



Administrative Bulletin

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To: Chief School Administrators
Employer Secure Area Contacts
District Contacts
College & University Presidents

NYSTRS Board Adopts Stable Contribution Option

At a special meeting held April 9, 2013, NYSTRS' Retirement Board unanimously approved implementation of a plan included in the New York State budget that gives certain participating employers the ability to elect a seven-year stable contribution option (SCO) for required employer contributions in lieu of the actuarially required contribution.

Chapter 57 of the Laws of 2013, Part BB, provides BOCES and public school districts the ability to elect the SCO if they choose. Governor Cuomo signed the bill into law March 29, 2013. The statute granted NYSTRS' Board the discretion to determine whether to adopt the SCO for eligible NYSTRS employers.

The 10-0 vote by the Board came after considering independent analysis of the plan provided by Cheiron Inc., a Virginia-based actuarial consulting firm hired by the System, and NYSTRS Actuary Richard A. Young. Additional presentations were made by Lonie Hassel of the Groom Law Group of Washington, D.C., and NYSTRS General Counsel Joseph J. Indelicato Jr., both of whom provided analysis of the Board's fiduciary responsibilities.

As a result of the Board's decision, eligible employers (as defined above) will have the choice of either continuing to pay the actuarially required contribution (ARC) or electing to participate in the SCO, thereby paying a stable contribution rate for up to seven years and deferring payment of the difference between the ARC and the SCO. 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.

Key Provisions of the Stable Contribution Option

Employer Contribution Rates (ECRs) Under the SCO

Year	Stable Rate ¹ (per statute)	Applicable Payroll (school year)
One	14.0%	2013-14
Two	14.0%	2014-15
Three	16.0% ²	2015-16
Four	16.0%	2016-17
Five	18.0% ²	2017-18
Six	18.0%	2018-19
Seven	18.0%	2019-20

¹ Rates shown are base rates as per statute. The actual rate will include a small additional charge to account for the group life insurance rate (currently 0.13%).

² The law grants the NYSTRS Board discretion to increase the rate by up to 2.0% in year three (to a maximum of 16.0%) and year five (to a maximum of 18.0%) if necessary to meet fiduciary obligations.

In addition to the stable rates listed, employers will be required to pay the group life insurance rate (currently equal to 0.13% of member payroll) and to make any remaining payments required as a result of participation in an early retirement incentive program. Beginning in Year Six, repayment of the deferred amounts (plus interest calculated annually based on the monthly average yield on 10-year U.S. Treasury securities as of August 1 of the deferral year, plus one percent) will also be owed.

Beginning in Year Eight (2020-21) employers will return to paying the ARC as calculated by NYSTRS. Also in Year Eight, employers who participated in the SCO program for the duration will be required to make two deferral repayments (year three of repayments associated with the years one through five deferrals, and year one of repayments associated with the years six and seven deferrals).

NYSTRS is developing an online tool so employers can project what the impact of SCO participation will be. Employers will be notified when the tool is available.

Employer Opt-In Period: Eligible employers interested in participating in the SCO will be required to file an election form with NYSTRS during the period 7/1/2013—6/30/2014. ***This is the only opportunity provided under the law for eligible employers to opt in.*** For those electing to participate, the stable contribution rate will first apply to pension bills collected in the fall of 2014, applicable to 2013-14 member salaries. NYSTRS will provide election forms only to eligible employers.

Opting Out/Reconciliation: Employers electing to participate will have the opportunity to opt out at any time. Those opting out will resume payment of the ARC and will be required to begin repaying any deferred amount over a period not to exceed five years.

Please refer to the chart on page 3 of the NYSTRS' fact sheet Stable Contribution Option for Certain NYSTRS Participating Employers (available on the Employers > [Employer Contribution Rate](#) page at [NYSTRS.org](#)) for a visual representation of how the SCO works. FAQs on this topic will be posted on the Employer Contribution Rate page at NYSTRS.org; please check the page periodically for additional information. Questions on the SCO may be sent to StableContributionOption@nystrs.org.

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. Employers will have the ability to amortize the repayment of any accumulated deferrals over a period not to exceed five years.

ARC for Non-SCO Participants

Employers choosing not to participate in the SCO (as well as those not eligible to elect the option) will be billed at the required ARC rate, currently estimated to be 16.25%. As we informed you in [Administrative Bulletin 2013-1](#), this estimated rate is applicable to 2013-14 salaries and will be collected in the fall of 2014.

The Retirement Board will vote on the adoption of this rate at its July 24, 2013 meeting. An Administrative Bulletin formalizing the ARC rate will be issued soon after the meeting.