S T A T E O F N E W Y O R K

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I N A S S E M B L Y

February 24, 2010

Introduced by M. of A. ESPAILLAT, DESTITO, PHEFFER -- Multi-Sponsored by -- M. of A. BALL, McDONOUGH -- read once and referred to the Committee on Veterans' Affairs -- reported and referred to the Committee on Ways and Means -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend chapter 106 of the laws of 2003, constituting the Patriot Plan, in relation to extending the applicability of a provision thereof for the suspension of public retirement system loan repayment obligations

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. The opening paragraph of section 43 of chapter 106 of the laws of 2003, constituting the Patriot Plan, as amended by chapter 133 of the laws of 2008, is amended to read as follows:

This act shall take effect immediately; provided, however, that section forty-two of this act shall be deemed repealed [seven] NINE years after it shall have become a law; provided further that:

S 2. This act shall take effect immediately, except that if this act shall become a law on or after July 1, 2010 this act shall take effect immediately and shall be deemed to have been in full force and effect on and after July 1, 2010.

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

Insofar as this bill will affect the New York State and Local Employees' Retirement System, it will extend, for two additional years, Section 43 of Chapter 106 of the Laws of 2003 as amended by Chapter 133 of the Laws of 2008, which suspends any loan repayments during any period of military service, and extends the period of loan repayment by the same period of military service.

If this bill is enacted, there will be a minimal cost to the State of New York and to the participating employers in the New York State and Local Employees' Retirement System.

This estimate, dated February 12, 2010 and intended for use only during the 2010 Legislative Session, is Fiscal Note No. 2010-114,

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

LBD15751-04-0

prepared by the Actuary for the New York State and Local Employees' Retirement System.

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

This bill would amend Section 43 of Chapter 106 of the Laws of 2003 by extending the provisions of Section 42 of this act for an additional two years. This section allows the New York State Teachers' Retirement System to suspend the obligation to repay a loan by a member during any period such member is absent for military duty. Any suspension of loan repayments based on absence for military duty shall extend the time for repayment of the unpaid balance of the loan for the same period of time as the loan is suspended.

The annual cost to the employers of members of the New York State Teachers' Retirement System is estimated to be negligible if this bill is enacted.

The source of this estimate is Fiscal Note 2010-10 dated February 18, 2010 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2010 Legislative Session.

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

PROVISIONS OF PROPOSED LEGISLATION: With respect to the New York City Retirement Systems ("NYCRS"), this proposed legislation would extend for two years the provisions of Section 42 of Chapter 106 of the Laws of 2003 (the "Patriot Plan") as most recently amended by Chapter 133 of the Laws of 2008.

The Effective Date of the proposed legislation would be the date of enactment and would be deemed to be operationally in effect on and after July 1, 2010.

IMPACT ON BENEFITS: Loans are generally permitted to NYCRS members for a portion of the required member contributions paid under the NYCRS plans. These loans are required to be paid back within five years or be subject to certain taxation under the Internal Revenue Code.

Under the provisions of the Patriot Plan, enacted on July 1, 2003, Section 42 of the Plan permits the NYCRS to suspend the loan(s) of their members who are on a leave of absence for military duty in the U.S. Armed Services as such term is defined under Section 43 of the Military Law.

For those members on military duty whose loans are deferred, the time for repayment of the unpaid member loan balances would be extended for a period of time equal to the length of their military duty and interest would accrue which varies by NYCRS.

Under current law, this provision of the Patriot Plan is scheduled to sunset seven years from enactment or as of July 1, 2010.

Under the proposed legislation, this provision of the Patriot Plan would be extended for two years until July 1, 2012.

FINANCIAL IMPACT - OVERVIEW: The financial impact of this proposed legislation is dependent upon the number of members who elect to avail themselves of the benefits available under this proposed legislation, the dollar amount of loans that are suspended and the amount of interest deferred.

Specifically, if this proposed legislation is enacted into law, the ultimate employer cost to the NYCRS would be determined by the difference in the amount of interest earned by the NYCRS on the loans versus the earnings that would be earned on the same funds if the same funds were instead invested in the overall assets of the NYRCS.

IMPACT ON ACTUARIAL PRESENT VALUES OF BENEFITS: Based upon a comparison of an average standard NYCRS member loan and a loan impacted by an approved leave for military service, the enactment of this proposed

legislation would result in an estimated de minimus increase in the Actuarial Present Value of Benefits ("APVB") to the NYCRS.

IMPACT ON EMPLOYER COSTS: Assuming this proposed legislation is enacted, the estimated increase in annual employer costs to the NYCRS would be de minimus.

The exact amount of changes in suspended loans to NYCRS members would be determined in the years during which these members are on leaves of absence for military duty. These changes would be treated as actuarial experience gains/losses recognized in the NYCRS assets at the end of the fiscal year in which the member goes on military duty. Changes in the repayment of loans on and after July 1, 2010 would first be reflected in the NYCRS assets as of June 30, 2011.

IMPACT ON EMPLOYER CONTRIBUTIONS: With respect to the NYCRS, under the One-Year Lag actuarial valuation methodology, adjustments in the June 30, 2011 NYCRS asset values and census data would first impact employer contributions to the NYCRS for Fiscal Year 2013.

The estimated increase in annual employer contributions beginning Fiscal Year 2013 would equal the estimated de minimus change in employer costs.

OTHER COSTS: Not measured in this Fiscal Note is any expected increase in administrative expenses of the employer, certain New York City agencies and the NYCRS.

ACTUARIAL ASSUMPTIONS AND METHODS: The APVB and employer costs and contributions contained herein have been calculated as of June 30, 2009 based on the actuarial assumptions and methods then in effect for the NYCRS and various approximation techniques to take account of the number and amounts of loans that would be suspended if the proposed legislation were enacted.

STATEMENT OF ACTUARIAL OPINION: I, Robert C. North, Jr., am the Chief Actuary for the New York City Retirement Systems. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

FISCAL NOTE IDENTIFICATION: This estimate is intended for use only during the 2010 Legislative Session. It is Fiscal Note 2010-17, dated June 23, 2010, prepared by the Chief Actuary for the New York City Retirement Systems.