

STATE OF NEW YORK

5754

2023-2024 Regular Sessions

IN ASSEMBLY

March 23, 2023

Introduced by M. of A. PHEFFER AMATO -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to providing Tier 5 and 6 members of the New York state teachers' retirement system with the same service retirement pension factor as Tier 4

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

1 Section 1. Subdivision a of section 504 of the retirement and social
2 security law, as amended by chapter 18 of the laws of 2012, is amended
3 to read as follows:

4 a. The service retirement benefit for general members at normal
5 retirement age with twenty or more years of credited service shall be a
6 pension equal to one-fiftieth of final average salary times years of
7 credited service, not in excess of thirty years, less fifty percent of
8 the primary social security retirement benefit as provided in section
9 five hundred eleven of this article. The service retirement benefit for
10 general members at normal retirement age with twenty or more years of
11 service who first become members of the New York state and local employ-
12 ees' retirement system on or after April first, two thousand twelve at
13 normal retirement age shall be a pension equal to the sum of [~~thirty-~~
14 ~~five~~] **forty** per centum and one-fiftieth of final average salary for each
15 year of service in excess of twenty, but not in excess of thirty, times
16 final average salary times years of credited service.

17 § 2. Subdivisions a, b and b-1 of section 604 of the retirement and
18 social security law, subdivision a as amended and subdivision b-1 as
19 added by chapter 18 of the laws of 2012, subdivision b as amended by
20 chapter 266 of the laws of 1998, and the opening paragraph of subdivi-
21 sion b as amended by section 8-b of part B of chapter 504 of the laws of
22 2009, are amended to read as follows:

23 a. The service retirement benefit at normal retirement age for a
24 member with less than twenty years of credited service[~~, or less than~~

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

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~~twenty-five years credited service for a member who joins the New York state teachers' retirement system on or after January first, two thousand ten,~~] shall be a retirement allowance equal to one-sixtieth of final average salary times years of credited service. Normal retirement age for members who first become members of a public retirement system of the state on or after April first, two thousand twelve shall be age sixty-three.

b. The service retirement benefit at normal retirement age for a member with twenty years or more of credited service~~[, or with twenty-five or more years credited service for a member who first joins the New York state teachers' retirement system on or after January first, two thousand ten,~~] shall be a retirement allowance equal to one-fiftieth of final average salary times years of credited service not in excess of thirty years.

Credited service in excess of thirty years shall provide an additional retirement allowance equal to three-two hundredths of the final average salary for each year of credited service in excess of thirty years.

b-1. Notwithstanding any other provision of law to the contrary, the service retirement benefit for members with ~~[twenty]~~ **forty** or more years of credit service who first become a member of a public retirement system of the state on or after April first, two thousand twelve at age sixty-three shall be a pension equal to the sum of ~~[thirty-five]~~ **seventy-five** per centum and one-fiftieth of final average salary for each year of service in excess of ~~[twenty]~~ **forty** times final average salary times years of credited service. In no event shall any retirement benefit payable without optional modification be less than the actuarially equivalent annuitized value of the member's contributions accumulated with interest at five percent per annum compounded annually to the date of retirement.

§ 3. Section 1312 of the retirement and social security law, as added by chapter 18 of the laws of 2012, is amended to read as follows:

§ 1312. Benefit enhancements. Notwithstanding any other law to the contrary, eligible employees shall be permitted to retire, without penalty, upon reaching age fifty-seven and completing at least thirty years of credited service. Employees retiring pursuant to this section shall receive a pension allowance equal to the sum of ~~[thirty-five]~~ **forty** per centum and one-fiftieth of final average salary for each year of service in excess of twenty times final average salary times years of credited service.

§ 4. Notwithstanding any other provision of law to the contrary, none of the provisions of this act shall be subject to section 25 of the retirement and social security law.

§ 5. This act shall take effect immediately.

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

This bill would amend subdivisions a, b and b-1 of Section 604 of the Retirement and Social Security Law to provide Tier 5 and 6 members the same service retirement pension factor as Tier 4. The Tier 4 service retirement pension factor for members with less than 20 years of service is equal to one-sixtieth of final average salary times years of service; for members with 20 or more years of service it is equal to 2.0% times all years of service up to 30 years, plus 1.5% for each year above 30, times final average salary. The current Tier 5 pension factor is the same as that of Tier 4, with the breakpoint being at 25 years of service instead of 20. The current Tier 6 pension formula for members with less than 20 years of service is equal to one-sixtieth of final average salary times years of service; for members with 20 or more years of service

it is equal to 35.0% plus 2.0% for each year above 20, times final average salary. For Tier 6 members with more than 40 years of service the current Tier 6 pension formula is better than that of Tier 4 and would remain in place.

The annual cost to the employers of members of the New York State Teachers' Retirement System for this benefit is estimated to be \$50.8 million or 0.28% of payroll if this bill is enacted.

The System's "new entrant rate", a hypothetical employer contribution rate that would occur if we started a new Retirement System without any assets, is equal to 5.15% of pay under the current Tier 6 benefit structure. This can be thought of as the long-term expected employer cost of Tier 6, based on current actuarial assumptions. For the proposed change to the Tier 6 benefit structure under this bill, this new entrant rate would increase to 5.74% of pay, an increase of 0.59% of pay.

Member 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 Annual Report. System assets are as reported in the System's financial statements and can also be found in the System's Annual Report. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2023-2 dated February 22, 2023 prepared by the Office of the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2023 Legislative Session. I, Richard A. Young, am the Chief 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.