



New York State Teachers' Retirement System

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DELEGATE NEWS

SUBJECT: Employer Contribution Rate to be PAID
During the 2005-06 School Year
February 2004—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 2003-10, issued November 2003, alerted you to the expected increase in the required employer contribution rate (ECR). For budgeting purposes, we recommend you use an estimated ECR of **5.63%** of pay. This rate will be applied to fiscal year 2004-05 NYSTRS member salaries, and collected in September, October, and November of 2005. An Administrative Bulletin will be provided in August 2004, after the Retirement Board formally adopts the ECR at its July meeting.

We recognize the dramatic impact this rate will have on school district budgets. For this reason, we send this alert as early as possible to assist you with planning and budgeting.

The assets of the Retirement System are prudently diversified and the asset valuation method STRS employs in the actuarial valuation helps dampen market volatility. Although recent investment returns have been encouraging, capital market returns over the last several fiscal years have been less than anticipated, leading to required increases in the ECR.

In subsequent years, the ECR will likely continue to increase. Forecasting exact future rates is impossible, due to the many variables involved, such as future investment performance and member demographic experience.

It is important to note that the Retirement System's new entrant employer contribution rate, a hypothetical rate we would charge employers if we started a new Retirement System under the current benefit structure without any assets, is approximately 12% of pay. 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 16 years. Over this period, participating employers have saved a total of **\$14 billion** in employer contributions. This \$14 billion does not include any accumulated interest on those savings.

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%
2003-04	2.52%