ Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement." Washington, DC. NIRS.

⁵ All data, unless otherwise noted, as of fiscal year ended 2019.

⁶ Boivie, I. 2021. "Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.