



New York State Teachers' Retirement System

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DELEGATE NEWS

SUBJECT: *Employer Contribution Rate to be PAID
During the 2007-08 School Year*

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

Employer Contribution Rate Increasing, but at a Slowing Pace

Administrative Bulletin 2005-5, issued August 2005, informed you that the Retirement Board adopted an employer contribution rate (ECR) of 7.97% of payroll. This rate is applicable to fiscal year 2005-06 NYSTRS member salaries and will be collected in September, October and November 2006. Based on preliminary estimates, we anticipate the ECR for next year to be **between 8.5% and 9.5%** of member payroll. This rate will apply to fiscal year 2006-07 NYS-TRS member salaries and collected in the fall of 2007. An administrative bulletin will be provided in February 2006 with a more precise 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. Although we are required to properly fund the plan, we are aware of school districts' budgeting difficulties.

The assets of the Retirement System are prudently diversified and the asset valuation method employed in the actuarial valuation helps dampen market volatility. Although the last two years' investment returns have been encouraging, capital market returns over the previous several fiscal years were less than anticipated, leading to required increases in the ECR.

Forecasting exact future employer contribution rates is impossible due to the many variables involved, such as future investment performance and member demographic experience. However, in subsequent years the ECR will likely continue to increase.

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. The ECR has not been as high as 12% in over 17 years, primarily due to the favorable investment returns of the 1980s and 1990s.

If you have any additional questions, please call John Cardillo, Coordinator of Public Information Services, at (518) 447-4743.

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% |
| 2004-05 | 5.63% |
| 2005-06 | 7.97% |