§ 517. Annuity reserve fund; pension accumulation fund. 1. The annuity reserve fund shall be the fund from which shall be paid all annuities and all benefits in lieu of annuities.

2. The pension accumulation fund shall be the fund in which shall be accumulated all reserves for the payment of all benefits with the exception of the annuities provided by the accumulated contributions of members, and with the exception of supplemental retirement allowances payable in accordance with section five hundred thirty-two of this chapter. Contributions to and payments from the pension accumulation fund shall be made as follows:

a. On account of each teacher who is a member of the retirement system there shall be paid annually into the pension accumulation fund by employers, a certain percentage of the earnable compensation of each of such members of the retirement system to be known as the "normal contribution" and a further percentage known as the "deficiency contribution." The rates per centum of such contributions shall be fixed on the basis of the liabilities of the retirement system as shown by actuarial valuations.

b. On the basis of regular interest and of such mortality and other tables as shall be adopted by the retirement board, the actuary engaged by the retirement board to make each valuation required by this article during the period over which the deficiency contribution is payable, immediately after making such valuation, shall determine the uniform and constant percentage of the earnable compensation of the average new entrant, who is a contributor, which if contributed on the basis of the compensation of such contributor throughout his entire period of active service, would be sufficient to provide for the payment of a death benefit payable on his account and to provide at the time of his retirement the total amount of his pension reserve. The rate per centum so determined shall be known as the "normal contribution" rate. After the deficiency contribution has ceased to be payable, the normal contribution shall be the rate per centum of the earnable salary of all contributors obtained by deducting from the total liabilities of the pension fund the amount of the funds in hand to the credit of that fund

and dividing the remainder by one per centum of the present value of the prospective future salaries of all contributors as computed on the basis of the mortality and service tables adopted by the retirement board and on the basis of regular interest. The normal rate of contribution shall be determined by the actuary after each valuation and shall continue in force until a new valuation and certification.

c. The actuary engaged by the retirement board shall compute the rate per centum of the total compensation of all contributors during the preceding school year which is equivalent to four per centum of the amount of the total pension liability on account of all contributors and beneficiaries not dischargeable by the aforesaid normal contribution made on account of such contributors during the remainder of their active service. The contribution derived by deductions at the rate per centum, so determined or at a rate increased therefrom as hereinafter provided shall be known as the "deficiency contribution." On the basis of the actuarial valuation as of the thirtieth day of June, nineteen hundred fifty-seven, the actuary shall determine the amount of the pension liability which is not dischargeable by the funds in hand and the present value of the normal and deficiency contributions otherwise payable. Such pension liability shall be known as the special deficiency. The actuary shall determine the annual payment which if made in each fiscal year commencing with the year beginning the first day of July, nineteen hundred fifty-eight, for a period of thirty years will provide for such special deficiency and the per centum of the total compensation of all contributors during the preceding school year which is equivalent to such annual payment shall be known as the special deficiency contribution rate. Notwithstanding anything to the contrary in this chapter, the special deficiency contribution rate for use in determining the annual payments to be made in each fiscal year commencing with the year beginning with the first day of July, nineteen hundred sixty, shall be increased to liquidate the total unfunded special deficiency adjusted to include the prospective deficit in the annuity reserve fund as shown by the valuation as of the thirtieth day of June, nineteen hundred fifty-nine in the period originally set, and until the special deficiency so increased has been liquidated an annual contribution at the increased special deficiency rate but not less than

the annual payment determined on the basis of the valuation as of the thirtieth day of June, nineteen hundred fifty-nine, shall be made by employers in addition to the regular normal and deficiency contributions.

d. The total amount payable annually by all employers into the pension accumulation fund shall be certified by the retirement board to the commissioner of education and such amount shall equal the sum of the rates per centum known as the normal contribution rate and the deficiency contribution rate of the total compensation earnable by all contributors during the preceding school year, provided that the amount of each annual deficiency contribution shall be at least three per centum greater than the preceding annual payment. The aggregate of all such payments by employers shall be sufficient, when combined with the amounts in the pension accumulation fund, to provide the pensions payable out of the fund during the year then current, and if not, the additional amount so required shall be collected by means of an increased contribution which shall continue in force for the period of one year, anything to the contrary notwithstanding.

e. The deficiency contribution shall be discontinued as soon as the accumulated reserve in the pension accumulation fund shall equal the present value, as actuarially computed and approved by the retirement board, of the total liability of such fund less the present value, computed on the basis of the normal contribution rate then in force, of the normal contributions to be received on account of teachers who are at that time contributors.

f. Any other provision of law to the contrary notwithstanding, beginning with the valuation for the fiscal year ending June thirtieth, nineteen hundred seventy, the actuarial valuation of the liabilities, required by subdivision five of section five hundred eight of this article, shall be made on the following basis:

1. On the basis of the valuation rate of interest and of such mortality and other tables as have been adopted by the retirement board, the actuary shall determine, as of June thirtieth, nineteen hundred

seventy, the additional accrued liability which exists as of that date, on account of service rendered prior to that date, by reason of legislation enacted during the years nineteen hundred sixty-eight, nineteen hundred sixty-nine and nineteen hundred seventy, affecting article eleven of the education law. The actuary shall then determine a schedule of annual contributions which will amortize such additional accrued liability and interest thereon over a period of twenty-five years. Such interest shall be at the rate of four and one-half per cent during the first ten years beginning July first, nineteen hundred seventy and at the rate of four per cent thereafter, compounded annually. Each contribution after the first shall equal one hundred four per cent of the preceding contribution. Each year, the actuary shall determine a rate of contribution which is equivalent to the amount of the contribution next due in accordance with the aforesaid schedule. However, in no event shall such rate of contribution be less than the rate of contribution determined in the first year in accordance with the provisions of this subdivision. The amount of the contribution produced by such rate which is in excess of the amount required according to the aforesaid schedule shall be added to the contingency reserve. Such contingency reserve shall be maintained in the pension accumulation fund for the purpose of providing for such future strengthening of the retirement system's reserve basis as the retirement board, upon the recommendation of its actuary, deems appropriate.

2. On the basis of the valuation rate of interest and of such mortality and other tables as have been adopted by the retirement board, the actuary shall compute the rate of normal contribution in the following manner. From the total actuarial liabilities as of each valuation date, there shall be deducted the sum of the funds in hand and the present value of the remaining contributions still to be paid under the provisions of sub-paragraph one of this paragraph. The remainder shall be divided by one per cent of the present value of the prospective future salaries of all members of the system, to obtain the rate of normal contribution.

3. Notwithstanding any other provision of law to the contrary, for contributions determined on the basis of the June thirtieth, nineteen

hundred sixty-eight valuation and subsequent annual valuations, the payment of employer contributions pursuant to section five hundred nine of this article shall be discontinued and the lump sum actuarial cost attributable to the purchase of prior service, as authorized therein, shall be included in the actuarial liabilities used for the determination of the rate of normal contribution.

4. The retirement board is hereby empowered to re-establish employer contribution rates based upon the annual valuation as of June thirtieth, nineteen hundred sixty-eight.

g. All pensions with the exception of those payable to new entrants shall be paid from the pension accumulation fund and benefits provided under section five hundred twelve, subdivision b, paragraph two and section five hundred fourteen shall be paid from the pension accumulation fund.

h. Upon the retirement of a new entrant, an amount equal to his pension reserve shall be transferred from the pension accumulation fund to the pension reserve fund.

i. The retirement board from time to time shall transfer from the pension accumulation fund to the annuity reserve fund such amounts as are necessary under this article.