

7632

2013-2014 Regular Sessions

I N A S S E M B L Y

May 29, 2013

Introduced by M. of A. MAGNARELLI, GUNTHER, GABRYSZAK, JAFFEE, ZEBROW-SKI, COLTON, PERRY, WEISENBERG, BENEDETTO, ORTIZ, PAULIN, CAHILL, WRIGHT, MILLMAN, MAISEL, STIRPE -- Multi-Sponsored by -- M. of A. BOYLAND, BROOK-KRASNY, CLARK, GOTTFRIED, HOOPER, MAGEE, SCHIMMINGER, SWEENEY, TITONE -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to providing credit to members of public retirement systems of the state for certain military service

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. Paragraph (d) of subdivision 2 of section 1000 of the
2 retirement and social security law, as added by chapter 548 of the laws
3 of 2000, is amended to read as follows:
4 (d) hostilities participated in by the military forces of the United
5 States, from the second day of August, nineteen hundred ninety, to the
6 end of such hostilities in case of a veteran who served in the theater
7 of operations including Iraq, Kuwait, Saudi Arabia, AFGHANISTAN,
8 Bahrain, Qatar, the United Arab Emirates, Oman, the Gulf of Aden, the
9 Gulf of Oman, the Persian Gulf, the Red Sea, and the airspace above
10 these locations.
11 S 2. This act shall take effect immediately and shall be deemed to
12 have been in full force and effect on and after December 21, 1998.

FISCAL NOTE.-- Pursuant to Legislative Law, Section 50:

PROVISIONS OF PROPOSED LEGISLATION: With respect to the New York City Retirement Systems ("NYCRS"), the proposed legislation would amend New York State Retirement and Social Security Law ("RSSL") Section 1000 to provide members of the New York City Employees' Retirement System ("NYCERS"), the New York City Teachers' Retirement System ("NYCTRS"), The New York City board of Education Retirement Retirement System ("BERS"), the New York City Police Pension Fund ("POLICE") and the New

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets [] is old law to be omitted.

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York Fire Department Pension Fund ("FIRE") the opportunity to obtain additional retirement service credits, up to three years (inclusive of any prior purchases of military service credit), for military service in Afghanistan from August 2, 1990 to the end of such hostilities, provided certain conditions are met.

In order to purchase such military service, a member would be required to:

- * Receive an honorable discharge from military service,
- * Make an application for these additional service credits prior to the date of retirement, but after completing five years of credited service (exclusive of the service credit that could be purchased under this proposed legislation), and
- * Pay the appropriate NYCERS, for each year of military service purchased, a sum equal to 3.0% of such member's compensation earned during the twelve months of credited service immediately preceding the date that the member makes application for military service credit.

The Effective Date of the proposed legislation would be the date of enactment and shall be deemed to have been in full force and effect on and after December 21, 1998.

The Actuary has presumed that retirees as of the enactment of this proposed legislation would not be eligible to purchase additional military service provided by this proposed legislation.

IMPACT ON BENEFITS: For purposes of the respective NYCERS, each year of military service credit purchased would apply toward providing the member with a year of benefit accrual under the particular benefit formula covering the member.

In certain circumstances, the member also may be entitled to utilize such military service as qualifying service for benefit eligibility purposes.

For purposes of this Fiscal Note, it has been assumed that members who purchase military service in accordance with this proposed legislation would generally be entitled to count such service for benefit accrual purposes and for the purpose of qualifying for benefits.

MEMBERS IMPACTED: Insofar as this proposed legislation relates to the NYCERS, the number of members who could potentially benefit from this proposed legislation cannot be readily determined.

For illustrative purposes only, a table is included presenting the estimated financial impact if 100 members in each of the NYCERS are eligible and each member purchases 2.5 years of service.

FINANCIAL IMPACT - OVERVIEW: With respect to an individual member, the additional cost of this proposed legislation would depend on the member's length of service not including the military service being purchased, the years of military service being purchased, age, salary history and Plan in which the member participates.

With respect to employers participating in the NYCERS, the ultimate employer cost of this proposed legislation would be determined by the increase in benefits to be paid, the impact of certain benefits commencing earlier, shorter working lifetimes and the reduction in certain future member contributions.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: With respect to the NYCERS and based on the census data and assumptions herein, the enactment of this proposed legislation would increase the Actuarial Present Value ("APV") of benefits ("APVB") by approximately \$12,500 for NYCERS, \$12,300 for NYCTRS, \$6,900 for BERS, \$20,800 for POLICE and \$24,000 for FIRE per year of service credit purchased as of June 30, 2012.

In addition, with respect to the NYCERS, the APV of future member contributions (primarily attributable to the payments by members of 3.0% of salary per year of military service purchased) would increase by approximately \$2,000 for NYCERS, \$2,100 for NYCTRS, \$1,100 for BERS, \$3,000 for POLICE and \$3,200 for FIRE per year of service credit purchased as of June 30, 2012.

Consequently, with respect to the NYCERS, the APV of net future employer contributions would increase by approximately \$10,500 for NYCERS, \$10,200 for NYCTRS, \$5,800 for BERS, \$17,800 for POLICE and \$20,800 for FIRE per year of service credit purchased as of June 30, 2012.

FINANCIAL IMPACT - ADDITIONAL EMPLOYER COSTS: Enactment of this proposed legislation would increase employer costs, where such amounts depend on the number of members affected and upon the amount of military service being credited as well as other characteristics including the age, salary history and Plan in which the member participates.

With respect to the NYCERS, based on the Actuary's actuarial assumptions and methods in effect as of June 30, 2012, the enactment of this proposed legislation is estimated to increase annual employer costs by approximately \$1,200 for NYCERS, \$1,200 for NYCTRS, \$700 for BERS, \$2,100 for POLICE and \$2,500 for FIRE.

FINANCIAL IMPACT - ADDITIONAL EMPLOYER CONTRIBUTIONS: With respect to the NYCERS, increases in employer contributions would depend upon when the members purchase the military service permitted by the proposed legislation and such service is credited to their records, but would ultimately be comparable to the increases in employer costs.

FINANCIAL IMPACT - SUMMARY: The following table summarizes the estimated financial impact of this proposed legislation on the NYCERS assuming 100 members in each System are eligible and each purchases 2.5 years of service:

Estimated Financial Impact to Allow Members of the NYCERS
To Purchase Certain Years of Military Service Credit
as of June 30, 2012

(Assumes 100 Members in Each System
Purchase 2.5 Years of Service Each)

(\$ Millions)			
Retirement System	Additional APV of Benefits	Additional APV of Future Employer Contributions{1}	Estimated Additional Annual Employer Costs{2}
NYCERS	\$ 3.14	\$ 2.64	\$ 0.31
NYCTRS	3.08	2.54	0.30
BERS	1.72	1.45	0.17
POLICE	5.20	4.44	0.53
FIRE	6.01	5.20	0.62

{1} Equals increase in APVB minus increase in APV of future member contributions.

{2} Estimated Additional Annual Employer Costs are determined without regard to the funded status of the Retirement Systems and represent the best estimates of the ultimate annual financial burden of the proposed legislation and assume that any additional APV of Future Employer Contributions, as they arise, are amortized as actuarial losses over 15 years (14 payments). Estimated Additional Annual Employer Contributions would ultimately approximate estimated Additional Annual Employer Costs.

ADDITIONAL EMPLOYER COSTS - GENERAL: In general, the real cost of the enactment of this proposed legislation would be the additional benefits paid.

OTHER COSTS: The enactment of this proposed legislation would result in some administrative expenses for the NYCERS and costs for Other Post-Employment Benefits ("OPEB").

CENSUS DATA: The census data used for estimates of APV of benefits and employer contributions presented herein are the active members included in the June 30, 2012 (Lag) actuarial valuations of NYCERS, NYCTRS, BERS, POLICE and FIRE used to determine the Preliminary Fiscal Year 2014 employer contributions.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional APV of benefits and employer contributions presented herein have been estimated as of June 30, 2012 on a hypothetical basis with each eligible member purchasing an average of 2.5 years of military service.

A more robust analysis would also use various approximating techniques and assumptions by the Actuary, including, but not limited to:

- * A certain percentage of veterans being honorably discharged.

- * A certain percentage of honorably discharged veterans being disabled.

- * Varying percentages of members of each of the NYCERS with prior military service.

As benefiting from the provisions of this proposed legislation is dependent upon actions by Plan members and the timing and amounts of military service to be purchased are unknown, the financial impact would likely be realized upon receipt by the Actuary of updated service credit information.

Consequently, changes in employer contributions have been estimated assuming the increase in the APV of Future Employer Contributions would be financed over a time period comparable to that used for actuarial losses under the Entry Age Actuarial Cost Method. Using this approach, the Additional APV of Future Employer Contributions would be amortized over a closed 15-year period (14 payments under One-Year Lag Methodology) using level dollar payments.

ECONOMIC VALUES OF BENEFITS: The actuarial assumptions used to determine the financial impact of the proposed legislation discussed in this Fiscal Note are those appropriate for budgetary models and determining annual employer contributions to the NYCERS.

However, the economic assumptions (current and proposed) that are used for determining employer contributions do not develop risk-adjusted, economic values of benefits. Such risk-adjusted, economic values of benefits would likely differ significantly from those developed by the budgetary models.

STATEMENT OF ACTUARIAL OPINION: I, Robert C. North, Jr., am the Chief Actuary for the New York City Retirement Systems. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

FISCAL NOTE IDENTIFICATION: This estimate is intended for use only during the 2013 Legislative Session. It is Fiscal Note 2013-11, dated May 20, 2013, prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund and the New York Fire Department Pension Fund.