TIER III/IV/VI LOAN INSURANCE PREMIUM RATE FOR THE NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM FOR LOANS ORIGINATING DURING FISCAL YEAR 2026

prepared by the

New York City
Office of the Actuary
June 3, 2025

OFFICE OF THE ACTUARY

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MAREK TYSZKIEWICZ
CHIEF ACTUARY

June 3, 2025

Board of Trustees
New York City Board of Education Retirement System
55 Water Street – 50th Floor
New York, NY 10041

Re: Fiscal Year 2026 Tier III/IV/VI Loan Insurance Premium Rate

Dear Trustees:

The attached report presents my recommendation to continue the Loan Insurance Premium Rate at 0.2% per annum of the outstanding loan balance for loans originating during Fiscal Year 2026 for Tier III/IV/VI members.

To the best of my knowledge, these results have been prepared in accordance with generally accepted actuarial principles, procedures, and under the Actuarial Standards of Practice issued by the Actuarial Standards Board. I am an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion.

Best Regards,

Marek Tyszkiewicz

Marek Tyszkiewicz, ASA, MAAA
Chief Actuary

MT/eh

cc: Dolores Capone, ASA, EA – New York City Office of the Actuary
Crage Lu, ASA – New York City Office of the Actuary
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Table of Contents

Section I – Executive Summary 1

Section II - Background 3

Section III – Development of Theoretical Loan Insurance Premium Rate 4

Section IV – Experience Review 5

Section V – Findings and Recommendations 6

Appendices

Appendix A: The New York City Board of Education Retirement System Rules for Insurance on Tier III/IV/VI Loans

Appendix B: Calculation Worksheet of Theoretical Tier III/IV/VI Loan Insurance Premium Rates

Appendix C: Table Reflecting Insurance Premiums Collected and Insurance Claims Paid Out under the Tier III/IV/VI Loan Program from July 1, 1991 through June 30, 2024

Appendix D: Draft Resolution to Adopt the Tier III/IV/VI Loan Insurance Premium Rate for Fiscal Year 2026

SECTION I – EXECUTIVE SUMMARY

This Report presents the Actuary's recommendation to the Board of Trustees of the New York City Board of Education Retirement System (BERS) of the Tier III/IV/VI Loan Insurance Premium Rate on any outstanding loan balances for loans originating during Fiscal Year 2026.

In accordance with Chapter 920 of the Laws of 1990 (Chapter 920/90), BERS began issuing loans to Tier III/IV members on July 1, 1991. These provisions became applicable to Tier VI members on April 1, 2012.

Chapter 920/90 provides for life insurance coverage after the date of issuance of the loan as follows:

From	To	Coverage
1 day	30 days	No coverage
31 days	Loan Repayment	100% of Unpaid Balance
Anytime loan is in default		No Coverage

Chapter 920/90 also provides that the loan insurance premium rate payable by the member for such loan insurance shall be set by the Board of Trustees at a rate not to exceed 1.00% of the amount loaned.

In a May 1, 1991 Report entitled "Proposed Conditions Governing Insurance On Tier III and Tier IV Loans For The New York City Board of Education Retirement System," the Actuary recommended a Tier III/IV Loan Insurance Premium Rate of 0.50% per annum to be applied against any outstanding loan balances.

At the May 22, 1991 meeting of the Board of Trustees a Resolution was adopted including "Rules and Regulations Governing Loans to Tier III/IV Members" which established the Tier III/IV Loan Insurance Premium Rate of 0.50% per annum.

That Resolution also stated that the Tier III/IV Loan Insurance Premium Rate would be reviewed at least annually and adjusted as deemed appropriate by the Board of Trustees.

The history of the Loan Insurance Premium Rate is shown in the table below:

Loans Originating in Fiscal Year	Loan Insurance Premium Rate
1992-1998	0.50%
1999-2015	0.30%
2016-2025	0.20%

Now, following the detailed study presented in this Report, the Actuary recommends that the Tier III/IV/VI Loan Insurance Premium Rate be continued at 0.20% per annum on outstanding loan balances for loans originating during Fiscal Year 2026.

Section II of this Report provides background information on the statutory basis for issuing Tier III/IV/VI loans and conditions governing them.

Section III presents the assumptions and methods used to develop the theoretical Tier III/IV/VI Loan Insurance Premium Rate.

Section IV presents the Experience Review.

Section V presents the findings and recommendations of this Report.

Appendix A presents the rules for insurance on Tier III/IV/VI Loans.

Appendix B presents a worksheet that develops theoretical Tier III/IV/VI Loan Insurance Premium Rates based on the actuarial assumptions used in the actuarial valuation to determine the Preliminary Fiscal Year 2026 employer contributions.

Appendix C presents a table reflecting the insurance premiums collected and the insurance claims paid out under the Tier III/IV/VI Loan Insurance Program from July 1, 1991 through June 30, 2024, based on information furnished to the Office of the Actuary (OA) by BERS.

Appendix D presents a draft Board Resolution to adopt the Tier III/IV/VI Loan Insurance Premium Rate for Fiscal Year 2026.

SECTION II – BACKGROUND

BERS began issuing loans to Tier III/IV members on July 1, 1991 and to Tier VI members on April 1, 2012.

Following are some of the important conditions governing Tier III/IV/VI loans:

- A member must be credited with at least one year of service and either be in active service or on a paid leave of absence to be eligible for a loan.
- The amount of the loan must be at least $1,000 and not exceed 75% of a member's accumulated contributions and interest. Also, the amount of the loan must be less than $50,000, less outstanding QPP and TDA loan balances during the previous 12-month period. Other restrictions may also apply.
- Only one loan can be obtained in any 12-month period.
- There is an administrative service charge for each loan issued. The amount is currently $50.00.
- The current interest rate payable on a loan is 6% per year.
- Generally, a loan must be repaid within five years. However, in no event can the annual repayment amount be less than 2% of a member's contract salary.
- Repayment may be made either through payroll deduction or via direct payment.
- A loan is fully insured beginning 31 days from the issue date. A loan insurance premium is included in the member's loan repayments.
- A loan in default results in a cancellation of the loan insurance. Also, non-payment of a loan will actuarially decrease a member's future retirement allowance as the member is borrowing against the employee-paid portion of the pension benefit.

SECTION III - DEVELOPMENT OF THEORETICAL LOAN INSURANCE PREMIUM RATE

In order to determine a reasonable loan insurance premium rate for Tier III/IV/VI loans, the estimated amount of loan insurance claims expected to be paid in one year was compared to the estimated amount of insurance coverage expected to be needed for one year.

The calculations were based on the number of active Tier III/IV/VI members at each age and the probabilities of mortality prior to retirement used in the June 30, 2024 actuarial valuation to determine the Preliminary Fiscal Year 2026 Employer Contributions.

These calculations yielded a theoretical Tier III/IV/VI Loan Insurance Premium Rate of approximately 0.14% per annum, before any contingency loads for adverse experience. Appendix B presents the calculation worksheet.

SECTION IV – EXPERIENCE REVIEW

Sound financing is necessary to fund insurance on loans. If the insurance premiums collected exceed the insurance claims incurred and paid out, then the excess can provide a reserve for claim fluctuation and to mitigate future premium increases which could occur if the group ages. However, if the insurance premiums collected are less than the insurance claims incurred and paid out, the Tier III/IV/VI Loan Insurance Premium Rate must be increased to reestablish a balance.

Appendix C provides a comparison of the historical insurance premiums collected and insurance claims paid out under the Tier III/IV/VI Loan Insurance Program.

A review of this historical experience supports continuing the Tier III/IV/VI Loan Insurance Premium Rate at 0.20% per annum for Fiscal Year 2026.

SECTION V – FINDINGS AND RECOMMENDATIONS

In accordance with legislation, the Board of Trustees must, at least annually, review the Loan Insurance Premium Rate and may increase or reduce the premium rate, modify the terms or conditions of loan insurance coverage, or discontinue the insurance of loans.

Based on the analyses in this Report, the Actuary recommends that the Tier III/IV/VI Loan Insurance Premium Rate be continued at 0.20% per annum on outstanding loan balances for any loans originating during Fiscal Year 2026.

Appendix A

APPENDIX A

THE NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM RULES FOR INSURANCE ON TIER III/IV/VI LOANS

1. Each loan not in default is insured against the death of the member in an amount equal to the amount of the loan outstanding at any given time except there will be no insurance for the first 30 days.

2. Under Internal Revenue Service (IRS) regulations, BERS must treat each loan issued under the Loan Program since January 1, 2004 independently. In cases of death within 30 days after a new loan issuance date, the old loan is considered fully insured (if not in default) but no loan insurance shall be paid on the new loan.

3. Insurance claims are paid from the “Loan Insurance Fund.”

4. Upon the death of a member, the amount of loan insurance payable is credited to his or her accumulated contributions.

5. The Loan Insurance Premium Rate is charged throughout the life of the loan, including the first 30 days during which no loan insurance payment would be made in the event of the death of a member with an outstanding loan balance.

6. The Board of Trustees on any July 1 may increase or reduce the premium rate, modify the terms or conditions of coverage, or discontinue the insurance of loans.

Appendix B

APPENDIX B
NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
TIER III/IV/VI LOAN INSURANCE PREMIUM RATE
AS OF JUNE 30, 2024

SEX: **M & F**

AGE	COUNT [1]	ACTIVE PROBABILITY OF ORDINARY DEATH [2]	NUMBER OF EXPECTED DEATHS	AVERAGE PROBABILITY OF EXPECTED DEATH
≤ 19	3	0.0267%	0.0008	
20	7	0.0257%	0.0018	
21	18	0.0267%	0.0048	
22	24	0.0275%	0.0066	
23	31	0.0265%	0.0082	
24	52	0.0273%	0.0142	
25	65	0.0283%	0.0184	
26	79	0.0306%	0.0242	
27	102	0.0337%	0.0344	
28	132	0.0361%	0.0477	
29	167	0.0380%	0.0634	
30	212	0.0429%	0.0910	
31	236	0.0456%	0.1077	
32	227	0.0486%	0.1103	
33	312	0.0526%	0.1641	
34	326	0.0551%	0.1796	
35	357	0.0584%	0.2085	
36	415	0.0613%	0.2542	
37	403	0.0604%	0.2433	
38	392	0.0613%	0.2404	
39	433	0.0626%	0.2710	
40	539	0.0635%	0.3422	
41	471	0.0671%	0.3161	
42	479	0.0729%	0.3493	
43	520	0.0755%	0.3924	
44	532	0.0751%	0.3993	
45	577	0.0797%	0.4600	
46	621	0.0833%	0.5170	
47	689	0.0874%	0.6022	
48	636	0.0925%	0.5885	
49	692	0.0973%	0.6733	
50	686	0.1032%	0.7077	
51	739	0.1104%	0.8157	
52	750	0.1177%	0.8825	
53	762	0.1253%	0.9551	
54	872	0.1366%	1.1908	
55	775	0.1438%	1.1142	
56	795	0.1560%	1.2402	
57	878	0.1644%	1.4431	
58	820	0.1732%	1.4205	
59	851	0.1840%	1.5662	
60	867	0.1963%	1.7023	
61	838	0.2031%	1.7016	
62	807	0.2093%	1.6894	
63	620	0.2144%	1.3291	
64	626	0.2249%	1.4081	
65	482	0.2261%	1.0896	
66	434	0.2390%	1.0372	
67	381	0.2485%	0.9467	
68	295	0.2655%	0.7831	
69	230	0.2749%	0.6323	
70	176	0.3081%	0.5422	
71	157	0.3625%	0.5692	
72	114	0.3896%	0.4442	
73	86	0.4747%	0.4082	
74	65	0.5054%	0.3285	
75	60	0.6160%	0.3696	
76	43	0.6549%	0.2816	
77	42	0.7288%	0.3061	
78	30	0.8493%	0.2548	
≥ 79	81	0.9944%	0.8055	
TOTAL	24,111		34.7002	**0.1439%**

[1] Tier III/IV/VI members who qualify to take out loans.
[2] Weighted probability for the July 1, 2025 to June 30, 2026 year, based on male/female mix at each age.

Appendix C

APPENDIX C
NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
Tier III/IV/VI Loan Insurance Information [1]
as of June 30, 2024

Fiscal Year Ended June 30	Insurance Premiums Collected	Insurance Claims Paid Out	Premiums Surplus/(Deficit)	Loan Insurance Premium Rate
1992	$ 19,106	$ 0	19,106	0.5%
1993	28,255	0	28,255	0.5%
1994	37,190	17,010	20,180	0.5%
1995	45,997	14,987	31,010	0.5%
1996	53,715	47,960	5,755	0.5%
1997	63,273	49,895	13,378	0.5%
1998	76,475	34,441	42,034	0.5%
1999	78,120	33,750	44,370	0.3%
2000	77,544	101,409	(23,865)	0.3%
2001	80,369	69,800	10,569	0.3%
2002	94,065	71,645	22,420	0.3%
2003	68,862	61,486	7,376	0.3%
2004	62,225	105,536	(43,311)	0.3%
2005	62,377	32,750	29,627	0.3%
2006	55,377	84,642	(29,265)	0.3%
2007	58,684	60,939	(2,255)	0.3%
2008	62,296	36,105	26,191	0.3%
2009	61,696	31,152	30,544	0.3%
2010	70,004	102,518	(32,514)	0.3%
2011	78,321	61,753	16,568	0.3%
2012	87,418	50,318	37,100	0.3%
2013	93,981	57,695	36,286	0.3%
2014	102,214	63,697	38,517	0.3%
2015	109,619	19,426	90,193	0.3%
2016	115,859	87,067	28,792	0.2%
2017	119,296	70,986	48,310	0.2%
2018	98,112	60,791	37,321	0.2%
2019	95,678	100,210	(4,532)	0.2%
2020	91,752	80,713	11,039	0.2%
2021	78,674	39,217	39,457	0.2%
2022	98,966	43,182	55,784	0.2%
2023	99,989	26,782	73,207	0.2%
2024	91,186	22,096	69,090	0.2%

[1] The information shown in this Appendix was supplied by the New York City Board of Education Retirement System.

Appendix D

REQUEST FOR THE BOARD OF TRUSTEES TO ADOPT THE ACTUARY'S RECOMMENDATION REGARDING THE TIER III/IV/VI LOAN INSURANCE PREMIUM RATE FOR FISCAL YEAR 2026

JUNE 2025

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 prior recommendations from the Actuary, 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, 2025; and

WHEREAS, In a Report dated June 3, 2025, 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 2026 (i.e., July 1, 2025 through June 30, 2026); now, therefore, be it

RESOLVED, That the Board of Trustees hereby adopts the recommendation of the Actuary as stated in a Report dated June 3, 2025, 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 2026 (i.e., July 1, 2025 through June 30, 2026).

Respectfully Submitted:

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Sanford Rich
Executive Director