

STATE OF NEW YORK

5906

2019-2020 Regular Sessions

IN SENATE

May 16, 2019

Introduced by Sen. GOUNARDES -- 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 allowing certain members of the New York city police pension fund to borrow from contributions

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraphs 1 and 2 of subdivision b of section 517-c of the
2 retirement and social security law, paragraph 1 as amended and paragraph
3 2 as added by chapter 303 of the laws of 2017, are amended to read as
4 follows:

5 1. A member of the New York state and local employees' retirement
6 system, the New York state and local police and fire retirement system,
7 the New York city employees' retirement system ~~[or]~~, the New York city
8 board of education retirement system or the New York city police pension
9 fund in active service who has credit for at least one year of member
10 service may borrow, no more than once during each twelve month period,
11 an amount not exceeding seventy-five percent of the total contributions
12 made pursuant to section five hundred seventeen of this article (includ-
13 ing interest credited at the rate set forth in subdivision c of such
14 section five hundred seventeen compounded annually) and not less than
15 one thousand dollars, provided, however, that the provisions of this
16 section shall not apply to a New York city uniformed
17 correction/sanitation revised plan member or an investigator revised
18 plan member.

19 2. A member of the New York state and local employees' retirement
20 system who first joins such system on or after January first, two thou-
21 sand eighteen, or a member of the New York city police pension fund who
22 first joins such system on or after January first, two thousand eighteen
23 in active service who has credit for at least one year of member service
24 may borrow, no more than once during each twelve month period, an

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

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1 amount, not less than one thousand dollars and which would not cause the
2 balance owed pursuant to this section, including any amounts borrowed
3 then outstanding, to exceed (i) fifty percent of the member's total
4 contributions made pursuant to section five hundred seventeen of this
5 article (including interest credited at the rate set forth in subdivi-
6 sion c of such section five hundred seventeen compounded annually); or
7 (ii) fifty thousand dollars, whichever is less.

8 § 2. Subdivisions d and i of section 517-c of the retirement and
9 social security law, subdivision d as added by chapter 920 of the laws
10 of 1990 and subdivision i as amended by chapter 426 of the laws of 2018,
11 are amended to read as follows:

12 d. The rate of interest payable upon loans made pursuant to this
13 section shall: (1) for members of the New York state and local employ-
14 ees' retirement system, be one percent less than the valuation rate of
15 interest adopted for such system, however, in no event shall the rate be
16 less than the rate set forth in subdivision c of section five hundred
17 seventeen of this article; (2) for members of the New York city employ-
18 ees' retirement system, be one percent less than the regular interest
19 rate established pursuant to [~~subdivision (c) of section 13-101.12~~]
20 paragraph (c) of subdivision twelve of section 13-101 of the administra-
21 tive code of the city of New York for such system, however, in no event
22 shall the rate be less than the rate set forth in subdivision c of
23 section five hundred seventeen of this article; ~~and~~ (3) for members of
24 the New York city board of education retirement system, be one percent
25 less than the regular interest rate established pursuant to subparagraph
26 four of paragraph (b) of subdivision sixteen of section twenty-five
27 hundred seventy-five of the education law for such system, however, in
28 no event shall the rate be less than the rate set forth in subdivision c
29 of section five hundred seventeen of this article; and (4) for members
30 of the New York city police pension fund, be one percent less than the
31 regular interest rate established pursuant to subdivision b of section
32 13-638.2 of the administrative code of the city of New York for such
33 system, however, in no event shall the rate be less than the rate set
34 forth in subdivision c of section five hundred seventeen of this
35 article. Whenever there is a change in the interest rate, it shall be
36 applicable to loans made or renegotiated after the date of such change
37 in the interest rate.

38 i. Notwithstanding the provisions of section five hundred sixteen of
39 this article, whenever a member of such a retirement system, for whom a
40 loan is outstanding, retires, the retirement allowance payable without
41 optional modification shall be reduced by a life annuity which is actu-
42 arially equivalent to the amount of the outstanding loan (all outstand-
43 ing loans shall continue to accrue interest charges until retirement),
44 such life annuity being calculated utilizing the interest rate on thirty
45 year United States treasury bonds as of January first of the calendar
46 year of the effective date of retirement and the mortality tables for
47 options available under section five hundred fourteen of this article. A
48 retiree of the New York city employees' retirement system, board of
49 education retirement system of the city of New York, ~~or~~ the New York
50 state and local employees' retirement system, or the New York city
51 police pension fund whose benefit has been so reduced may repay the
52 outstanding balance of the loan at any time. Benefits payable after the
53 repayment of the loan shall not be subject to the actuarial reduction
54 required by this subdivision.

55 § 3. This act shall take effect immediately.

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

We have estimated the impact of the Loan Bill, on the projected employer contributions of the New York City Police Pension Fund. A brief summary of the new provisions is outlined below:

- * Members before 1/1/2018 w/ 1+ years of service:
 - * Can borrow up to 75% of total contributions made (including interest)
- * Members hired on/after 1/1/2018 w/ 1+ years of service:
 - * Can borrow up to 50% of total contributions made (including interest).
 - * If members retired with outstanding loan balance, retirement allowance is reduced by actuarially equivalent annuity equal to amount of outstanding loan.

The table below summarizes the additional contributions that result from this bill by year.
(in millions)

Annual Cost	
2022	7.3
2023	8.3
2024	9.3
2025	10.5
2026	11.5

Specific to this bill, participants are assumed to take the maximum loan allowable at retirement:

- * 75% of accumulated contributions for members hired before January 1, 2018
- * 50% of accumulated contributions for members hired after January 1, 2018

The assumptions used in this analysis were those released by the New York City Office of the Actuary on January 2, 2019 in the "Proposed Changes in Actuarial Assumptions and Methods Used in Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2018 for the New York City Police Pension Fund" document, and subsequently approved by the Police Pension Fund's Board on March 6, 2019. The data used to determine the cost was provided by the Police Pension Fund and was a snapshot of the active plan participants as of July 1, 2018.

This fiscal note, dated May 6, 2019, is intended only for use in the 2019 legislative session.

The source of this fiscal note is Heidi E. Andorfer, FSA, EA, MAAA, Foster & Foster, Actuaries and Consultants, who is familiar with the immediate and long-term aspects of pension calculations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein.