



To: Chief School Administrators
Employer Secure Area Contacts
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Administrative Bulletin

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Important Considerations Regarding the Stable Contribution Option For Certain NYSTRS Participating Employers

Administrative Bulletin 2013-2, issued in April, announced approval by the NYSTRS Board of the Stable Contribution Option (SCO) enacted under the 2013-2014 state budget. The option offers BOCES and public school districts the opportunity to elect a seven-year stable contribution option in lieu of paying the actuarially required contributions (ARC) to NYSTRS. Charter schools, special act districts, community colleges, SUNYs, schools for the deaf and blind, and the New York State Education Department are **not** eligible to participate.

As per statute, the window for electing participation opens July 1, 2013 and closes June 30, 2014. Eligible employers will receive the necessary election form from NYSTRS and **must** return the notarized form to the System indicating either acceptance or denial to participate. No action of any kind is required from employers not eligible to participate in the SCO.

It is neither necessary nor recommended for election forms to be submitted immediately. The NYSTRS Actuary will provide employers with a range for the ARC to be applicable to 2014-15 school year salaries in November 2013; a more precise projected rate will be provided in February 2014.

Eligible employers are urged to thoroughly review the SCO Fact Sheet and Q&A found on our [website](#), as well as any relevant Administrative Bulletins, prior to making their SCO election. Eligible employers should also reference the SCO Election Memo issued by NYSTRS' Finance Department at the end of June 2013.

Employers that elect the SCO will pay a stable contribution rate of not less than 14% and not more than 18% (plus the group life insurance rate, currently 0.13%) during the seven-year plan period. **However**, the employer is also agreeing to make up the difference between the SCO rate and the ARC at a later date, essentially deferring part of the ARC payment, plus interest, for each year of participation in the SCO. Prepayments of deferrals will be accepted by NYSTRS.

In simplest terms, the deferred contributions will be calculated annually by subtracting the SCO rate from the ARC, as illustrated here using year-one (school year 2013-14) figures:

$$16.25\% \text{ (ARC)} - 14.13\% \text{ (SCO rate + group life ins.)} = 2.12\% \text{ (deferred contribution)}$$

Each year's deferred amount will accumulate interest based on the monthly average yield on 10-year U.S. Treasury securities for the 12-month period that precedes August 1 of the applicable deferral year, plus 1%.

Additional SCO details are found on the System's website at NYSTRS.org, including:

- **Opt Out and Reconciliation:** Employers electing to participate in the SCO will have the opportunity to opt out of the stable contribution option at any time on a form provided by NYSTRS. Those opting out will resume payment of the ARC and will be required to begin repaying any deferred amounts plus interest, in equal installments over a period not to exceed five years.
- **80% Funded Status Threshold:** Should NYSTRS' funded status fall below 80% the SCO will terminate and all participating employers will resume paying the actuarially required contribution. In addition, employers will be required to repay any deferred amounts, plus interest, in equal installments over a period not to exceed five years.

In an effort to assist employers with decision making, NYSTRS will add an SCO calculator to its website in the coming weeks. A separate bulletin will be issued when this tool is available.