



Office of the New York State Comptroller
Thomas P. DiNapoli, Comptroller
New York State and Local Retirement System
Employees' Retirement System
Police and Fire Retirement System
110 State Street, Albany, New York 12244-0001

Phone: 1-866-805-0990
Fax: 518-402-4433
Web: www.osc.state.ny.us/retire

Kevin F. Murray, Executive Deputy Comptroller

August 2011

Re: Final Contribution Rates for
February 1, 2013 Payment

Dear Employer:

As a participating employer, you are billed once a year for your share of the annual cost of paying for the future pension benefits of your employees. To help with your budget planning, we provide you with contribution rates 17 months before the payment due date. We also provide last year's contribution rates and the long-term expected contribution rates for your information. The rates to be used in estimating your required contribution for fiscal year ending (FYE) 2013 are highlighted in tan, the rates for 2012 are highlighted in blue and the long-term expected rates are highlighted in green.

What do we mean by long-term expected contribution rates? These are the rates employers would pay to fund the benefits of a group of new entrants if all actuarial assumptions were realized. The actuarial assumption that has the largest impact on employer contribution rates is the assumed annual rate of return on investments. If investment income exceeds expectations, lesser contributions are required from employers; if it falls short of expectations, more contributions are required from employers.

In the 1990's and early in the 2000's, employer contributions were unusually low due to exceptional Fund performance. By 2004-05, when the Fund's return over the previous few years had fallen short of its target, employer contribution rates increased, returning close to their expected annual levels. Thereafter, because the Fund averaged more than the expected rate of return, employer rates declined in each of the following five years.

Due to the global economic crisis in 2008-2009, the Fund experienced an unprecedented decline for FYE March 31, 2009. Although investment returns were strong for FYE 2010 and 2011, the rates continue to reflect the effects of the recession.

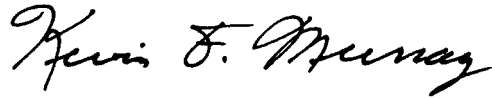
The rate setting methodology spreads or "smoothes" unexpected equity investment performance -- whether positive or negative -- over a five-year period to lessen the impact of market volatility on employer contribution rates. Even with smoothing, the fiscal year ending March 31, 2013 rates will increase, as the impact of the 2009 loss continues to be reflected. Further, absent significant increases in the rate of return over the next two years, employer contribution rates will continue to increase while the full FYE 2009 loss is being recognized.

Because of the exceptional economic conditions driving the projected rate increases, Part TT of Chapter 57, Laws of 2010 provides employers with an option to ease the cash flow impact of required contributions on their budgets. This legislation permits employers to amortize a portion of their required contributions over a ten-year period if the System's average rates rise

above a certain level. In the future, as market conditions improve and the System's average rates fall, the portion of the contribution payment that exceeds these rates would be applied to previously amortized amounts. When all amortizations are paid in full, any additional contributions will be deposited into a reserve account fund to offset the budgetary impact of future rate increases. This contribution stabilization program provides employers with an option to better manage rate fluctuations due to market volatility when budgeting for required pension contributions.

If you have any questions regarding the rates or the Contribution Stabilization Program, please contact our Billing Unit at 518-486-3921 or email them at RTEmpSer@osc.state.ny.us. You can also visit our website at www.osc.state.ny.us/retire for additional information about rates.

Sincerely,

A handwritten signature in black ink that reads "Kevin F. Murray". The signature is written in a cursive style with a large initial "K" and "M".

Kevin F. Murray