



New York State Teachers' Retirement System

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George M. Philip, Executive Director

DELEGATE NEWS

SUBJECT: NYSTRS to Audit Contracts
December 2003—Issue No. 12

For your information, we are providing a copy of an Administrative Bulletin sent in December 2003 to all Chief School Administrators, College and University Presidents and School Principals.

In September 2002, the Retirement System issued Administrative Bulletin #2002-8 (available on the Employer page of the STRS Web site at www.nystrs.org), which addressed the duty of STRS participating employers to properly report member salary and employment base information. The bulletin expressed the System's concern with employers who enter into agreements with our members whereby money paid or benefits received are reported in a way that serves to artificially inflate benefits. Such practices are considered violations of public policy and, by law, cannot be allowed by the Retirement System, which has a fiduciary responsibility to protect the assets used to pay member benefits.

The continued existence of these arrangements and the ensuing reporting inaccuracies indicate a lack of clarity regarding what constitutes regular compensation and reportable payments. To assist you in complying with the law and to ensure our members receive accurate benefits, STRS Internal Audit staff will be reviewing contracts made between employers and STRS members. Audits will include a review of all payments made to members and reported to the Retirement System.

By law, errors must be corrected and appropriate action must be taken. For example, if STRS determines salaries have been improperly reported, and that a member's final average salary and retirement benefit have been artificially inflated as a result, the benefit will be adjusted accordingly and it is the member who will be required to repay the Retirement System any monies owed. This is a situation we are trying to avoid.

You will be notified in writing if your district's contracts will be audited. Although much of the audit process will take place at the System, the auditors may also conduct site visits. They will be requesting documentation, acknowledgements and other clarifying information pertaining to employment contracts and agreements. If this information is requested, please provide it to STRS in a timely manner.

Thank you in advance for your cooperation with this important matter.