

TESTIMONY OF
THE NEW YORK STATE TEACHERS' RETIREMENT SYSTEM

BEFORE

NEW YORK STATE SENATE STANDING COMMITTEE ON
CIVIL SERVICE AND PENSIONS

Good morning Chair Jackson and Committee Members. My name is Tom Lee. I am the Executive Director and Chief Investment Officer of the New York State Teachers' Retirement System. I thank the Committee for the chance to provide written testimony for the hearing calendared on October 11, 2023 to discuss retention and recruitment for civil service jobs in New York State, the New York State public pension fund, pensions and civil service benefits.

The New York State Teachers' Retirement System (NYSTRS) has been in operation since 1921 and is one of the ten largest public pension funds in the nation. Established by statute, the System is governed by a 10-member Retirement Board, who has the authority and responsibility to establish rules and regulations for the administration and transaction of System business, for the control of System funds, and to perform other functions as required to fulfill its responsibilities. The Board of Trustees has a fiduciary duty to prudently manage System assets using appropriate skill, care, and diligence.

The System provides retirement, disability, and death benefits to the teachers and administrators employed in New York State public schools (excluding New York City), Boards of Cooperative Educational Services (BOCES), and eligible charter schools that opted to participate as an employer in NYSTRS. Teachers employed by a New York State community college or SUNY may elect membership in NYSTRS. Over 800 public employers, primarily school districts and BOCES, are participating employers in the System. The System serves over 268,000 active members and over 180,000 retirees and beneficiaries.

As an employer, the System has nearly 400 individuals operating the daily functions of the fund. Of our staff, approximately 73% are recruited through the civil service process, the majority of which come from the competitive classifications. The operation of the System requires a wide range of expertise. Our major functions include investment management, member service, and administrative support functions. We would like to advocate for civil service to prioritize building a competitive pool of candidates through the civil service framework as well as offer employers the flexibility to hire positions in competitive sectors.

The System is one of the best-funded public pension plans in the nation. As of June 30, 2022 the System's net assets were \$132.0 billion. Audited financial statements for the fiscal year ending June 30, 2023 will be published in the System's October board meeting minutes and the System would be happy to provide those to the Chair upon publication.

The System's funded ratio was 97.4% based on the market value of assets and 99.3% based on the actuarial value of assets, as of June 30, 2022, the most-recent valuation available. The actuarial value of assets smooths the volatility inherent in the market value of assets by phasing in unexpected gains and losses over a period of five years.

Benefits provided by the Retirement System are funded from three sources: investment income, employer contributions and member contributions. For the 30-year period ending June 30, 2022, 85% of the System's total income came from investment returns. Over the same period, 13% of income came from employer contributions, and 2% of income came from member contributions. Employers fund pensions by contributing a percentage of compensation they pay to NYSTRS members. This percentage, known as the Employer Contribution Rate (ECR), is established annually in accordance with an actuarial valuation of System assets and liabilities. An ECR of 9.76% will be applied to member payroll for the July 1, 2023 to June 30, 2024 school year. These funds will be collected by NYSTRS in the fall of 2024. Members contribute toward their own pensions as required by statute, currently at a rate of between 3% and 6% of salary, depending on their salary.

The System is built to withstand market fluctuations because of our prudent investment strategy, long-term focus, and thoughtful stewardship. This foundation has provided retirement security to our members for over a

century. Whether a NYSTRS member is 55 or 105, they can depend on their monthly benefit from the New York State Teacher's Retirement System.

Again, I want to take this opportunity to thank the Chair, Senator Robert Jackson, and the members of the Committee on Civil Service and Pensions, for inviting the System to provide testimony to this hearing. If you should have any questions, our staff is always available for any inquiries related to the fund and its membership.