STATE OF NEW YORK

5936--A

2023-2024 Regular Sessions

IN ASSEMBLY

March 24, 2023

Introduced by M. of A. SILLITTI, McDONALD, BURDICK, DICKENS, WOERNER, SAYEGH, JEAN-PIERRE, ZEBROWSKI, GIBBS, LUNSFORD -- read once and referred to the Committee on Governmental Employees -- 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 increasing the amount of years of military service credit a member may purchase

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

Section 1. Subdivisions 1 and 4 of section 1000 of the retirement and social security law, as amended by chapter 41 of the laws of 2016, are amended to read as follows:

1. A member, upon application to such retirement system, may obtain a total not to exceed [~~three~~] **four** years of service credit for up to [~~three~~] **four** years of military duty, as defined in section two hundred forty-three of the military law, if the member was honorably discharged from the military.

4. In no event shall the credit granted pursuant to this section, when added to credit granted for military service with any retirement system of this state pursuant to this or any other provision of law, exceed a total of [~~three~~] **four** years.

§ 2. Subdivision 1 of section 1000 of the retirement and social security law, as amended by chapter 585 of the laws of 2022, is amended to read as follows:

1. A member, upon application to such retirement system, may obtain a total not to exceed [~~three~~] **four** years of service credit for up to [~~three~~] **four** years of military duty, as defined in section two hundred forty-three of the military law, if the member (a) was honorably discharged from the military, or (b) has a qualifying condition, as defined in section three hundred fifty of the executive law, and has

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

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received a discharge other than bad conduct or dishonorable from such service, or (c) is a discharged LGBT veteran, as defined in section three hundred fifty of the executive law, and has received a discharge other than bad conduct or dishonorable from such service.

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

§ 4. This act shall take effect immediately; provided, however, that section two of this act shall take effect on the same date and in the same manner as chapter 585 of the laws of 2022, takes effect.

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

SUMMARY OF BILL: This proposed legislation, as it relates to members of the New York City Retirement Systems and Pension Funds (NYCRS), would amend Retirement and Social Security Law Section 1000 to increase the maximum number of years of military duty service credit that a NYCRS member may purchase from three years to four.

Effective Date: Upon enactment.

BACKGROUND: Currently, members of NYCRS may obtain service credit for up to three years of military duty upon application to the respective retirement system. Under the proposed legislation, the maximum number of such years that a NYCRS member may purchase would be increased from three years to four years.

Once purchased, eligible military service may increase pension benefits in addition to counting towards meeting minimum eligibility requirements.

MEMBER CONTRIBUTIONS: Eligible NYCRS members are required to contribute, for each year of military service purchased, 3% (or 6% for members who first join on or after April 1, 2012) of such member's compensation earned during the 12 months of credited service immediately preceding the date the member applies for military service credit.

FINANCIAL IMPACT - PRESENT VALUES: Based on census data and the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the present value of future employer contributions by approximately $18,400, on average, for each year of military service purchased above three years and not greater than four years.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: Enactment of this proposed legislation would increase employer contributions, where such amount would depend on the number of members affected as well as other characteristics including the age, years of service, and salary history of each member.

Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation is estimated to increase annual employer contributions by approximately $2,200 for each year of eligible military service purchased.

As there is limited data currently available to estimate the number of members who might purchase between three and four years of military service, the financial impact would be recognized at the time of each event. Changes in employer contributions have been estimated assuming that the increase in the present value of future employer contributions will be financed over a closed 15-year period (14 payments under the One-Year Lag Methodology) using level dollar payments.

With respect to the timing, increases in employer contributions would depend upon when members purchase eligible military service but, generally, increased employer contributions will first occur the second fiscal year following the year in which service is purchased.

CENSUS DATA: The estimates presented herein are based on the census data of NYCRS members who have purchased up to three years of military service under Chapter 41 of the Laws of 2016 as of June 30, 2021.

There is insufficient data available to estimate the number of members who have more than three years of qualifying military service and could therefore potentially benefit from this proposed legislation. Therefore, the estimated financial impact has been calculated on a per event basis equal to the increase in the present value of future employer contributions for an average NYCRS member who has purchased an additional year of qualifying military service under Chapter 41 of the Laws of 2016, which is currently limited to three years.

ACTUARIAL ASSUMPTIONS AND METHODS: The estimates presented herein have been calculated based on the actuarial assumptions and methods used for the Preliminary Fiscal Year 2024 employer contributions of NYCRS.

Most of the additional contributions associated with NYCRS active members who purchase service for military duty above three years, but less than four years, are expected to be made to the New York City Police Pension Fund.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the realization of the actuarial assumptions used, demographics of the impacted population, and other factors such as investment, 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.

Not measured in this Fiscal Note are the following:

* The initial additional administrative costs to implement the proposed legislation.

* The impact of this proposed legislation on Other Postemployment Benefit costs.

STATEMENT OF ACTUARIAL OPINION: I, Marek Tyszkiewicz, am the Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. I am a member of NYCERS but do not believe it impairs my objectivity and 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 2023-60 dated May 26, 2023 was prepared by the Chief Actuary for the New York City Retirement Systems and Pension Funds. This estimate is intended for use only during the 2023 Legislative Session.

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

This bill would amend the current military law to allow for a member to obtain up to a total of four years of service credit for up to four years of military duty if the member was honorably discharged. The current maximum is three years of service credit. Members must have at least five years of credited service (not including military service). Tier 1-5 members would be required to make a payment of three percent of their most recent compensation per year of additional service credit granted by this bill. Tier 6 members would be required to make a payment of six percent of their most recent compensation per year of additional service credit.

Insofar as this proposal affects the New York State and Local Employees' Retirement System (NYSLERS), all costs would be shared by the State of New York and the local participating employers in the NYSLERS. If enacted during the 2023 legislative session, it is estimated that the past service cost will be 18% (15% for Tier 6) of an affected member's compensation for each year of service credit that is purchased.

Insofar as this proposal affects the New York State and Local Police and Fire Retirement System (NYSLPFRS), all costs would be shared by the State of New York and the local participating employers in the NYSLPFRS. If enacted during the 2023 legislative session, it is estimated that the past service cost will be 23% (20% for Tier 6) of an affected member's compensation for each year of service credit that is purchased.

Further, we anticipate some additional administrative costs to implement the provisions of this legislation.

The exact number of current members as well as future members who could be affected by this legislation cannot be readily determined.

Summary of relevant resources:

Membership data as of March 31, 2022 was used in measuring the impact of the proposed change, the same data used in the April 1, 2022 actuarial valuation. Distributions and other statistics can be found in the 2022 Report of the Actuary and the 2022 Annual Comprehensive Financial Report.

The actuarial assumptions and methods used are described in the 2020, 2021, and 2022 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, 2022 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 fiscal note does not constitute a legal opinion on the viability of the proposed change nor is it intended to serve as a substitute for the professional judgment of an attorney.

This estimate, dated April 21, 2023, and intended for use only during the 2023 Legislative Session, is Fiscal Note No. 2023-140, prepared by the Actuary for the New York State and Local Retirement System.

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

This bill would amend subdivisions 1 and 4 of Section 1000 of the Retirement and Social Security Law to increase the maximum number of years of military service credit to four that a member may purchase. Currently, a member can purchase up to three years of military service credit provided such member did not receive a dishonorable discharge and was not discharged for bad conduct. To obtain such credit, a member must make payments as required by Section 1000 of the Retirement and Social Security Law. Tiers 1, 2, 3, 4 and 5 members are required to pay three percent of salary earned during the twelve months of credited service immediately preceding the year in which a claim is made for each year of military service. Tier 6 members are required to pay six percent of salary earned during the twelve months of credited service immediately preceding the year in which a claim is made for each year of military service.

It is not possible to determine the number of eligible current and future members, or the additional military service credit each member may purchase under this bill. Therefore, it is not possible to estimate the annual increase in the employers' cost for this bill. Whatever increase in liability arises for service credited under this bill above that paid for by the member would be included in the cost that would be shared by employers through the employer contribution rate.

It is estimated that the cost, expressed as a percentage of a member's salary for the additional year of service credit a member purchases under this bill is as follows:

Cost per year of Service Purchased (as a percentage of the member's salary)

Tier(s)	1-4	5	6
Cost	12.7%	11.4%	9.5%
Member Contribution offset	3.0%	3.0%	6.0%
Net cost to participating employers	9.7%	8.4%	3.5%

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 2023-33 dated May 23, 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.