

BOARD OF EDUCATION RETIREMENT SYSTEM

Board Meeting Agenda

May 9, 2023

1. Calendar Item 1: Noting of the Minutes of the Meeting of the Board of Education Retirement System held on April 18, 2023 – **FOR CONSIDERATION AND ACTION.**
2. Executive Director's Update – **FOR DISCUSSION.**
3. Calendar Items 2-17: Ordinary Business – **FOR CONSIDERATION AND ACTION.**
4. Calendar Item 18: Authorization of the Rebalancing of Funds of the Board of Education Retirement System – **FOR CONSIDERATION AND ACTION.**
5. Calendar Item 19: Fiscal Year 2024 Budget Presentation – **FOR DISCUSSION.**
6. Calendar Item 20: Adoption of Roth Contributions for the Board of Education Retirement System Tax-Deferred Annuity Program - **FOR CONSIDERATION AND ACTION.**

Board of Education Retirement System
SUMMARY MINUTES

Meeting of the Board of Trustees
April 18, 2023

Appearances via WebEx:

Karine Apollon
Tazin Azad
Geneal Chacon
Lilly Chan
Marjorie Dienstag
Khari Edwards
Gregory Faulkner
Anita Garcia
Sheree Gibson
Anthony Giordano
Angela Green

Naveed Hasan
Alison Hirsh
Jessamyn Lee
Donald Nesbit
Alan Ong
Maisha Sapp
Thomas Sheppard
Nicholas Souto
Gladys Ward
Ephraim Zakry

Agenda Item 1 - Calendar Item 1: Noting the Minutes of the Meeting of the Board of Retirement held on March 21, 2023. On a motion by Mr. Sheppard and a second by Ms. Garcia, this item was unanimously approved.

Agenda Item 2: Executive Director's Update.

Agenda Item 3 - Calendar Items 2-17: Ordinary Business. On a motion by Mr. Giordano and a second by Mr. Sheppard, these items were unanimously approved.

Agenda Item 4 – Calendar Item 18: Amendment to the Administrative Budget for Fiscal Year 2023 for BERS. On a motion by Ms. Ward and a second by Mr. Ong, this item was approved with an abstention from Ms. Hirsh.

Agenda Item 5 – Calendar Item 19: Investment Strategy Overview. On a motion by Ms. Garcia and a second by Mr. Zakry, this item was discussed.

Mr. Hasan arrived to the meeting at approximately 5:28 PM.

Agenda Item 6 – Calendar Item 20: Performance Report by Steve Meier, Chief Investment Officer for the New York City Retirement Systems. On a motion by Mr. Giordano and a second by Mr. Sheppard, this item was discussed.

Agenda Item 7 - Calendar Item 21: Approval of Net Zero Implementation Plan. On a motion by Mr. Sheppard and a second by Ms. Garcia, this item was considered. Mr. Faulkner motioned to table this agenda item and then withdrew the motion. Mr. Giordano made a motion that the BERS Net Zero Implementation Plan be amended to mirror that of the Teacher's Retirement System of the City of New York. Mr. Faulkner seconded the motion. After some discussion on the matter, Mr. Faulkner motioned to adopt the Net Zero Implementation Plan as proposed, reserving the option to amend the Plan at a later time. The motion was seconded by Mr. Giordano. The motion to adopt the Net Zero Implementation Plan was unanimously approved.

Ms. Chacon left the meeting at approximately 6:08 PM.

Ms. Azad left the meeting at approximately 6:22 PM.

Ms. Greene left the meeting at approximately 6:32 PM.

Mr. Nesbit left the meeting at approximately 6:34 PM.

Mr. Sheppard assumed the role of Chair at approximately 6:34 PM.

Mr. Hasan left the meeting at approximately 6:45 PM.

Agenda Item 8 - Calendar Item 22: Adoption of the Actuary's Determination for the Final Fiscal Year 2023 Employer Contribution to the New York City Board of Education Retirement System. On a motion by Ms. Ward and a second by Mr. Souto, this item was unanimously approved.

Agenda Item 9 - Calendar Item 23: Adoption of the BERS Qualified Excess Benefit Arrangement Plan and Trust. On a motion by Ms. Ward and a second by Ms. Dienstag, this item was unanimously approved.

Mr. Faulkner left the meeting at approximately 6:51 PM.

Agenda Item 10 - Calendar Item 24: Amendment to the Audit Committee Charter. On a motion by Ms. Dienstag and a second by Ms. Garcia, this item was considered. The Board voted unanimously to approve the following amendments to the Audit Committee Charter: 1) state that the election of Audit Committee Chair shall occur at the second Committee meeting of the year; 2) specify that the Financial Statements preparation and reporting by external auditors is reviewed by the NYC Audit Committee and that external auditors report annually to the BERS Board the results of their audit; and, 3) state that the Audit Committee is empowered to review disagreements between management and internal auditors. With an abstention from Mr. Sheppard and an opposing vote from Ms. Gibson, the Board voted to amend the Audit Charter to add language indicating that notwithstanding the requirement that the Audit Committee Chair rotate annually, in the event that no other member of the Committee wishes to serve as Chair, the Committee may re-elect the current Chair.

Mr. Edwards left the meeting at approximately 7:28 PM.

No other items of business were presented. On a motion by Mr. Giordano and a second by Ms. Garcia, the meeting was adjourned at approximately 7:43 PM.

May 2023

**AUTHORIZATION OF REBALANCING OF FUNDS FOR THE NEW YORK CITY BOARD OF
EDUCATION RETIREMENT SYSTEM**

- WHEREAS,** the BERS' Rules Sections 9(b)(F) and 45 require the Actuary, for purposes of determining funded status and rebalancing adjustments, to determine the actuarial value of assets and liabilities of BERS' Qualified Pension Plan (QPP) and the BERS' Tax-Deferred Annuity (TDA) Program as of each fiscal year; and
- WHEREAS,** BERS' Rules Section 45 states that where the assets of either the TDA or the QPP exceed its respective value, there shall be a transfer from such fund to the other where such value exceeds its assets; and
- WHEREAS,** the Actuary, by letter dated May 2, 2023, determined that as of July 1, 2022, the TDA was underfunded compared to its value by \$38,515,372, and that such amount should be transferred from the QPP's Contingent Reserve Fund to the TDA; and
- WHEREAS,** the Actuary, by letter dated May 2, 2023, determined that as of July 1, 2022, the QPP variable fund was underfunded compared to its value, by \$8,694,793, and that such amount should be transferred from the QPP's Contingent Reserve Fund to the QPP Variable Fund; and therefore be it
- RESOLVED,** that the Board adopts the Actuary's recommendation and authorizes BERS staff to effectuate the internal rebalancing described above in accordance with such recommendation.

Respectfully Submitted,

Sanford R. Rich
Executive Director

May 2023

**ADOPTION OF ROTH CONTRIBUTIONS FOR
THE BERS TAX-DEFERRED ANNUITY PROGRAM**

- WHEREAS,** the BERS Tax-Deferred Annuity Program (“the BERS TDA Program”) was originally established in 1970 pursuant to 26 U.S.C. 403(b) and Section 3109-A of the New York Education Law, and since inception, has accepted only tax-deferred contributions; and
- WHEREAS,** on December 29, 2022, the President signed into law the SECURE 2.0 Act of 2022¹, which requires, among other provisions applicable to BERS, that catch-up TDA contributions authorized under 26 U.S.C. 414(v) (also known as age 50 catch-up contributions) must be made on a Roth basis, except for eligible members whose prior-year wages do not exceed \$145,000 (indexed for inflation); now therefore be it
- RESOLVED,** that the Board of Trustees hereby authorizes the addition of Roth contributions to the BERS TDA Program, in a form to be determined by the Executive Director to be administratively applicable, and delegates the implementation of such program to the Executive Director or his authorized delegate.

Respectfully Submitted,

Sanford R. Rich
Executive Director

¹ Division T of the Consolidated Appropriations Act of 2023.

TO: BERS Board of Trustees

FROM: Daniel D. Miller- Deputy Executive Director

DATE: May 2, 2023

SUBJECT: Fiscal Year 2024 Proposed Administrative Budget

I am pleased to present to you the proposed administrative budget for fiscal year 2024 (FY 24). With this budget we intend to fill several gaps in services to our members to allow BERS to make further improvement while keeping the budget relatively flat. The FY 24 budget is 2.52% higher than the FY 23 budget, however that 2.52% increase is due to largely to required spending:

- The fringe rate increased 1.56%
- DC37 contract raise.

Without that required spending the FY24 budget is less than 1% higher than the FY23 budget.

We have significantly reduced our Other Than Personnel Services (OTPS) expenses and allocated more funds to Personnel Services (PS) to support and provide better service for our members.

The following are the highlights of the proposed budget:

- 30 Additional Employees
- Reduced CPMS Cost
- Reduced Temporary Staff
- Reduced Conference Expenses
- Bringing Consultant Work In House

We have identified areas where Members need more support (Member Communications, Member Services, Operations, Internal Audit). This will allow us to improve transactions response times, offer more member appointments, reduce the number of unenrolled, and improve communications with members. We have been using temporary staff to fill gaps in our workforce, but this has a higher cost and is less efficient, because temporary staff are not allowed access to all systems. We have reviewed our travel expenses and identified areas where we could reduce our spending without affecting our operations. We have also identified areas where we can do consultant work in house to provide better value and reduce costs.

The proposed budget for FY24 includes several improvements that will allow us to provide greater and better service at essentially the same cost. We believe this budget is reasonable and balanced and recommend it for approval.