

Analysis
2016/17

	Stable Contribution Rate	Employer Contribution Rate	Opt Out of SCO
Salary Budget	126,268,204	126,268,204	
Rate	14.13%	11.72%	
Liability	17,841,697	14,798,634	(3,043,064)
Amortization \$5.5 million	first installment due 2018/2019	1,500,000	1,500,000
Total	17,841,697	16,298,634	(1,543,064)

Summary:

The District has the option to opt out of the Stable Contribution Option for the 2016/17 school year until June 30, 2017. If the District opts out then the first installment would be due for June 30, 2017 payable in the fall of 2017.

Under the current option the first installment would be due in the 2018/19 year.

This is based on the current estimated rate from NYSTRS and we will continue to monitor this analysis as we progress through the 2016/17 year

From: NYSTRS Employer News <employer@nystrs.org>
Sent: Wednesday, February 03, 2016 12:30 PM
To: Joan Bencze
Subject: Admin. Bulletin 2016-2: Estimated Employer Contribution Rate For the 2016-17 Payroll



Administrative Bulletin
Issue No. 2016-2
February 2016

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

**Estimated Employer Contribution Rate
For the 2016-17 Payroll**

In an effort to assist you with 2016-17 budget preparations, we recommend you use an **estimated** employer contribution rate (ECR) of **11.72%** for 2016-17 payroll. This projected rate is consistent with Administrative Bulletin 2015-9, issued in November 2015, in which we estimated a rate of between 11.50% and 12.00%.

Although the funds associated with this ECR will not be collected until fall 2017, we send this alert well in advance to assist with your planning. The Retirement Board will adopt the 2016-17 ECR at its July meeting and an Administrative Bulletin formalizing this rate will be issued soon thereafter.

As previously noted (see Administrative Bulletin 2015-6), the ECR applicable to your 2015-16 payroll will be 13.26%. These funds will be collected in the fall of 2016 and correspond to NYSTRS member salaries for the 2015-16 school year.

The decrease in the 2016-17 ECR is primarily due to favorable investment returns over the past several years through June 30, 2015. This does not mean rates will continue to decrease in the future. ECRs are dependent upon many variables, such as future investment performance and member demographic experience.

For those employers who have elected to participate in the Stable Contribution Option (SCO), the SCO rate that will apply to fiscal year 2016-17 NYSTRS member salaries will remain at **14.13%** (14.0% base rate as per statute plus the 0.13% group life insurance rate).

The ECR and the SCO rate are adopted each July, but the contributions associated with these particular rates are not collected for another 14-16 months. Except for those employers required to pay directly, payments are deducted annually from State Aid apportioned in September, October and November.

If you have any additional questions, please call John Cardillo,

**History of the Employer
Contribution Rate (ECR)**

Salary Year	ECR
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%
2006-07	8.60%
2007-08	8.73%
2008-09	7.63%
2009-10	6.19%
2010-11	8.62%
2011-12	11.11%
2012-13	11.84%
2013-14	16.25%

Manager of Public Information, at (518) 447-4743.

2014-15

17.53%

2015-16

13.26%

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Stable Contribution Option Opt-Out Form

Opt-Out and Reconciliation: Employers electing to participate in the Stable Contribution Option (SCO) will have the opportunity to opt out of the SCO beginning July 1, 2014 for payments due for school years on or after 2014-15*. Employers opting out will resume payment of the Annual Required Contribution (ARC)** and will be required to begin repaying any deferred amount over a period not to exceed five years, with interest.

If NYSTRS receives an Opt-Out form by certified or registered mail it will be considered to be received on the date it was postmarked.

_____, being duly sworn, deposes and says:
(Print name of Chief Administrative Officer/Designee)

1. I am the Chief Administrative Officer, or his or her designee, of Sachem Central Schools (2512) and affirm I am authorized to act on behalf of said employer.
2. I understand an election to opt out of the Stable Contribution Option is irrevocable and making this election will commence payment of the ARC and repayment of any deferred amount, with interest.

Please indicate below which school year you are electing to opt out of the SCO and resume payment of the ARC. **ONLY ONE YEAR CAN BE SELECTED.**

*** Opt out for the school year:**

Form must be
received between:

<input type="checkbox"/>	2014-15	(7/1/14 - 6/30/15)
<input type="checkbox"/>	2015-16	(7/1/15 - 6/30/16)
<input type="checkbox"/>	2016-17	(7/1/16 - 6/30/17)

Form must be
received between:

<input type="checkbox"/>	2017-18	(7/1/17 - 6/30/18)
<input type="checkbox"/>	2018-19	(7/1/18 - 6/30/19)
<input type="checkbox"/>	2019-20	(7/1/19 - 6/30/20)

** Repayment period, please circle (# years): 1 2 3 4 5

• **Please note:** Repayment will begin in the fall for the school year chosen above. For example, if you choose school year 2014-15, payment of the ARC will resume and the repayment of any deferred amount, with interest, will begin with the September, October, and November 2015 payments. Prepayments will be accepted.

• A reconciliation amount and amortization schedule will be provided based on the information above.

3. This form must be signed, properly notarized, and received by NYSTRS (within the time periods indicated above) to be valid. Please mail completed form to: 10 Corporate Woods Drive, Albany, New York, 12211.

Signature of Chief Administrative Officer/Designee: _____

State of _____

County of _____

On this _____ day of _____ in the year _____ before me, the undersigned, a Notary Public in and for said State.

personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the

individual whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same in his/her capacity.

and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument

Signature of Notary: _____ Expiration Date: _____



NYSTRS Employer Manual

Section 22: Stable Contribution Option

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Introduction

At a special meeting held April 9, 2013, NYSTRS' Retirement Board unanimously approved a **stable contribution option (SCO)** provided for under Chapter 57 of the Laws of 2013, Part BB. 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.

Under the law, BOCES and public school districts participating in NYSTRS are offered 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 beginning in fall 2014 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.

Electing the Stable Contribution Option

As per statute, the window for electing participation opened July 1, 2013 and closed June 30, 2014. *This was the only opportunity provided under the law for eligible employers to opt in.* Eligible employers were required to make a decision and officially inform NYSTRS by June 30, 2014. All eligible employers were required to return an election form indicating whether or not they chose to participate. (No action of any kind was required from employers not eligible to participate in the SCO.)

How the Stable Contribution Option Works

Employers that elected the SCO will pay a **stable contribution rate** of not less than 14% and not more than 18% (plus the group life insurance rate) during the seven-year plan period. For plan participants, the stable contribution rate will first apply to pension bills collected in fall 2014, applicable to 2013-14 member salaries. However, the employer is also agreeing to make up the difference between the SCO rate and the ARC at a later date, essentially deferring part of the ARC payment, plus interest, for each year of participation in the SCO. Prepayments of deferrals will be accepted by NYSTRS.



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Year	Stable Rate* (per statute)	Applicable Payroll (school year)
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
* 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.		
** 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 simplest terms, the deferred contributions will be calculated annually by subtracting the SCO rate from the ARC (Actuarially Required Contribution minus Stable Rate Contribution = Deferred Contribution). A group life insurance rate (currently equal to 0.13% of pay) will be added to the stable rate, as illustrated here using year-one (school year 2013-14) figures:

$$16.25\% \text{ (ARC)} - 14.13\% \text{ (SCO rate + group life ins.)} = 2.12\% \text{ (deferred contribution)}$$

Other facts regarding the deferred employer contribution amounts:

- 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.

Repayment of the Stable Contribution Option

Beginning in Year Six, **repayment** of the deferred amounts plus interest will be owed to NYSTRS in addition to the SCO. Interest on deferred amounts will be based on the monthly average yield on 10-year U.S. Treasury securities for the 12-month period that precedes August 1 of the applicable deferred year, plus 1%.

Beginning in Year Eight (2020-21) of the SCO, participating employers will return to paying the actuarially required contribution (ARC) rate as calculated by NYSTRS. Also in Year Eight, employers who participated in the SCO 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).

In all years, in addition to payment of required contributions, employers will be responsible to make any remaining payments required as a result of participation in an early retirement incentive program.



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The interest will accrue commencing November 16 – the day after the final payment is due for the annual billing process. Employers may pre-pay deferred contributions. Any pre-payments will be applied to the employer's deferred amounts (including interest) in the order they were accrued, beginning with the earliest accrual.

If System investment returns drive the ARC below the stable rate, employers participating in the SCO will continue paying the stable rate. The "overpayment" would be applied to paying off accumulated deficiencies from prior years.

Exercising the Opt-Out Provision

Employers participating in the SCO may opt-out of the SCO at any time on a form provided by NYSTRS. Employers opting out will resume payment of the ARC and will be required to begin repaying any deferred amounts plus interest, in equal installments over a period not to exceed five years. Employers who duly opt-out will not be eligible to participate in the SCO at a later date.

The opt-out form is available in the Employer Billing section of the **Employer Secure Area**. The opt-out form will require the employer to select the school year in which to resume the ARC and begin repaying the reconciliation amount. Interest on reconciliation payments will be calculated monthly.

Employers must opt-out prior to July 1 for the following fall billing. For example, an eligible employer may opt-out commencing July 1, 2014 (through June 30, 2015), and select the 2014-2015 school year to resume payment of the ARC and commence payment of any deferred amounts, plus interest, in the fall of 2015.

Questions regarding the form may be directed to the System's Finance Department at (800) 356-3128, Ext. 2721.

80% 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. Participating employers will be required to resume payment of the actuarially required contribution and, in addition, payment of any outstanding deferred contributions, plus interest, over a period not to exceed five years.