

# State Retirement Fund Doing So Well It Can Lower Contributions

By MARK TOOR | Posted: Monday, May 19, 2014 5:45 pm

Six years after the Common Retirement Fund, the state's largest pension pot, lost nearly 30 percent of its value in the recession of the 2008-09 fiscal year, State Comptroller Thomas P. DiNapoli said it grew 13 percent in 2013-14, allowing for reductions in localities' contributions.

"It was a stellar year for us," Mr. DiNapoli said in a statement. "The fund grew in value to an historic high of \$176.2 billion. The strength of the domestic-equity market, coupled with strong private-equity and real-estate returns, drove much of our growth...The financial markets have given investors a wild ride the last few years, but our investment strategy has allowed us to capitalize on opportunities and minimize risks."

## Soared Past High

The \$176.2-billion figure represents growth of 59 percent since 2008-09, when the fund was down to \$110.9 billion after a one-year loss of \$45 billion.

The New York State Pension Fund is the third-largest pension fund in the United States, and is considered one of the best-managed and best-funded of such plans. Over the past 20 years, returns on the fund's investments have provided 80 percent of benefits paid to more than 1 million state- and local-government retirees.

Equities, commonly referred to as stocks, that are traded on domestic or foreign stock exchanges represent about 54 percent of the fund's investments.

As Mr. DiNapoli noted, they can be volatile. In 2008-2009, domestic stocks in the fund's portfolio dropped 38 percent, and stocks from companies outside the United States fell 46 percent. Last year, domestic stocks rose 22 percent and non-U.S. equities climbed 13 percent.

## Expect 7.5% Profit

The retirement fund works with an assumed rate of return on investment of 7.5 percent. When returns are below that level, the Comptroller's Office requires additional pension contributions from the state and localities.

Rates of return are averaged over five years, so the disastrous 2008-09 fiscal year will no longer affect these contributions. Mr. DiNapoli's office said last September that after several years of increases, contributions will begin to decline this fiscal year.

For the civilian Employees' Retirement System, the rate goes down almost 4 percent, from 20.9

percent of payroll to 20.1 percent, his office said in September. For the Police and Fire Retirement System, the decline is nearly 5 percent, from 28.9 percent of payroll to 27.6 percent.

Mr. DiNapoli is being challenged for re-election in November by Republican Robert Antonacci, the Comptroller of Onondaga County.