S T A T E O F N E W Y O R K

7331

I N S E N A T E

May 13, 2014

Introduced by Sen. DeFRANCISCO -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the retirement and social security law, in relation to investments by public pension funds

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

Section 1. Paragraph (a) of subdivision 9 of section 177 of the retirement and social security law, as amended by chapter 22 of the laws of 2006, is amended to read as follows:

(a) the investments by a fund made pursuant to this subdivision shall not at any time exceed [twenty-five] THIRTY-FIVE per centum of the assets of such fund;

S 2. This act shall take effect immediately.

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

PROVISIONS OF PROPOSED LEGISLATION: With respect to the New York City Retirement Systems ("NYCRS"), this proposed legislation would amend Retirement and Social Security Law ("RSSL") Section 177.9(a) to permit an increase to 35% the percentage of assets that may be held in "Basket Clause" investments (i.e., investments not explicitly identified as permissible elsewhere in New York State law).

This 35% limit compares with a limit of 25% under current law.

FINANCIAL IMPACT - EMPLOYER CONTRIBUTIONS: With respect to the NYCRS, the enactment of this proposed legislation would not, in and of itself, result in any change in employer contributions.

The ultimate cost of a Retirement Program is the benefits it pays. The financing of that ultimate cost is provided by contributions and investment income.

Investment income depends upon the amounts of assets of the Fund and the rate of return received on those assets. The rate of return depends primarily upon the asset allocation policy of the Fund.

To the extent that the NYCRS increase their investments in the securities authorized by this proposed legislation and those securities produce greater (lesser) rates of return than the rates of return that

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

LBD14954-03-4

the NYCRS would otherwise have achieved, then employer contributions will be lesser (greater).

FISCAL NOTE IDENTIFICATION: This estimate is intended for use only during the 2014 Legislation Session. It is Fiscal Note 2014-16, dated April 18, 2014, prepared by the Chief Actuary for the New York City Retirement Systems.

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

This bill will amend the Retirement and Social Security Law to increase the limit on non-legal list investments for the eight (8) public retirement systems of New York State. It would replace the current 25% limit with a 35% limit.

If this bill is enacted, insofar as this bill affects the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, we assume that there would be small investment changes as a result of enactment. Any increases or decreases in investment earnings will result in decreases or increases, respectively, in employer contributions. Annual changes in assets will be shared by all employers and will be spread over the future working lifetimes of active members.

Summary of relevant resources:

The membership data used in measuring the impact of the proposed change was the same as that used in the March 31, 2013 actuarial valuation. Distributions and other statistics can be found in the 2013 Report of the Actuary and the 2013 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2010, 2011, 2012 and 2013 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2013 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This estimate, dated May 7, 2014, and intended for use only during the 2014 Legislative Session, is Fiscal Note No. 2014-127, prepared by the Actuary for the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System.

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

This bill would amend subdivision 9 of Section 177 of the Retirement and Social Security Law to increase to 35% the percentage of assets which may be invested by the New York State Teachers' Retirement System in those investments that aren't otherwise specifically permitted under the other subdivisions of this section. The current limit is 25%.

If this bill is enacted, any cost or savings to the employers of members of the New York State Teachers' Retirement System would depend on the investment performance of any assets that are invested in a different manner due to this change in the investment restrictions. Additional investment income results in lower required employer contributions, and vice-versa.

Employee data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Comprehensive Annual Financial Report (CAFR). System assets are as reported in the System's financial statements, and can also be found in the CAFR. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2014-31 dated May 8, 2014 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2014 Legislative Session. I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.