



New York State Teachers' Retirement System

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DELEGATE NEWS

**SUBJECT: Employer Contribution Rate to be PAID
During the 2004-05 School Year
February 2003—Issue No. 1**

For your information, we are providing a copy of the most recent Administrative Bulletin sent in February to all Chief School Administrators, College and University Presidents and School Contacts.

Employer Contribution Rate to Increase

Administrative Bulletin 2002-10, November 2002, alerted you to the expected increase in the required employer contribution rate (ECR). For budgeting purposes, we recommend you use an estimated ECR of 2.52% of pay. This rate will be applied to fiscal year 2003-04 NYSTRS member salaries, and collected in September, October, and November of 2004. An Administrative Bulletin will be provided in early August, after the Retirement Board formally adopts the ECR at its meeting in late July 2003.

In subsequent years, the ECR will continue to increase. Although forecasting an exact ECR is impossible, you should plan on this continued upward trend for the ECR.

It is important to note that the Retirement System's new entrant employer contribution rate is approximately 12% of pay. This is the rate we would charge participating employers if we hypothetically started a new Retirement System under the current benefit structure without any assets. This rate is a measure of the true cost of the benefit structure, without recognizing the effect of asset gains or losses. Due to the many years of investment performance significantly greater than anticipated, the ECR has not been as high as 12% in the last 15 years. Over this 15-year period, participating employers have saved a total of \$13 billion in employer contributions. This \$13 billion does not include any accumulated interest on those savings. Unfortunately, capital market returns over the last few years have been extremely unfavorable and will result in continued increases in the ECR.

It is also important to note that the benefit improvements enacted in 2000, such as the automatic COLA (Chapter 125 of the Laws of 2000), the Article 19 benefit enhancement (Chapter 126), and the improvement in the early retirement reductions (Chapter 553), significantly increased the liabilities, or the present value of benefits, of the Retirement System by approximately \$8.9 billion. The ECR would have also increased dramatically but for the significant actuarial gains on assets during the period.

If you have any questions, please do not hesitate to call David Daly, Public Information Officer, at (518) 447-2910.

History of the Employer Contribution Rate (ECR)

<u>Salary Year</u>	<u>ECR</u>
1978-79	21.40%
1979-80	22.49%
1980-81	23.49%
1981-82	23.49%
1982-83	23.49%
1983-84	22.90%
1984-85	22.80%
1985-86	21.40%
1986-87	18.80%
1987-88	16.83%
1988-89	14.79%
1989-90	6.87%
1990-91	6.84%
1991-92	6.64%
1992-93	8.00%
1993-94	8.41%
1994-95	7.24%
1995-96	6.37%
1996-97	3.57%
1997-98	1.25%
1998-99	1.42%
1999-00	1.43%
2000-01	0.43%
2001-02	0.36%
2002-03	0.36%