



*2023 Annual Delegates Meeting*

# **The Strength and Stability of the Retirement System**

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# NYSTRS Funded Ratio History

Funded Ratio is the ratio of plan assets to accrued liabilities

<b>FYE</b>	<b>Funded Ratio Based on MVA</b>	<b>Funded Ratio Based on AVA</b>
6/30/2018	100.9%	99.2%
6/30/2019	101.2%	99.6%
6/30/2020	97.3%	98.9%
6/30/2021	113.0%	99.3%
6/30/2022	97.4%	99.3%
6/30/2023*	98%	98%



*\*estimated*

# How are NYSTRS Benefits Funded?

NYSTRS Benefits are funded by:

1. Member contributions
2. Employer contributions
3. Investment income



# NYSTRS – Key Ingredients to the Process

- **Contributions collected** – on-time and in full
- **System governance** – fiduciaries who act in the sole interest of plan members
- **System investments** – diversified and long-term



# Member Contributions

Depends on your Membership Tier

- Tiers 1 – 4: Now = 0% (no contribution required)
- Tier 5: 3.5% of salary
- Tier 6: 3.0% - 6.0% of salary, dependent on salary

The contribution percentages are fixed in statute. Would require Legislature/Governor to change.



# Employer Contributions

- Paid by the school districts.
- One rate, percentage of pay, applied to all members, all tiers.
- Actuarially determined each year - contributions are collected and invested throughout a member's working career such that at retirement NYSTRS has accumulated an amount sufficient to pay the benefit due throughout retirement.
- Over the last 50 years, ECR has been as low as 0.36% and as high as 23.49%. Average = 11.51%.
- Current ECR is 9.76%, applies to '23-'24 salaries.



# NYSTRS Investment Returns

Over the past 30 years, the System's net assets have grown from \$29.5 billion to \$137.2 billion, with 85% of NYSTRS' income generated by investment returns.

For example, if 30 years ago you invested \$10,000 and it compounded annually at 8.3%, you would have \$109,359.

Period	Rate of Return (net of fees)
1-Year	9.0%
5-Year	7.6%
10-Year	8.5%
15-Year	7.4%
20-Year	8.0%
25-Year	6.8%
30-Year	8.3%



# NYSTRS Investments

The System is committed to a disciplined, risk-appropriate, long-term focused investment approach that is based on thoughtful and prudent diversification of assets across a broad spectrum of capital market segments.

	Target	Range
<b>Equity</b>		
Domestic Equity	33%	29 – 37%
International Equity	15%	11 – 19%
Global Equity	4%	0 – 8%
Real Estate Equity	11%	6 – 16%
Private Equity	9%	4 – 14%
<b>Total Equity</b>	<b>72%</b>	
<b>Debt</b>		
Domestic Fixed Income	16%	12 – 20%
High-Yield Bonds	1%	0 – 3%
Global Bonds	2%	0 – 4%
Real Estate Debt	6%	2 – 10%
Private Debt	2%	0.5 – 5%
Cash Equivalents	1%	1 – 4%
<b>Total Debt</b>	<b>28%</b>	



# Diversification

## Delivering Value – Mitigating Risk

It is difficult to predict the “winners” and “losers” in any given year – let alone consistently over many, many years.

NYSTRS is a long-term investor. The benefit of a diversified portfolio is that over a long period of time, being broadly invested across asset classes allows us to deliver more consistent returns and (hopefully) avoid undue risk – i.e., not having all our eggs in one basket!



# Responsible Stewardship

## Thoughtful Stewardship

As fiduciaries, the NYSTRS' Board acts in the sole interest of plan members.

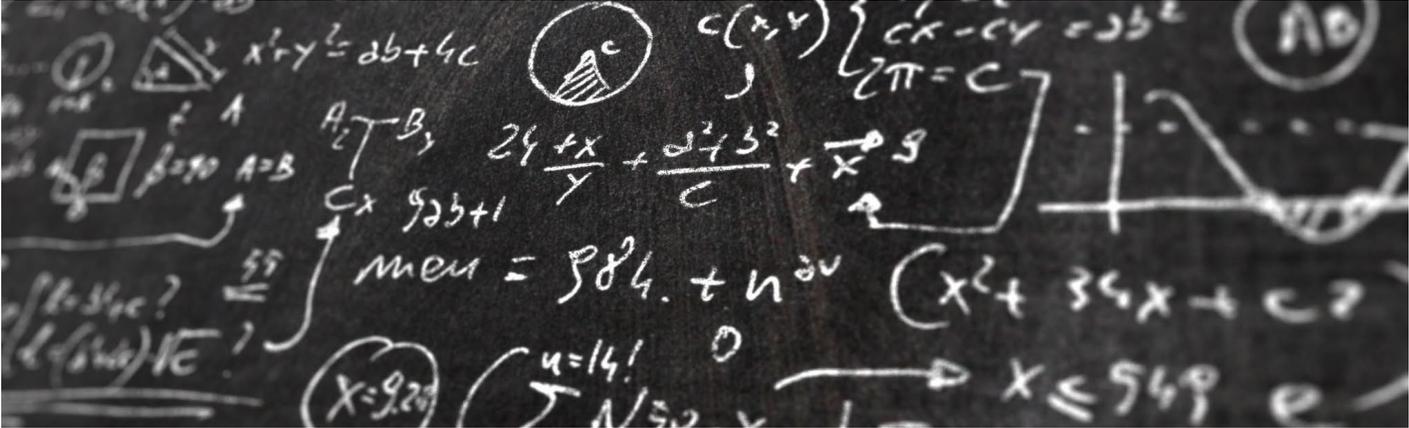
This deliberate approach is essential to help ensure the System meets the retirement benefit payroll and therefore fulfills its fiduciary obligation to provide our members with a secure retirement.



# Responsible Stewardship

## Universal Ownership

NYSTRS approaches this from the starting point that we are universal owners with a long-term view of the markets. To ensure we can meet our fiduciary responsibility, we identify long-term risks to our portfolio through independent measurement and assessment.



# Responsible Stewardship

## Risk Mitigation

To manage these risks, the System engages with the companies in which we invest, votes our proxies, and seeks opportunities to invest in companies and areas that can help to mitigate the risks we have identified.

- Engagement
- Proxy Voting
- Investment



# How do we Mitigate Long-Term Risk?

NYSTRS has identified climate risk as a key long-term risk to the portfolio, and thus the System seeks to mitigate this risk through:

## Engagement

- Prioritizing the largest positions with the highest emissions in our portfolio.
- Direct engagement and collective engagement (through investor-led coalitions).
- Determine progress made through regular risk assessments.

# How do we Mitigate Long-Term Risk?

NYSTRS has identified climate risk as a key long-term risk to the portfolio, and thus the System seeks to mitigate this risk through:

## Proxy Voting

- Revised our Stock Proxy Voting Policy to clearly articulate our use of proxy voting to address identified climate risks.
- Implemented disclosure of our proxy voting results.



# How do we Mitigate Long-Term Risk?

NYSTRS has identified climate risk as a key long-term risk to the portfolio, and thus the System seeks to mitigate this risk through:

## Investment

- Identifying opportunities for energy efficiency and investment in the energy transition – renewable energy, energy storage, carbon capture, etc.



# Investing in the Energy Transition

- ✓ Our public equity portfolio includes many companies whose products and services are instrumental in the energy transition
- ✓ Carbon capture and storage
- ✓ Ultra-low and carbon negative fuel development
- ✓ High-performance batteries
- ✓ EV charging infrastructure
- ✓ LEED (Leadership in Energy and Environmental Design) Certification for our office properties
- ✓ Track and analyze energy use at our multi-family properties
- ✓ Implement energy efficiency measures at our properties