

## Authorize School Districts to Save for Teacher Pension Costs A.5759 (Buchwald)

**THE COUNCIL strongly supports legislation proposed by the New York State Teachers Retirement System to enable districts to establish a reserve for future pension costs.**

Local governments, school districts, and BOCES may now establish a “Retirement Contribution Reserve Account” for future payments to the State and Local Employees Retirement System (ERS). But only about 20% of school employees are covered by ERS.

This legislation would establish the TRS reserve as a sub-fund within the existing Retirement Contribution Reserve Account. It would set both annual and aggregate limits on how much a district could place in the TRS reserve:

- Annually, no more than the equivalent of 2 percent of the payroll for TRS members.
- In the aggregate, no more than the equivalent of 10 percent of the payroll for TRS members.

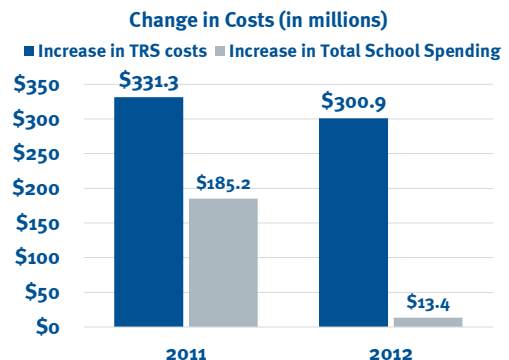
The mandated employer contribution rate will decline next year, providing savings for school districts. But it is virtually certain to increase and perhaps steeply in the following year. The contribution rate is based in part on a five-year average rate of return earned by TRS investments. For the rate to be paid against 2020-21 salaries, a year with a return rate of 18.2 percent will drop out of the five-year calculation and be replaced by the rate for the year going on now.

Twice in recent years, increases in TRS costs exceeded the change in total school spending, with the result that districts had to cut other expenses, on balance, in order to absorb their TRS cost increases.

The property tax cap has changed how school district leaders must consider reserves. It is now harder and riskier to seek a tax increase to fund a large cost increase. Tax cap over-rides must pass with at least 60 percent approval. If approval is not achieved, for either an over-ride or an increase within the cap, a district cannot raise its tax levy at all. Reserves are one tool districts still have to exert some control over future financial prospects, but no district will attempt an over-ride to fund a reserve.

***A TRS reserve would help schools preserve programs and jobs the next time the employer contribution rate surges.***

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SOURCE: Compiled by the Council from Office of the State Comptroller school district financial data. Figures do not include New York City, which has its own teachers retirement system.