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MAREK TYSZKIEWICZ
CHIEF ACTUARY

MEMORANDUM

To: Board of Trustees
New York City Board of Education
Retirement System

From: Marek Tyszkiewicz, ASA, MAAA *MT*
Chief Actuary

Subj: Actuarial Interest Rate Extension

Date: December 13, 2022

The Actuarial Interest Rate (AIR), and the current rates of special interest, additional interest, and supplementary interest, which are set by the New York State Legislature and codified in section 13-638.2 of Administrative Code of the City of New York (ACCNY), are scheduled to expire as of July 1, 2023, potentially impacting the contribution rates for Fiscal Years 2024 and beyond. The Actuary is currently recommending a two-year extension of these rates.

The AIR, currently set at 7% per annum and valid through June 30, 2023, is used in conjunction with actuarial assumptions and methods to determine employer contributions to the New York City Board of Education Retirement System (BERS). The BERS Board of Trustees previously adopted the current assumptions and methods in 2021 (Revised 2021 A&M).

The special interest, additional interest, and supplementary interest rates, in effect, govern the amount of interest to be paid into certain constituent funds of the BERS, and the amount of interest to be credited on accumulated member contributions and increased-take-home-pay reserves of Tier 1 and 2 BERS members. These rates have remained consistent for more than 30 years.

A continuation of these statutory rates is not expected to affect the timing or amount of projected employer contributions since future employer contributions are projected based on the assumption that these statutory rates remain unchanged.

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Attached to this memorandum is an appendix that contains a draft Resolution expressing the Board's support of legislation to continue for two years the current AIR and the rates of special interest, additional interest, and supplementary interest.

Risk and Uncertainty

The actuarial opinions presented in this memorandum depend highly on the realization of the actuarial assumptions used, as well as certain demographic characteristics of BERS, and other exogenous factors such as investment, contribution, and other risks. If actual experience deviates from actuarial assumptions, the actual costs could differ from those presented herein. Costs are also dependent on the actuarial methods used, and therefore different actuarial methods could produce different results.

There are a number of other risks, including longevity risk, inflation risk, and other risks that could also impact the future employer contributions and funded status of BERS. Quantifying these risks is beyond the scope of this memorandum, though more information can be found in the published annual actuarial valuation reports.

Statement of Actuarial Opinion

I, Marek Tyszkiewicz, am the Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of my knowledge, the results contained herein have been prepared in accordance with generally accepted actuarial principles and procedures and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Please contact me with any questions.

Att.

cc: Dolores Capone, ASA, EA - New York City Office of the Actuary
Sanford Rich - New York City Board of Education Retirement System
Michael Samet, FSA - New York City Office of the Actuary
Keith Snow, Esq. - New York City Office of the Actuary

Appendix

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM

DRAFT RESOLUTION

SUPPORT OF LEGISLATION TO CONTINUE CERTAIN INTEREST RATES

The following Resolution is presented to the Board of Trustees of the New York City Board of Education Retirement System (BERS) for consideration and adoption:

WHEREAS, The Actuarial Interest Rate (AIR) and the rates of special interest, additional interest, and supplementary interest used to determine employer contributions to BERS, the amount of interest to be paid into certain constituent funds of the BERS, and the amount of interest to be credited on accumulated member contributions and increased-take-home-pay reserves of Tier 1 and 2 BERS members, which are enacted by the New York State Legislature and codified in section 13-638.2 of Administrative Code of the City of New York (ACCNYS) are scheduled to expire as of July 1, 2023; and

WHEREAS, The BERS Board, upon recommendation of the Actuary, supports proposed legislation providing for a two-year extension of the current AIR and the rates of special interest, additional interest, and supplementary interest; now therefore, be it

RESOLVED, That the Board requests that the Corporation Counsel develop, with the review and assistance of the Actuary, and that the New York State Legislature and Governor enact, legislation providing for a two-year extension of the current AIR and the rates of special interest, additional interest, and supplementary interest.

Respectfully Submitted:

Sanford Rich
Executive Director