



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
November 2003—Issue No. 10**

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

Employer Contribution Rate to Increase Again

Administrative Bulletin 2003-7, August 2003, informed you that the Retirement Board adopted an employer contribution rate (ECR) of 2.52% of payroll. This rate is applicable to fiscal year 2003-04 NYSTRS member salaries and will be collected in September, October, and November of 2004. Based on preliminary estimates, we anticipate the ECR for next year to be **between 5% and 6%** of member payroll. This rate will apply to fiscal year 2004-05 NYSTRS member salaries and collected in the fall of 2005. An administrative bulletin will be provided in February 2004 with a narrower range for the estimate of this ECR.

We recognize the dramatic impact this rate has on school district budgets. This alert is sent as early as possible for planning and budgeting purposes.

The assets of the Retirement System are prudently diversified and the asset valuation method employed in the actuarial valuation helps dampen market volatility. Although very 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.

Forecasting exact future rates is impossible, due to the many variables involved, such as future investment performance and member demographic experience. In subsequent years, however, the ECR will continue to increase, and you should plan on a continued upward trend.

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%