

# **BOARD OF EDUCATION RETIREMENT SYSTEM**

## **Board Meeting Agenda**

### **June 13, 2023**

1. Calendar Item 1: Noting of the Minutes of the Meeting of the Board of Education Retirement System held on May 9, 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: Adoption of the Actuary's Recommendation Regarding the Tier III/IV/VI Loan Insurance Premium Rate for Fiscal Year 2024 – **FOR CONSIDERATION AND ACTION.**
5. Calendar Item 19: Authorization for the Adoption of an Administrative Budget for Fiscal Year 2024 for the Board of Education Retirement System – **FOR CONSIDERATION AND ACTION.**
6. Calendar Item 20: Authorization for a Commitment of Funds to the Roth Implementation Capital Budget of the Board of Education Retirement System – **FOR CONSIDERATION AND ACTION.**

**Board of Education Retirement System**  
**SUMMARY MINUTES**  
**Meeting of the Board of Trustees**  
**May 9, 2023**

**Appearances via WebEx:**

Karine Apollon  
Phoebe-Sade Arnold  
Tazin Azad  
Geneal Chacon  
Lilly Chan  
Marjorie Dienstag  
Khari Edwards  
Gregory Faulkner  
Sheree Gibson  
Anthony Giordano  
Angela Green

Naveed Hasan  
Alison Hirsh  
Jessamyn Lee  
John Maderich  
Donald Nesbit  
Alan Ong  
Kaliris Salas-Ramirez  
Maisha Sapp  
Thomas Sheppard  
Gladys Ward  
Ephraim Zakry

**Agenda Item 1 - Calendar Item 1:** Noting the Minutes of the Meeting of the Board of Retirement held on April 18, 2023. On a motion by Mr. Giordano and a second by Ms. Ward, this item was unanimously approved.

**Agenda Item 2:** Executive Director's Update.

*Mr. Edwards arrived at approximately 4:11 PM.*

*Ms. Salas-Ramirez arrived at approximately 4:13 PM.*

*Mr. Hasan arrived at approximately 4:18 PM.*

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

**Agenda Item 4 – Calendar Item 18:** Authorization of Rebalancing of Funds of the Board of Education Retirement System. On a motion by Ms. Ward and a second by Ms. Azad, this item was unanimously approved.

**Agenda Item 5 – Calendar Item 19:** Fiscal Year 2024 Budget Presentation. On a motion by Mr. Giordano and a second by Mr. Zakry, this item was discussed.

*Mr. Nesbit began chairing the meeting at approximately 5:12 PM.*

**Agenda Item 6 – Calendar Item 20:** Adoption of Roth Contributions for the Board of Education Retirement System Tax-Deferred Annuity Program. On a motion by Mr. Maderich and a second by Mr. Edwards, this item was approved, with abstentions from Ms. Hirsh and Mr. Maderich.

*Ms. Salas-Ramirez left at approximately 5:58 PM.*

*No other items of business were presented. On a motion by Mr. Maderich and a second by Ms. Dienstag, the meeting was adjourned at approximately 6:19 PM.*

**ADOPTION OF THE ACTUARY'S RECOMMENDATION REGARDING  
THE TIER III/IV/VI LOAN INSURANCE PREMIUM RATE FOR FISCAL YEAR 2024**

- WHEREAS,** in accordance with the legislation establishing a Loan Program for Tier III/IV/VI members of the New York City Board of Education Retirement System, the Board of Trustees is required, at least annually, to review the Loan Insurance Premium Rate applicable to the Loan Program; and
- WHEREAS,** based on the recommendation of the prior Actuaries, such Loan Insurance Premium Rate has been set each year at 0.50% per annum of the outstanding loan balances for loans originating between July 1, 1991 and June 30, 1998, at 0.30% per annum of the outstanding loan balances for loans originating between July 1, 1998 and June 30, 2015, and at 0.20% per annum of the outstanding loan balances for loans originating between July 1, 2015 and June 30, 2023; and
- WHEREAS,** in a Report dated June 2, 2023, the Actuary has analyzed the experience and current status of the Loan Program, concluded that no change needs to be made and recommends to the Board of Trustees that the Loan Insurance Premium Rate be continued at 0.20% per annum of the outstanding loan balances for any loans originating during Fiscal Year 2024 (i.e. July 1, 2023 through June 30, 2024); now, therefore, be it
- RESOLVED,** that the Board of Trustees hereby adopts the recommendation of the Actuary as stated in his Report dated June 2, 2023 and stipulates the Tier III/IV/VI Loan Insurance Premium Rate be continued at its current rate of 0.20% per annum of the outstanding loan balances for any loans originating during Fiscal Year 2024 (i.e. July 1, 2023 through June 30, 2024).

Respectfully Submitted,

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Sanford R. Rich  
Executive Director

**AUTHORIZATION FOR THE ADOPTION OF AN ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2024 FOR THE BOARD OF EDUCATION RETIREMENT SYSTEM**

- WHEREAS,** Chapter 307 of the Laws of 2002 was enacted on August 6, 2002; and
- WHEREAS,** Chapter 307 of the Laws of 2002 deems the administrative budget for the fiscal year beginning July 1, 2023 enacted by the retirement board to be effective as of the beginning of the fiscal year, and
- WHEREAS,** Chapter 307 of the Laws of 2002 authorizes the Retirement Board to establish a budget sufficient to fulfill the powers, duties and responsibilities set forth in the BERS rules and regulations and any other provision of law which sets forth benefits of members of the Retirement System and may draw upon the assets of the Retirement System to finance said budget; and
- WHEREAS,** the Executive Director and the administrative staff recommend as a budget for Fiscal Year 2024, a personnel services budget of \$23,887,332 that includes a fringe benefit cost of \$7,896,348, and an other than personnel services budget of \$10,209,241; and
- WHEREAS,** the Retirement Board has reviewed the Executive Director's budget request; now therefore be it
- RESOLVED,** that the Retirement Board of the Board of Education Retirement System adopts the Fiscal Year 2024 administrative budget and delegates to the Executive Director its powers within the authorized appropriation.

Respectfully Submitted,

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Sanford R. Rich  
Executive Director

**AUTHORIZATION FOR A COMMITMENT OF FUNDS TO THE ROTH IMPLEMENTATION  
CAPITAL BUDGET OF THE BOARD OF EDUCATION RETIREMENT SYSTEM**

- WHEREAS,** on December 29, 2022, the President signed into law the SECURE 2.0 Act of 2022<sup>1</sup>, 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); and
- WHEREAS,** on May 9, 2023, that the Board of Trustees authorized 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 delegated the implementation of such program to the Executive Director or his authorized delegate; and
- WHEREAS,** in order to add Roth contributions to the BERS TDA Program, BERS has determined the need for certain improvements to BERS' Enterprise Resource Planning software, the Comprehensive Pension Management System (CPMS); and
- WHEREAS,** the Executive Director and the administrative staff recommend a commitment of \$3,800,000 to the Roth implementation capital budget to cover the above improvements; and
- WHEREAS,** the Retirement Board has reviewed the Executive Director's Roth implementation capital budget request; now therefore be it
- RESOLVED,** that the Retirement Board of the Board of Education Retirement System commits \$3,800,000 to the Roth implementation capital budget with the associated vendor contracts subject to approval by the Retirement Board.

Respectfully Submitted,

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Sanford R. Rich  
Executive Director

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<sup>1</sup> Division T of the Consolidated Appropriations Act of 2023.

# Velocity Roth Implementation Project

## Background:

The BERS Tax-Deferred Annuity Program (“the BERS TDA Program” or “TDA”) was originally established in 1970 pursuant to 26 U.S.C. 403(b) and Section 3109-A of the New York Education Law. The assets of the TDA are invested in two investment programs. These are the Fixed Return Fund, which is managed by BERS and the Variable Return Fund (consisting primarily of equity securities), which is managed by the Teachers' Retirement System of the City of New York (“TRS”).

## Roth Program:

On December 29, 2022, the President signed into law the SECURE 2.0 Act of 2022, which requires, among other provisions applicable to BERS, that catch-up TDA contributions (also known as age 50 catch-up contributions) must be made on a Roth basis (post-Tax), except for eligible members whose prior-year wages do not exceed \$145,000 (indexed for inflation). This requirement will come into effect on January 1, 2024.

On May 9, 2023, the BERS Board of Trustees authorized the addition of Roth contributions to the BERS TDA Program and delegated the implementation of such program to the Executive Director. BERS staff is proposing a multi-part effort to address SECURE 2.0 Act of 2022 changes that would protect the financial interests of participants in the BERS TDA Program. The first part of the effort will focus on creating a Roth TDA catch-up contribution capability in BERS' Comprehensive Pension Management System (“CPMS” or “Velocity”) and integrating this functionality with the New York City Financial Information Services Agency's (“FISA”) Payroll Management System (“PMS”) and Pension Payroll Management System (“PPMS”). In the future, the Board will be asked to consider expanding Roth functionality for TDA Program Participants, including base TDA contributions and rollover capability.

## Estimated Costs:

Expenses for the Velocity Roth implementation are estimated to be \$3.8 million. Should the Board vote to expand Roth functionality to include base TDA contributions and rollover capability at a later date, there will be additional costs associated with this expanded capability.

## Funding proposal:

BERS is requesting a capital budget for \$3.8 million for the Velocity Roth implementation project based upon the estimate provided by our software developer, Vitech.

## Accounting:

Based on Government Accounting Standards Board (GASB) 51 “Accounting and Financial Reporting of Intangible Assets”, costs pertaining to the application development phase of the asset can be capitalized and expensed over the useful life of the asset.