

STATE OF NEW YORK

5571

2023-2024 Regular Sessions

IN SENATE

March 8, 2023

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 chapter 540 of the laws of 2021 amending the retirement and social security law relating to determination of salary base for members of the city of New York fire department pension fund, in relation to the application thereof

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

1 Section 1. Section 2 of chapter 540 of the laws of 2021 amending the
2 retirement and social security law relating to determination of salary
3 base for members of the city of New York fire department pension fund,
4 is amended to read as follows:

5 § 2. This act shall take effect immediately and shall apply to members
6 of the city of New York fire department pension fund who retire or
7 retired on and after [~~such effective date~~] July 1, 2000.

8 § 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend Chapter 540 of the Laws of 2021 (Chapter 540) to extend the benefits of such chapter law to members who retired prior to the effective date of Chapter 540 (i.e., October 29, 2021).

Effective Date: Upon enactment.

BACKGROUND: Prior to the passage of Chapter 540, the salary base use to calculate pension benefits for Tier 2 members of the New York Fire Pension Fund (FIRE) hired on or after July 1, 2000, was equal to the pensionable earnings earned in the final 12 months of service only. Chapter 540 revised the salary base for such members to equal the greater of

- (1) the pensionable earnings in the final 12 months of service, or
- (2) the average pensionable earnings earned in any consecutive three years of service.

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

LBD00174-02-3

Chapter 540 did not apply to members who had already retired. Under this proposed legislation, the pension benefits for such Tier 2 FIRE members would be recalculated to the extent that the three-year average referenced above is larger than the pensionable earnings in the final 12 months of service.

For the purposes of this Fiscal Note, it has been assumed that any increased benefits resulting from this proposed legislation would be applied retroactively to the member's retirement date.

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and the actuarial assumptions and methods described herein, the enactment of this proposed legislation would result in an increase in the Present Value of Future Benefits (PVFB) and the present value of future employer contributions of approximately \$41.3 million.

FINANCIAL IMPACT - EMPLOYER CONTRIBUTIONS: The enactment of this proposed legislation would result in an increase in Fiscal Year 2024 employer contributions of approximately \$45.7 million.

New UAL attributable to benefit changes are generally amortized over the remaining working lifetime of those impacted by the benefit changes. For the purposes of this Fiscal Note, since those that would benefit are retired, and therefore have no remaining working lifetime, the entire increase in PVFB would be recognized immediately.

CENSUS DATA: The estimates presented herein are based on the census data used in the June 30, 2022 actuarial valuation of FIRE to determine the Preliminary Fiscal Year 2024 employer contributions. Since actual historical salary data was unavailable, historical valuation data was used to approximate the impact of recalculating members' benefits.

The 386 retired members and beneficiaries assumed to benefit from this proposed legislation as of June 30, 2022 had an average age of approximately 46.1 years, and have been retired an average of 3.6 years. The average annual benefit increase resulting from this proposed legislation is approximately \$6,500.

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

For the purposes of this Fiscal Note, it is assumed that the changes would be reflected for the first time in the June 30, 2022 actuarial valuation of FIRE used to determine employer contributions for Fiscal Year 2024.

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 additional administrative costs to implement the proposed legislation (e.g., recalculating pensioner benefits).

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 2023-07 dated March 3, 2023 was prepared by the Chief Actuary for the New York City Fire Pension Fund. This estimate is intended for use only during the 2023 Legislative Session.