



## **Summary of the Delegate – Board/Staff Discussion From the 2017 NYSTRS Annual Meeting of Delegates**

***November 5, 2017***

**Q:** The media is reporting that the next employer contribution rate (ECR) will increase. Please provide some insight into that decision.

**A:** NYSTRS issued an administrative bulletin this month (November 2017) recommending that schools, for budgeting purposes, anticipate an ECR of between 10.50% and 11.00% for 2018-19 NYSTRS member salaries, with the funds to be collected in fall 2019. This will be an increase from the 9.80% ECR applicable to 2017-18 salaries.

There are many factors that go into calculating the ECR, such as shifting life expectancies, salary changes and people working longer. NYSTRS periodically revises the assumptions used to calculate the ECR to ensure they are aligned with expectations for the future.

One of these assumptions, the System's assumed rate of return on investments, was recently lowered from 7.50% to 7.25% because the long-term forecasts provided by NYSTRS' investment advisors call for lower future returns. This, along with other gains and losses, account for the projected ECR increase, which follow three years of ECR decreases.

*[Update: At its August 2018 meeting, the Retirement Board adopted an ECR of 10.62% applicable to 2018-19 school year salaries. The payments associated with this rate will be collected in the fall of 2019.]*

**Q:** There is much confusion at the district level and with members regarding Tier 6 contributions, which differ based on salary range. Is there anything that can be done to simplify this?

**A:** The Retirement System has no authority in this area. This is a topic more appropriately addressed by the bargaining unit (NYSUT). Our teacher Board members have said this is an issue that NYSUT actively works on as part of its tier equity legislative package.

**Q:** Public pensions seem to constantly be under attack. What is being done here in New York to stem that tide?

**A:** Education is the key and both NYSTRS and NYSUT are very active in this area. As NYSTRS delegates, we also count on you to help with education. The crucial message is that NYSTRS is one of the best-funded public pension plans in the nation. NYSTRS was nearly 98% funded using an actuarial value of assets and virtually 100% funded based on a market value of assets as of June 30, 2017. This is evidence that the system New York has in place works. Consistent receipt of required employee and employer contributions combined with a disciplined, risk-controlled investment policy continue to be the keys to NYSTRS' strength.

Additionally, NYSTRS is affiliated with several national organizations, such as the National Council on Teacher Retirement (NCTR) and the National Association of State Retirement Administrators (NASRA). Each does an excellent job of educating the public on the importance of defined benefit pension plans like the one administered by NYSTRS.

**Q:** Is there any indication that benefit enhancement bills will be introduced in the legislature within the next five years? If not 55/25 legislation, then maybe something like credit for teaching in a parochial school?

**A:** As previously noted, NYSTRS simply administers the laws and programs in place. This is a topic more appropriately addressed by the bargaining unit (NYSUT). We are not aware of any plans to introduce pension-related bills in the upcoming legislative session.

**Q:** How do the higher contribution rates paid by Tier 6 members – 3% to 6% depending on their salary – impact the employer contribution rate? Do the higher member contributions place downward pressure on the employer rate?

**A:** Over time, as more Tier 6 members join, it will have a positive impact on the employer contribution rate – not only because they contribute more, but also because they will be retiring later and thus contributing longer. However, projected member contributions are just one piece of the formula used to calculate the employer rate. Investment return is also a major component of that calculation. As previously noted, the Board recently lowered our assumed annual rate of return on investments to 7.25%. Generally, the more the Retirement System earns on investments, the less is required from participating employers.

**Q:** I look forward to receiving my *Benefit Profile* every year as it helps me estimate when I'm going to be able to retire. However, I take issue with assuming an annual 2% salary increase when estimating the Final Average Salary. For many of us that is not a realistic expectation. Has any thought been given to lowering that assumption?

**A:** For now, *Benefit Profile* calculations will continue to assume an annual salary increase of 2%. However, if you have or create an online MyNYSTRS account you will have access to an online calculator that allows you to manually adjust the percentage in 0.25% increments. Using the online calculator to adjust salary projections may provide you with a more accurate estimate of your pension.