

**Sachem Central School District
2013-14 Budget**

**Notes to Various 2013-14 Budget Options
April 3, 2013 Board Meeting**

Page

- 1 Changes which have occurred and are now incorporated into 2013-14 Budget
- A. Elem. lower enrollment and grades 6-12 divisor of 27 students
 (Reduction 20 Secondary Teachers and 1 Elementary)
 - B. Retirees
 - C. Health Insurance rate reduction
 - D. Revised state aid based upon NYS Legislative Adopted Budget
- Tax Rate Increase result of above is 12.568%
- 2 Reductions in expenditures including pension smoothing to lower tax rate
- A. Least impact on students
 - B. Increase in child care fee and building usage fee
 - C. Pension Smoothing
- Tax Rate Increase result of above is 8.056%
- 2A Reductions in expenditures without pension smoothing to lower tax rate
- A. Least impact on students
 - B. Increase in child care fee and building usage fee 9.802%

Notes:

Pension Smoothing

The NYS Legislature approved measures to reduce the current TRS rate of 16.25% to 14%. The District will have until June 30, 2014 to adopt this option. Interest costs associated with this option are estimated to be approximately \$1 million.

Impact of the Tax Cap calculation

If in the event the District opts for the pension smoothing the tax cap will be lowered by an amount equal to the expenditure reduction. The current tax cap of 4.91% would be reduced to 3.14%.

Without Pension Smoothing option, the tax cap remains at 4.91%

Attachments

NYS TRS Pension Smoothing Explanation

**2013-2014
Budget Status Report**

Area	Increase/ Decrease	Change Tax Rate
<u>Expense Items</u>	304,641,296	13.610% *
Elem. Lower Enrollment & 6-12 Grade Divisor is 27 (21 FTE)	-1,575,000	-0.987%
(Reduction of 20 Secondary and 1 Elementary)		
Retirees (26 FTE)	-2,720,000	-1.705%
Health Insurance rate reduction	-489,695	-0.307%
TRS Rate Increase	309,401	0.194%
Unemployment	582,260	0.365%
<u>Revenue</u>		
January 23, 2013 State Aid Change - Executive Proposal	-4,663,425	2.924% *
State Aid increase (High Tax Aid/ Build Aid Recalc)	2,431,637	-1.525%
 Sub-total	 -3,893,034	
	<u><u>300,748,262</u></u>	<u><u>12.568%</u></u>

*Original 2013-14 Rollover Budget was 16.53% (13.610+2.924)

2013-2014
Budget Status Report with Pension Smoothing

Date	Area	Original Budget	Increase/ Decrease	Change Tax Rate
	All Cuts From Page 1		300,748,262	12.568%
	<u>Expense Items</u>			
4/3/2013	*Pension Smoothing Teachers' Retirement		-2,784,605	-1.746%
4/3/2013	Increase Elem. Class Size by 1 (12 FTE)		-900,000	-0.564%
4/3/2013	25% Reduction All Supplies		-550,000	-0.345%
4/3/2013	Custodial (6 FTE)	6,942,699	-420,000	-0.263%
4/3/2013	Kindergarten Aides (22 FTE)		-412,000	-0.258%
4/3/2013	Attendance Aides (9 FTE)		-365,013	-0.229%
4/3/2013	ERS Rate Option		-325,393	-0.204%
4/3/2013	Gate Program (4 FTE)	321,196	-321,196	-0.201%
4/3/2013	Response to Intervention (4 FTE)		-300,000	-0.188%
4/3/2013	Student Accident Insurance	279,000	-279,000	-0.175%
4/3/2013	Admin./Supervisors (2 FTE)		-235,071	-0.147%
4/3/2013	Ancillary Teachers (3 FTE)		-225,000	-0.141%
4/3/2013	Maintenance (3 FTE)	1,502,858	-210,000	-0.132%
4/3/2013	Remedial Reading (2 FTE)		-150,000	-0.094%
4/3/2013	Secondary Teachers (2 FTE)		-150,000	-0.094%
4/3/2013	Grounds (2 FTE)	1,017,473	-140,000	-0.088%
4/3/2013	BOCES Professional Development	170,000	-120,000	-0.075%
4/3/2013	Office Aides	115,000	-115,000	-0.072%
4/3/2013	In-District Field Trips		-100,000	-0.063%
4/3/2013	Transportation Code Reduction		-100,000	-0.063%
4/3/2013	50% Clerical OT/Subs		-78,000	-0.049%
4/3/2013	Guidance Counselors (1 FTE)	3,279,039	-75,000	-0.047%
4/3/2013	Piano Tuning/Instrument Repair	55,000	-55,000	-0.034%
4/3/2013	School Communication Aides (2 FTE)		-46,000	-0.029%
4/3/2013	50% Travel & Conference		-20,000	-0.013%
4/3/2013	Professional Development Administrative	25,000	-13,000	-0.008%
4/3/2013	Principal Aides - 2 Stipends	92,720	-12,000	-0.008%
4/3/2013	BOCES Negotiation Information Service	4,812	-4,812	-0.003%
4/3/2013	Addition Chairperson Stipend		6,000	0.004%
4/3/2013	Increase Unemployment	1,450,000	1,582,640	0.992%
	Current Expense Budget Sub-Total		293,830,812	8.232%

* There is a 7 year repayment, anticipated interest would be approximately \$1 million

	<u>Revenue</u>			
4/3/2013	Child Care Increase 20%		200,000	-0.125%
4/3/2013	Building Usage Increase \$2 per hour		80,000	-0.050%
	Current Revenue and Expense Budget Sub-total			8.056%
	Includes Pension Smoothing			

2013-2014
Budget Status Report without Pension Smoothing

Date	Line #	Area	Original Budget	Increase/ Decrease	Change Tax Rate
		All Cuts From Page 1		300,748,262	12.568%
		<u>Expense Items</u>			
4/3/2013		Increase Elem. Class Size by 1 (12 FTE)		-900,000	-0.564%
4/3/2013		25% Reduction All Supplies		-550,000	-0.345%
4/3/2013		Custodial (6 FTE)	6,942,699	-420,000	-0.263%
4/3/2013		Kindergarten Aides (22 FTE)		-412,000	-0.258%
4/3/2013		Attendance Aides (9 FTE)		-365,013	-0.229%
4/3/2013		ERS Rate Option		-325,393	-0.204%
4/3/2013		Gate Program (4 FTE)	321,196	-321,196	-0.201%
4/3/2013		Response to Intervention (4 FTE)		-300,000	-0.188%
4/3/2013		Student Accident Insurance	279,000	-279,000	-0.175%
4/3/2013		Admin./Supervisors (2 FTE)		-235,071	-0.147%
4/3/2013		Ancillary Teachers (3 FTE)		-225,000	-0.141%
4/3/2013		Maintenance (3 FTE)	1,502,858	-210,000	-0.132%
4/3/2013		Remedial Reading (2 FTE)		-150,000	-0.094%
4/3/2013		Secondary Teachers (2 FTE)		-150,000	-0.094%
4/3/2013		Grounds (2 FTE)	1,017,473	-140,000	-0.088%
4/3/2013		BOCES Professional Development	170,000	-120,000	-0.075%
4/3/2013		Office Aides	115,000	-115,000	-0.072%
4/3/2013		In-District Field Trips		-100,000	-0.063%
4/3/2013		Transportation Code Reduction		-100,000	-0.063%
4/3/2013		50% Clerical OT/Subs		-78,000	-0.049%
4/3/2013		Counselors (1 FTE)	3,279,039	-75,000	-0.047%
4/3/2013		Piano Tuning/Instrument Repair	55,000	-55,000	-0.034%
4/3/2013		School Communication Aides (2 FTE)		-46,000	-0.029%
4/3/2013		50% Travel & Conference		-20,000	-0.013%
4/3/2013		Professional Development Administrative	25,000	-13,000	-0.008%
4/3/2013		Principal Aides - 2 Stipends	92,720	-12,000	-0.008%
4/3/2013		BOCES Negotiation Information Service	4,812	-4,812	-0.003%
4/3/2013		Addition Chairperson Stipend		6,000	0.004%
4/3/2013		Increase Unemployment	1,450,000	1,582,640	0.992%
		Current Expense Budget Sub-Total		296,615,417	9.977%
		<u>Revenue</u>			
4/3/2013		Child Care Increase 20%		200,000	-0.125%
4/3/2013		Building Usage Increase \$2 per hour		80,000	-0.050%
		Current Revenue and Expense Budget Sub-total			9.802%
		Does NOT Include Pension Smoothing			

Sachem Central School District

2013-2014 Budget

Average Daily Tax Change Compared to Budget Reductions

Board of Education Meeting

Wednesday, April 03, 2013

<u>Tax Rate Change</u>	<u>Reduction in Budget</u>	<u>Avg. Annual Tax Change</u>	<u>Avg. Daily Tax Change</u>	<u>Avg. Daily Change to Rollover budget</u>
12.57%		809	2.22	
Without Pension Smoothing				
9.80%	4,132,845	629	1.72	-0.50
4.91%	7,799,550	310	0.85	-1.37
0.00%	7,831,450	0.00	0.00	-2.22
With Pension Smoothing				
8.06%	6,917,450	515	1.41	-0.81
3.14%	7,847,400	195	0.54	-1.68
0.00%	5,008,300	0.00	0.00	-2.22

Average Daily Tax Change

The logo for the New York State Teachers' Retirement System (NYSTRS) is a dark gray rectangle with the letters "NYSTRS" in white, bold, sans-serif font.**New York State Teachers' Retirement System**10 Corporate Woods Drive
Albany, New York 12211-2395(800) 356-3128 or (518) 447-2666
NYSTRS.org

**Stable Contribution Option for Certain
NYSTRS Participating Employers**

Chapter 57 of the Laws of 2013, Part BB, provides NYSTRS with the option of offering a seven-year stable contribution plan to BOCES, public school districts and charter schools that are participating employers. Governor Cuomo signed the bill into law March 29, 2013. The NYSTRS Board is expected to decide at its April 25, 2013 meeting whether to adopt the plan.

Following is a summary of the law's provisions for eligible employers electing to participate.

Employer Contribution Rates (ECRs):

Seven Years of Stable Contributions		
Year	Rate	Applicable School Year Payroll
One	14.0%	2013-14
Two	14.0%	2014-15
Three	16.0%*	2015-16
Four	16.0%*	2016-17
Five	18.0%*	2017-18
Six	18.0%*	2018-19
Seven	18.0%*	2019-20

* The law grants the NYSTRS Board the discretion to increase the rate by up to 2.0% in year three (to a maximum of 16%) and year five (to a maximum of 18%) if necessary to meet fiduciary obligations.

Beginning in Year Eight (2020-21) employers will return to paying the actuarially required contribution rate as calculated by NYSTRS.

In addition to the above stable rates, employers will be required to pay the group life insurance rate (currently equal to 0.13% of pay) and to make any remaining payments required as a result of participation in an early retirement incentive program.

Employer Opt-In Period: Employers must file an election to participate with NYSTRS during the period 7/1/2013–6/30/2014. For plan participants, the stable contribution rate will first apply to pension bills collected in fall 2014 (i.e. rate applicable to 2013-14 member salaries).

Deferred Employer Contribution Amounts:

Actuarially Required Contribution minus Stable Rate Contribution = Deferred Contribution

- The deferred contributions for years one through five will be amortized over a five-year period, with payments beginning in year six.
- The deferred contributions for years six and seven will also be amortized over a five-year period with payments beginning in year eight.
- These deferrals will be collected **in addition to** the required contributions owed for that plan year.

Interest on the deferred amounts will be based on the monthly average yield on 10-year U.S. Treasury securities as of August 1 of the deferral year, plus one percent.

Opt-Out and Reconciliation: Employers electing to participate will have the opportunity to opt out of the stable contribution plan at any point. Those opting out will resume payment of the actuarially required contribution rate and will be required to begin repaying any deferred amount. The reconciliation can be paid over a period not to exceed five years, with interest calculated in the same manner as previously described. Early repayments, before the end of the five-year period, will be accepted.

80% Funded Status Threshold: Should NYSTRS' funded status fall below 80% the stable contribution plan will terminate and all participating employers will resume paying the actuarially required contribution. Payment of any accumulated deferrals will begin with the collection of the next employer contribution, with the ability to amortize the shortfall over five years.

(See accompanying chart)

Stable Contribution Option

(Chapter 57 of the Laws of 2013)

Plan Year	Stable Rate	Estimated Actuarially Required Rate	Percentage of TRS Member Payroll Deferred	Repayment	
2013-14 (Yr. 1)	14.0%	16.25%	2.25%	N/A	
2014-15 (Yr. 2)	14.0%	Estimated rate available Feb. 2014	TBD	N/A	
2015-16 (Yr. 3)	16.0% ¹	Estimated rate available Feb. 2015	TBD	N/A	
2016-17 (Yr. 4)	16.0% ¹	Estimated rate available Feb. 2016	TBD	N/A	
2017-18 (Yr. 5)	18.0% ¹	Estimated rate available Feb. 2017	TBD	N/A	
2018-19 (Yr. 6)	18.0% ¹	Estimated rate available Feb. 2018	TBD	Year 1 of 5-year repayment period for deferred amount (Years 1-5)	
2019-20 (Yr. 7)	18.0% ¹	Estimated rate available Feb. 2019	TBD	Year 2 of 5-year repayment period for deferred amount (Years 1-5)	
2020-21 (Yr. 8)	N/A	Estimated rate available Feb. 2020	N/A	Year 3 of 5-year repayment period for deferred amount (Years 1-5)	Year 1 of 5-year repayment period for deferred amount (Years 6-7)
2021-22 (Yr. 9)	N/A	Estimated rate available Feb. 2021	N/A	Year 4 of 5-year repayment period for deferred amount (Years 1-5)	Year 2 of 5-year repayment period for deferred amount (Years 6-7)
2022-23 (Yr. 10)	N/A	Estimated rate available Feb. 2022	N/A	Year 5 of 5-year repayment period for deferred amount (Years 1-5)	Year 3 of 5-year repayment period for deferred amount (Years 6-7)
2023-24 (Yr. 11)	N/A	Estimated rate available Feb. 2023	N/A	Year 4 of 5-year repayment period for deferred amount (Years 6-7)	
2024-25 (Yr. 12)	N/A	Estimated rate available Feb. 2024	N/A	Year 5 of 5-year repayment period for deferred amount (Years 6-7)	

¹ The law grants the NYSTRS Board the discretion to increase the rate by up to 2.0% in year three (to a maximum of 16%) and year five (to a maximum of 18%) if necessary to meet fiduciary obligations.

Official Fiscal Note on Stable Rate Option for TRS Contributions:

This bill would amend the Education Law to add an optional payment program for payment of employer contributions to the New York State Teachers' Retirement System (NYSTRS). The bill would add a new subdivision 3 to Section 521 which would permit the Retirement Board to allow employers of members of NYSTRS to elect to pay a stable contribution rate in lieu of the annually calculated actuarially-required contributions due for each of the next seven plan years beginning with the July 1, 2013 through June 30, 2014 plan year.

The stable contribution rate shall be 14 percent of such employer's pensionable compensation paid during the plan year, for the term of the program beginning with the July 1, 2013 through June 30, 2014 plan year. This stable contribution rate shall be exclusive of payments for group term life insurance, deficiency contributions, adjustments relating to prior fiscal years' obligations, obligations pertaining to retirement incentives or any other obligation that the employer is permitted to pay on an amortized basis.

The Retirement Board is authorized to increase the stable contribution rate by up to two percentage points in plan years beginning July 1, 2015 and July 1, 2017. The stable contribution rate may not exceed 18 percent and it may not be less than 14 percent.

In the sixth year, the fiscal year commencing July 1, 2018, employers who elected program participation shall continue to contribute the stable contribution rate and in addition shall contribute a stable payment to the retirement system to pay back the accrued deferred employer contributions accumulated in the first five years. The stable payment shall be paid to the retirement system in equal annual installments over a five-year period, with interest on the unpaid portion to be based on the monthly average yield on United States treasury securities at a ten-year constant maturity for the twelve month period preceding August first of each year plus one percentage point.

In the eighth year, the fiscal year commencing July 1, 2020, all employers having elected program participation shall resume payment of the annually calculated actuarially-required contribution. Additionally there will be a payment to the retirement system to pay back the deferred employer contributions accumulated in years six and seven. The stable payment shall be paid to the retirement system in equal annual installments over a five-year period with interest on the unpaid portion to be based on the monthly average yield on United States treasury securities at a ten-year constant maturity for the twelve month period preceding August first of each year plus one percentage point.

An employer must elect to participate in the program in the plan year beginning July 1, 2013. An employer may subsequently elect to terminate participation in the program and resume payment of the annually calculated actuarially-required contribution. Additionally such employer will make a reconciliation payment intended to fund any deficiencies that have accrued along with interest due to the actuarially-required contributions being in excess of the contributions paid by the employer during participation in the program. The payment shall be made over a period not to exceed five years.

Should the funded status of the retirement system become less than 80 percent at the end of any plan year, the program shall end and employers who have elected the program shall contribute the annually calculated actuarially-required contributions in the succeeding plan year, along with a reconciliation payment intended to fund any deficiencies that have accrued along with interest due to the actuarially-required contributions being in excess of the contributions paid by the employer during participation in the program. The reconciliation payment shall be made over a period not to exceed five years.

Cost Impact: This bill would permit a change in the manner in which employer contributions are to be collected over the next seven years. Employer contributions would continue to be determined in accordance with an annual actuarial valuation, but employers who elect to participate would be permitted to defer payment of a portion of their required contribution above a fixed amount (14% increased by 2.0% in years three and five, as needed, to a maximum of 18%). The annual deficiency be accumulated with an interest rate to be based on the monthly average yield on United States treasury securities at a ten-year constant maturity plus one percentage point. Deficiencies accumulated in program years one through five will be paid back over a five year period with the first payment due for the fiscal year beginning July 1, 2018 and deficiencies accumulated in program years six and seven will be paid back over a five year period with the first payment due for the fiscal year beginning July 1, 2020. There could be a cost to the System to the extent that the System could have achieved a higher investment return on the deficiency amounts than the interest that employers will pay.

According to a stochastic analysis of this proposed plan, the probability of System failure, with failure being defined as the System's funded ratio falling to 30% or lower, is only slightly higher under this proposal than it is under the current annually adjusting actuarial-funding method, with both probabilities less than 1.5%. This analysis assumes contributions are made as required and after the seven years the System returns to collecting the annual actuarially-required employer contribution on time and in full from all employers.

The actuarially-required employer contribution rates which will be applicable to the next seven fiscal years are as yet unknown, except for the first year. The actuarially-determined rate to be applicable to member compensation paid during the '13-'14 plan year is estimated to be equal to 16.25%.

The source of this estimate is Fiscal Note 2013-15 dated March 19, 2013 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2013 Legislative Session.

I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.