

STATE OF NEW YORK

5924--B

2019-2020 Regular Sessions

IN SENATE

May 16, 2019

Introduced by Sens. GOUNARDES, ADDABBO, HARCKHAM, HOYLMAN, LANZA, SAVINO, SKOUFIS -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law, in relation to service retirement benefits for members of the New York city fire department pension fund and the New York city police pension fund

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

Section 1. Section 505 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

§ 505. Service retirement benefits; police/fire members, New York city uniformed correction/sanitation revised plan members and investigator revised plan members. a. The normal service retirement benefit for police/fire members, New York city uniformed correction/sanitation revised plan members and investigator revised plan members at normal retirement age shall be a pension equal to fifty percent of final average salary, less fifty percent of the primary social security retirement benefit commencing at age sixty-two, as provided in section five hundred eleven of this article, except that for police/fire members of the New York city fire department pension fund or the New York city police pension fund, the normal service retirement benefit shall not be reduced by the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article.

b. The early service retirement benefit for police/fire members, New York city uniformed correction/sanitation revised plan members and investigator revised plan members shall be a pension equal to two and one-tenths percent of final average salary times years of credited

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

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1 service at the completion of twenty years of service or upon attainment
2 of age sixty-two, increased by one-third of one percent of final average
3 salary for each month of service in excess of twenty years, but not in
4 excess of fifty percent of final average salary, less fifty percent of
5 the primary social security retirement benefit commencing at age sixty-
6 two as provided in section five hundred eleven of this article,
7 provided, however, that New York city police/fire revised plan members,
8 New York city uniformed correction/sanitation revised plan members and
9 investigator revised plan members shall not be eligible to retire for
10 service prior to the attainment of twenty years of credited service, and
11 provided further that for police/fire members of the New York city fire
12 department pension fund or the New York city police pension fund, the
13 early service retirement benefit shall not be reduced by the primary
14 social security retirement benefit commencing at age sixty-two as
15 provided in section five hundred eleven of this article.

16 c. A police/fire member, a New York city uniformed
17 correction/sanitation revised plan member or an investigator revised
18 plan member who retires with twenty-two years of credited service or
19 less may become eligible for annual escalation of the service retirement
20 benefit if he elects to have the payment of his benefit commence on the
21 date he would have completed twenty-two years and one month or more of
22 service. In such event, the service retirement benefit shall equal two
23 percent of final average salary for each year of credited service, less
24 fifty percent of the primary social security retirement benefit commenc-
25 ing at age sixty-two as provided in section five hundred eleven of this
26 article, except that for police/fire members of the New York city fire
27 department pension fund or the New York city police pension fund, the
28 service retirement benefit shall not be reduced by the primary social
29 security retirement benefit commencing at age sixty-two as provided in
30 section five hundred eleven of this article.

31 § 2. Section 511 of the retirement and social security law is amended
32 by adding a new subdivision h to read as follows:

33 h. This section shall not apply to police/fire members of the New York
34 city fire department pension fund or the New York city police pension
35 fund who receive a service retirement benefit pursuant to section five
36 hundred five of this article or a deferred vested benefit pursuant to
37 section five hundred sixteen of this article.

38 § 3. Subdivision c of section 516 of the retirement and social securi-
39 ty law, as amended by chapter 18 of the laws of 2012, is amended to read
40 as follows:

41 c. The deferred vested benefit of police/fire members, New York city
42 police/fire revised plan members, New York city uniformed
43 correction/sanitation revised plan members or investigator revised plan
44 members shall be a pension commencing at early retirement age equal to
45 two and one-tenths percent of final average salary times years of cred-
46 ited service, less fifty percent of the primary social security retire-
47 ment benefit commencing at age sixty-two, as provided in section five
48 hundred eleven of this article, except that for police/fire members of
49 the New York city fire department pension fund or the New York city
50 police pension fund, the service retirement benefit shall not be reduced
51 by the primary social security retirement benefit commencing at age
52 sixty-two as provided in section five hundred eleven of this article. A
53 police/fire member, a New York city police/fire revised plan member, a
54 New York city uniformed correction/sanitation revised plan member or
55 investigator revised plan member may elect to receive his vested benefit
56 commencing at early retirement age or age fifty-five. If the vested

benefit commences before early retirement age, the benefit shall be reduced by one-fifteenth for each year, if any, that the member's early retirement age is in excess of age sixty, and by one-thirtieth for each additional year by which the vested benefit commences prior to early retirement age. If such vested benefit is deferred until after such member's normal retirement age, the benefit shall be computed and subject to annual escalation in the same manner as provided for an early retirement benefit pursuant to subdivision c of section five hundred five of this article.

§ 4. This act shall take effect on the sixtieth day after it shall have become a law.

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

SUMMARY OF BILL: This proposed legislation would amend Sections 505, 511, and 516 of the Retirement and Social Security Law (RSSL) to eliminate the offset equal to 50% of the primary social security benefit in service, early service, and vested retirement benefits for Tier 3 original, revised, and enhanced plan members of the New York City Police Pension Fund (POLICE) and the New York City Fire Pension Fund (FIRE).

Effective Date: Sixty days after enactment.

IMPACT ON BENEFITS: Currently, the Tier 3 normal service retirement, early service retirement, and vested retirement benefits are subject to an offset equal to 50% of the primary social security benefit as defined in RSSL Section 511 beginning at age 62.

Under the proposed legislation, if enacted, the offset for such Tier 3 benefits would be eliminated resulting in an increase in benefits.

FINANCIAL IMPACT - SUMMARY: The financial impact will increase as the impacted populations (Tier 3 members of POLICE and FIRE) increases over time. The estimated financial impact of removing the social security offset as described above results in an increase in Present Value of Future Benefits (PVFB) and an increase in the annual employer contributions of POLICE and FIRE. The estimate of these increases for Fiscal Years 2020 through 2024 based on the applicable actuarial assumptions and methods noted herein, are shown in the table below.

Fiscal Year	Increase in Present Value of Future Benefits (PVFB) (\$ Millions)			Increase in Employer Contributions (\$ Millions)		
	POLICE	FIRE	TOTAL	POLICE	FIRE	TOTAL
2020	\$368.1	\$46.2	\$414.3	\$22.9	\$2.3	\$25.2
2021	\$433.7	\$56.9	\$490.6	\$26.3	\$2.8	\$29.1
2022	\$501.3	\$68.3	\$569.6	\$29.8	\$3.5	\$33.3
2023	\$578.8	\$80.2	\$659.0	\$33.8	\$4.1	\$37.9
2024	\$658.6	\$93.1	\$751.7	\$37.6	\$4.7	\$42.3

In accordance with Administrative Code of the City of New York (ACCNY) Section 13-638.2(k-2), new Unfunded Accrued Liability (UAL) attributable to benefit changes are to be amortized as determined by the Actuary but generally over the remaining working lifetime of those impacted by the benefit changes. As of June 30, 2018, the remaining working lifetime of POLICE Tier 3 members is approximately 19 years and FIRE Tier 3 members is approximately 21 years.

For the purposes of this Fiscal Note, the increase in the UAL for POLICE was amortized over a 19-year period (18 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments and the UAL for

FIRE was amortized over a 21-year period (20 payments under the OYLM) using level dollar payments.

OTHER COSTS: Not measured in this Fiscal Note are the following:

- * The initial, additional administrative costs of POLICE, FIRE, and other New York City agencies to implement the proposed legislation.

- * Pension costs for:

- * Future members of POLICE and FIRE hired after 7/1/2022.

- * Current and future members of New York City Employees' Retirement System who currently have the same benefit formula as POLICE and FIRE Tier 3 members and who may obtain the same benefit improvement.

- * The impact of this proposed legislation on Other Postemployment Benefit (OPEB) costs.

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the PVFB and annual employer contributions would be reflected for the first time in the June 30, 2018 actuarial valuation of POLICE and FIRE. In accordance with the OYLM used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2020.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2018 (Lag) actuarial valuations of POLICE and FIRE to determine the Preliminary Fiscal Year 2020 employer contributions.

There are 14,419 active Tier 3 members of POLICE as of June 30, 2018 and they have an average age of approximately 30.2 years, average service of approximately 3.8 years, and an average salary of approximately \$80,900.

There are 3,074 active Tier 3 members of FIRE as of June 30, 2018 and they have an average age of approximately 30.4 years, average service of approximately 2.6 years, and an average salary of approximately \$67,600.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the PVFB and annual employer contributions presented herein have been calculated based on the actuarial assumptions and methods in effect for the June 30, 2018 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2020 employer contributions of POLICE and FIRE.

New entrants were projected to replace the members expected to leave the active population to maintain a steady-state population. New entrant demographics and future salary increases are consistent with those used in projections for the New York City Office of Management and Budget in April 2019 (Preliminary Projections).

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the actuarial assumptions and methods used and are subject to change based on the realization of potential investment, demographic, contribution, and other risks. If actual experience deviates from actuarial assumptions, the actual costs could differ from those presented herein. Costs are also dependent on the actuarial methods used, and therefore different actuarial methods could produce different results. Quantifying these risks is beyond the scope of this Fiscal Note.

STATEMENT OF ACTUARIAL OPINION: I, Sherry S. Chan, am the Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am a Fellow of the Society of Actuaries, an Enrolled Actuary under the Employee Retirement Income and Security Act of 1974, a Member of the American Academy of Actuaries, and a Fellow of the Conference of Consulting Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of my knowledge, the results contained herein have

been prepared in accordance with generally accepted actuarial principles and procedures and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

FISCAL NOTE IDENTIFICATION: This Fiscal Note 2019-35 dated June 12, 2019 was prepared by the Chief Actuary for the New York City Police Pension Fund and the New York City Fire Pension Fund. This estimate is intended for use only during the 2019 Legislative Session.