Relief on pension costs

Rate for teachers to dip; $100M LI taxpayer savings

BY JOHN HILDEBRAND
john.hildebrand@newsday.com

The cost of teacher pensions will fall substantially for school districts during 2019-20, producing savings that could exceed $100 million on Long Island alone, state and local officials calculated.

The New York State Teachers' Retirement System, one of the nation's biggest pension programs, has announced that contributions required from districts statewide will fall to an estimated 8.86 percent of payrolls during the next school year — down from 10.62 percent this year and the lowest since 2010-11.

That's a break both for property owners and for local school officials in Nassau and Suffolk counties, who worry about how much financial support they can count on from Albany for the next academic year. Any lowering of education costs affects property taxes, two-thirds of which go to school districts.

"Obviously, it's good news for taxpayers," said Joseph Dragone, assistant superintendent for business and administration in the Roslyn district and a regional expert on school finance.

Dragone estimated combined savings of $109 million next year for the 120-plus districts in Nassau and Suffolk, based on the pension system's Feb. 21 announcement of lower contribution rates. The Roslyn administrator cautioned, however, that other school costs will rise as usual, especially spending on salaries and health benefits.

State pension systems invest the dollars contributed by school districts and other local governments, and as a result are heavily dependent on stock market returns. Next year's drop in the contributions rate reflects robust market growth during 2017, retirement fund officials said.

New York's teacher-pension system covers nearly 265,000 working educators statewide, including about 40,000 on the Island. Beneficiaries include not only classroom teachers but school administrators, guidance counselors, librarians and other professionals.


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The drop in teachers' pension contributions is attributed to strong stock market performance in 2017.

DATABASE
See pensions for select educators on LI in 2017-18.
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The system recently ranked seventh in the nation in terms of size, with assets totaling more than $120 billion, according to "Pensions & Investments," a trade journal.

The teachers' fund announcement was not the only welcome news for districts in recent weeks.

On Feb. 15, Gov. Andrew M. Cuomo revealed his plans for dealing with an estimated drop of $3.8 billion in state income-tax revenues during the next two fiscal years. Plans call for closing as many as three prisons and reducing some Medicaid programs — but not for cuts in state school aid that many educators had feared.

What this means, Cuomo aides said, is that the governor is sticking with the school-aid package proposed in his January budget message, which calls for a statewide increase of about $1 billion in 2019-20.

The blueprint would include a $338 million hike in what is known as "foundation aid," which provides extra help for New York City schools and other systems with large numbers of students living below the poverty line. It also would provide an additional $411 million to reimburse costs of bus transportation and other services important to suburban districts.

School leaders on the Island, while reassured by the governor's actions in one sense, contended that the proposed aid remains well short of their needs. The proposal would increase school operating assistance for the Nassau-Suffolk region by $59.17 million or 2.03 percent — Cuomo's lowest offer in seven years.

Kenneth Bossert, president of the Suffolk County School Superintendents Association, noted that local systems increasingly lean on state assistance, because their own powers to raise revenues through property taxes have been restricted, ever since Albany first imposed tax caps in 2012-13.

"While we're relieved that the governor didn't decrease his proposal from January, most school officials would agree that his proposal fell far short of meeting the needs that will assist districts in matching the growth in expenses," said Bossert, who is superintendent of Elwood schools.

Although the stock market's 2017 performance is seen as a boon for districts, it comes with a qualifying footnote. That market expansion was followed by a slump in 2018, which probably will mean higher pension contributions in 2020-21, teachers' retirement fund officials said.

Market ups and downs have prompted education groups, including the New York State Council of School Superintendents, to seek new legislation allowing them to set up district-level reserve accounts to help pay teacher-pension contributions. The money in those specifically designated reserve accounts would be a financial cushion for districts in the event of sudden jumps in cost, these groups said.

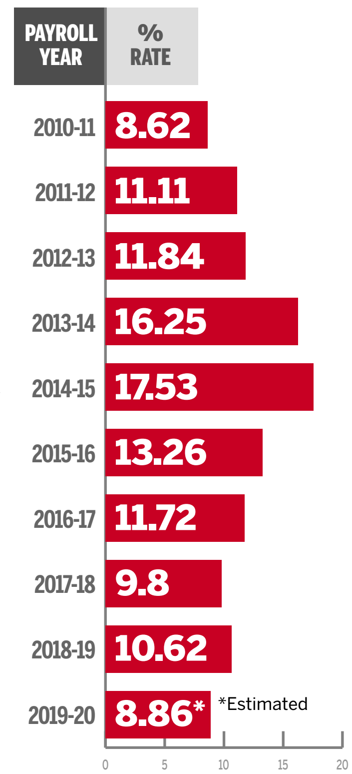
State lawmakers — aware that districts' stockpiling of cash reserves of various types is a hot political topic — have not yet approved such legislation. Dozens of audit reports issued by the state comptroller have rapped individual districts for amassing reserves in excess of legal limits, and a Newsday review in August found that total school reserves Islandwide had reached a record high of nearly $2.44 billion.

The volatility of pension costs also has sparked a long-running debate over whether retirement systems for teachers and other public employees should be run more like the 401(k) plans used by private employers. The 401(k)s, unlike traditional pensions, do not guarantee a specific benefit upon retirement.

The state's current teacher retirement system is a hybrid arrangement that guarantees specific benefits but also requires contributions from many participants. For example, teachers and other school professionals who entered the system after April 1, 2012, contribute to the plan on a sliding scale, ranging from 3.5 percent to 6 percent of their annual salaries.

Ups and downs
in teacher pension costs

Changes over the years in required contribution rates by local school districts to the New York State Teachers' Retirement System, expressed as percentages of total payroll.



SOURCE: New York State Teachers' Retirement System