CSA LI Retiree Unit

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RENEE SHULMAN, UNIT LEADER

We come to the end of another successful year for the Long Island Unit. We have many hard working committees that have provided our members with news and activities that affect us all. The pandemic has created a new reality in ways to communicate with members. The majority of our activities have been virtual rather than in person and will continue to be so for the beginning of the new year. Your Executive Board meets regularly and I would encourage all members to share concerns and ideas with us. There is a great deal of information on our wonderful website at: csaliretirees.com, check online for news from our Unit.

I want to wish everyone a Happy Holiday and a Happy New Year!

Stay well,
Renee Shulman

We are ALL Essential Workers!

Morton Kugal, Legislative Chair

This year, we remembered the 20th anniversary of 9/11. Do you remember where you were that day? That day, we became essential workers!

Like many of you, I was at school. I saw the Towers collapse. Almost immediately, there were literally hundreds of parents, grandparents, older brothers, aunts and uncles waiting outside to take their children home. We organized the school to quickly and efficiently have the children signed out. Our phone banks were inundated with parents calling to find out if their children were safe. The cafeteria workers made extra food, staff stayed late, and finally, by 9 pm, the last student was picked up. In the next three days, we learned that two student's had lost a parent. We monitored all of the family concerns, provided counseling, and set up a fund to purchase food to send home. We immediately began group and individual support programs for our students. I am sure that you had similar situations in your school, and that you stepped up to become an essential worker at that time.

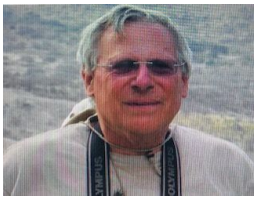
Now, moving forward from September 11, 2001, to 20 months ago, the Covid-19 pandemic exploded, and the current active teaching and supervisory staff stepped up to become essential workers. The safety of the children under their care is well documented. From zoom lessons, to setting up and reconfiguring classrooms, cafeterias and gyms, new procedures were quickly and efficiently instituted. Of course, this varied from state to state. In New York City 99% of supervisors are vaccinated. Only 12 principals are not vaccinated. Teachers have a 97% vaccination rate. Masks are mandated in all New York State schools, on buses and at indoor activities. We are proud of the essential education personnel.

In Florida, of course, we have a different situation. We actually have government agencies interfering with the educators trying to provide a safe environment for the children under their care. The new war against our democracy is now being fought at school board meetings and mask wearing is leading to actual physical fighting. This war has been enhanced by the Governor, mandating what teachers can and cannot teach their students. History and science teachers in particular are under strict guidance to teach both sides, even the nonscientific side. What is the other side to teaching about the Holocaust?

As retirees, what part do we now have to play? The answer is that we must become essential workers to continue our heritage of providing a quality fact based public educational system. We need to become active. Learn about the people running for the school board. What is their stand on curriculum and fact based education? Get involved in current events groups and webinars, so you can have a civilized discussion with your peers. Talk to your children and your grandchildren about the current political situation in our country. Make sure that you sign up for an absentee ballot, and make sure to vote in all national, local, and school board elections. .Most importantly, remember our proud heritage of being essential workers! We can still influence others to behave in a civil way, and to talk to each other, and not at each other.

CSA is doing everything it can to get information about what is happening in various states. Participate in our local chapter activities. There are many wonderful programs. Central CSA has many free programs on its website. Become involved.

Retirees can still be essential workers!



TDA INVESTMENT OUTCOMES EXPLAINED

By Alan R. Lichtenstein, CSA Pension Consultant

Regardless of whether or not you annuitized your TDA on retirement or remained on Deferral Status, you had to make choices as to how to invest your money. The TRS offers a number of choices, which are aligned with the choices the Federal Government requires that pension funds and other retirement investment vehicles offer to their participants. Fundamentally, those choices allow you to select between market and fixed investments. The TRS currently offers six market investments (Diversified Equity Fund, Sustainable Equity Fund, International Equity Fund, Balanced Fund, U.S. Equity Index Fund and the International Equity Index Fund) and one fixed investment (Fixed Fund). You can split your investments between any of those seven investments in any combination you choose. This article is not designed describe what each of those funds are or how they differ from one another, but rather to merely to explain the difference between market investments and fixed investments, in general, as well as the risks vs. performance and to offer what considerations should be made in choosing what and how much to invest in a market of fixed investment.

A fixed investment is just that; you get a fixed, guaranteed return on your money. It's like interest you earn on savings accounts. The TRS offers one Fixed investment: The Fixed Fund. The interest rate you get is a very generous 8 ¼% per year (the UFT gets only 7%-you have a better Union than they do). Compared to what interest you can get from any number of investments in the private sector this rate is indeed a very good deal. In fact, you can't get this anywhere else. And couple that with the fact that there's absolutely no risk of any loss ever to your principal, what could be better than that? A relatively high rate of return with absolutely no risk at all.

People often ask me if that rate can go down? In theory, yes, but in practice, it never has and never will, and in fact, if it does change going forward, the change will likely be HIGHER. Here's why. All money given to TRS, both by your TDA contributions as well as the City's contributions to the pension reserves necessary to fund pensions, goes into the same pot, which TRS invests IN TOTAL in any number of market instruments, where the return is more volatile. But TRS maintains individual records as to your money, always crediting you with the fixed rate of 8 ¼% you were promised, regardless of how the overall 'pot' performs. So, you get your promised 8 ¼%, even if TRS' portfolio does better (or worse). Because your money is tied to the money used to fund pensions, it is tied, indirectly to the formulas that are set by law to determine the City's contributions to TRS reserves for funding pensions. Currently, actuaries estimate that the total investments have to generate at least 7% annual investment return in order to have sufficient reserves necessary to pay the promised benefits to retirees. This is called the INTEREST RATE ASSUMPTION and is built into the formulas that determine the City's annual contribution to TRS reserves. The higher the actual rate of return, the less the City has to contribute. That's set by law. That means that the City's contributions are required to be 7% less than necessary because investment return will provide the balance. The higher the actual investment return, the lower the City's contributions, so if the portfolio returns MORE than the 7% Interest rate Assumption, the City has to contribute less. Those returns have been averaging close to 10% for the past ten years (hold on to that number-you'll need to refer to it for the explanation of market returns that follows). So, figuring a high interest rate assumption actually results in LOWER contributions by the City, ergo, the Interest Rate Assumption will only go up, and never down, because if it went down, that would require the City to put in more money. And putting in more money means higher taxes and only leads the Wall Street Journal and sundry well-heeled Republicans to complain even more bitterly about how those teachers are driving the billionaires into the poor house. So, if the interest rate assumption goes up, your 8 ¼%, will go up along with its guarantee that your principal is never at risk of loss, is good to go for a good long time, if not forever. And because a high Interest Rate Assumption benefits the City, that's why your 8 ¼% rate will never go down.

Market returns are a bit more complicated, so if you've chosen to invest in one (or more) of the market funds TRS offers, you've chosen to put your money into the 'pot' of TRS investments and get the return that those market investments as defined by the nature of the specific investment returns of the assets of the fund you put your money into yield. As said above, currently that's been averaging over 10% over the past ten-year period (for most market funds-there's one exception-the Balanced Fund), so you've done better than the Fixed investment. Basically, those refer to investments where the principal is volatile; meaning the value of the principal can change and get the return that the market yields. That change is generally referred to as capital change. If there is an increase in the value of your asset, (capital) you have what's called a CAPITAL GAIN. You're familiar with those when you go to sell your house. If the value of the investment decreases, you have a CAPITAL LOSS. So, since your principal is volatile, TRS can't report the size of your investment in dollars; they have to report it as the number of assets your dollars have purchased. TRS terms these as UNITS, and the value of the unit rises and falls with whatever the market dictates. The unit value reflects either your capital gain or loss each month. This change occurs monthly, and the TRS publishes unit values of each of the market investments they offer monthly. All you need to do is go to their web site and look at it. How many of you do so? How many of you have EVER done so? No, well you should, because how else can you know if you're making the best decisions for yourself? Investing in market instruments does indeed involve a greater risk, however, the potential rewards are greater, and so are the potential losses.

That brings up the next question: Can you actually lose money? Theoretically yes, but in practice, over the long term, TRS funds never have and never will. And how can I be so sure of this? Again, I go to the TRS web site and access the historical data for unit values and look at how the unit value has changed over time. You can actually see the unit value for each fund every month going back to the beginning of the variable annuities in 1968. What this reveals is that over the long term, and you have to think of your investment return over the long term, which is your actuarial life expectancy, none of those funds have ever lost money. And given past performance, it is likely that they never will. Of course, some of those funds have made more money than others. That doesn't mean the funds that made less money are bad; only that the higher performing funds are better. In their Benefits Reports (available online only, unfortunately) TRS compares the performance of all their funds. You can review this for your information. Over the longest period of time (ten years), TRS data shows that the Sustainable Equity Fund was the performance leader returning 13.38% followed by the Diversified Equity Fund at 11.51% with the Fixed Fund in a distant third place at 8.25%. What this means is that had you invested your money in the Sustainable Equity Fund ten years ago, it would have returned 62% more than the Fixed Account and had you invested in the Diversified Equity Fund for the same ten years, it would have returned 40% more than the Fixed Account over those same ten years. And more importantly, where do you think it is going over the NEXT ten years? So, given that, where should your money be? The answer should be obvious.

Given the obvious information the data demonstrates, the question must be asked WHY do people choose to make the low-performing investments they do? There are a number of reasons, the first of which is ignorance. Most teachers pay little to no attention of the stock market and what its returns are over time. Lacking that information to compare investment vehicles, they cannot make an informed decision, sticking to what they know, and more importantly UNDERSTAND: The Fixed fund returns 8 ¼% per year. After all, you can't go wrong with those returns. Unfortunately, they could have done considerably better with the same overall long-term risk, had they been better informed. But 8 ¼% still ain't bad. But 13.38% is better; a whole lot better.

The second reason is fear: Teachers, as s group have an uncommon reliance on a need for security. I have called this in other essays, the Teacher Mentality: Fear and the need for security, particularly as it applies to one's money. The Fixed Fund is a SURE thing and teachers, like the secure sure thing, especially when the sure thing looks pretty good, which it is. And security means the same money coming in each month. Compare that to the vagaries of the stock market, which goes through periodic booms and busts. Teachers don't like frequent and sometimes considerable change., even if it balances out to a substantial gain over time. That's why they like teaching; same program each day, same classes same kids, same expectations, same routines. Nice and safe and secure. No surprises. So, it's understandable that they opt for investment vehicles that mirror their need for sameness and security. But would they have done so had they been better informed? Would you have done things differently had you been better informed?

A third reason is unfamiliarity with how these funds work and a frame of reference that gives one a measure of experience over time. that unfamiliarity breeds insecurity, and since teachers tend to love security, the unknown is very scary. This is related to the above reason, in that a frame of reference over time that one has learned and become familiar with over time gives one a sense of security that one may want. Lacking a secure understanding of how things work and are LIKELY to work, impedes making a truly informed decision. And it's understandable that teachers not being investors and lacking that experience, also lack the necessary frame of reference that would give them the sense of security they lack.

So, there you have it. In short, when it comes to investments, of which your TDA money surely is, there's no substitute for knowledge, but when you substitute fear and insecurity for that lack of knowledge, the only sure thing you get is losing money. But still and all, that brings up the next question: Should you switch? And for that, you're going to have to know and understand HOW TRS switches your money, and that's going to be the subject of my article in the next edition of Emeritus.

JOY!

The holidays are upon us. Diwali, Thanksgiving, Hanukkah, Christmas, Kwanzaa, and Three Kings Day are all opportunities for us to embrace family and friends. Thanks to the availability of COVID vaccines and boosters this holiday season will be much better than last year. Spread joy by hugging your close friends and family just a little bit tighter and longer. Hug your pets too, and give them an extra treat. They have helped us get through the truly dark days of COVID.

Laugh long and laugh loud, it's good for the heart. Respect other's cultural traditions, and take time to learn about them. Diversity is the greatest strength of our nation. Our various cultures are meant to be celebrated as the fabric of our lives. Take time out to show kindness to others while rejecting the rhetoric of hate. We are all teachers, and must set an example for our children. Give to your favorite charity, your less fortunate neighbor, or your house of worship.

Let the guests around your table talk about what they are grateful for. Focus on the good and stop the derision. Turn off the television and put down the phone. Facebook and Instagram will survive without you. Real experiences beat videos every time.

Enjoy the glorious colors of the Northeast in the fall, even if it does get cold. We may not be the sunshine state, but we are blessed with the colors of crimson and gold. This holiday season experience the joy all around us, and know that everything is going to get better.

Wishing you love, comfort and joy.

SUBMITTED BY,
Dr. Candice Scott

Happy Holidays!

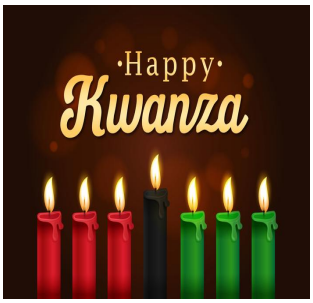
The holidays mean a lot of excitement—sometimes a little too much. Here are some ways to slow things down and enjoy being a family.

1. Honor your family's history. Sit down together to tell your children about their ancestors. Start by telling them something about what your childhood was like, and then see how far you can go back. Do your children know their great-grandparents' names? Their great-great-grandparents? Talk, too, about the ancestors whose names you don't know and the places and lives they might have come from. Help your children understand their place in your family and your family's place in history.

2. Tell stories. Starting with the oldest member of your family and working your way to the youngest, have everyone tell a true story about themselves—as funny or as serious as they want. Or let everyone tell a fictional story—a favorite that they've heard or one they make up themselves.

3. Snuggle up for a family movie night. Gather around for a movie the whole family loves. Phones are forbidden—popcorn is pretty much mandatory.

4. Have a sing-along. Let everyone pick their favorite holiday carol, show tune or other song, then sing them all together as a family. (It doesn't matter if you can hold a note because no one is listening)



Happy NEW YEAR

2022

CSA Long Island – Retiree Unit

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