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

6932

2009-2010 Regular Sessions

I N A S S E M B L Y

March 17, 2009

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

AN ACT to amend the retirement and social security law, in relation to establishing a defined contribution plan

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

Section 1. The retirement and social security law is amended by adding a new section 618 to read as follows:

S 618. DEFINED CONTRIBUTION PLAN. 1. THE DEFINED CONTRIBUTION PLAN IS HEREBY ESTABLISHED. THE COMPTROLLER SHALL ADOPT RULES AND REGULATIONS REGARDING THE STANDARDS AND REQUIREMENTS OF THE DEFINED CONTRIBUTION PLAN ESTABLISHED PURSUANT TO THIS SECTION, INCLUDING SELECTION OF FINANCIAL ORGANIZATIONS FOR INVESTMENT PURPOSES.

2. A. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE DEFINED CONTRIBUTION PLAN SHALL BE ESTABLISHED FOR ALL NON-CIVIL SERVICE APPOINTED EMPLOYEES AND ELECTED OFFICIALS EMPLOYED BY THE STATE OF NEW YORK OR ANY PUBLIC EMPLOYER WHICH HAS ELECTED TO PARTICIPATE IN THE NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM.

B. THE COMPTROLLER SHALL ENTER INTO WRITTEN AGREEMENTS WITH ONE OR MORE FINANCIAL ORGANIZATIONS TO ADMINISTER THE DEFINED CONTRIBUTION PLAN FOR MEMBERS AND TO INVEST FUNDS HELD PURSUANT TO SUCH PLAN.

C. THE RULES AND REGULATIONS PROMULGATED BY THE COMPTROLLER SHALL ESTABLISH STANDARDS FOR THE SELECTION OF FINANCIAL ORGANIZATIONS, AUTHORIZED TO DO BUSINESS IN THIS STATE, TO PARTICIPATE IN SUCH PLANS, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING CRITERIA: (I) RATES OF COMMISSION, BROKERAGE AND OTHER FEES, ADMINISTRATIVE EXPENSES AND RELATED SERVICE CHARGES IMPOSED BY THE FINANCIAL ORGANIZATION; (II) VARIETY OF TYPES OF INVESTMENT OPPORTUNITIES OFFERED BY THE FINANCIAL ORGANIZATION AND/OR AMONG THE FINANCIAL ORGANIZATIONS SELECTED AND THE ABILITY TO TRANSFER AMONG SUCH OPPORTUNITIES; (III) THE STABILITY OF THE FINANCIAL ORGANIZATION AS EVIDENCED BY EXPERIENCE, REPUTATION, ASSETS

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

LBD02477-06-9

AND HOLDINGS, ABILITY TO GUARANTEE SPECIFIC RATES OF RETURN; (IV) ABILITY TO COMPLY WITH REPORTING REQUIREMENTS TO THE COMPTROLLER AND TO PARTICIPANTS IN SUCH A PLAN; AND (V) SUCH OTHER FACTORS WHICH WOULD BE CONSIDERED BY A PRUDENT INVESTOR IN SUCH A PLAN.

D. THE PRESIDENT OF THE STATE CIVIL SERVICE COMMISSION, SUBJECT TO THE RULES AND REGULATIONS OF THE COMPTROLLER, SHALL PROVIDE ASSISTANCE TO ANY PUBLIC EMPLOYER AS IS APPROPRIATE TO THE PROVISIONS OF THIS SECTION.

3. A PUBLIC EMPLOYER SHALL CONTRIBUTE THREE PERCENT OF SUCH AFFECTED EMPLOYEE'S ANNUAL SALARY TOWARDS SUCH DEFINED CONTRIBUTION PLAN. ALL NON-CIVIL SERVICE APPOINTED EMPLOYEES AND ELECTED OFFICIALS ARE REQUIRED TO CONTRIBUTE THREE PERCENT OF THEIR SALARY TOWARDS THE DEFINED CONTRIBUTION PLAN. SUCH EMPLOYEES MAY CONTRIBUTE UP TO ONE HUNDRED PERCENT, NOT TO EXCEED SIXTEEN THOUSAND FIVE HUNDRED DOLLARS OF HIS OR HER SALARY TOWARDS THE DEFINED CONTRIBUTION PLAN.

4. THE TERM "FINANCIAL ORGANIZATION" SHALL MEAN AN ORGANIZATION AUTHORIZED TO DO BUSINESS IN THE STATE OF NEW YORK AND (A) WHICH IS AN AUTHORIZED FIDUCIARY TO ACT AS A TRUSTEE PURSUANT TO THE PROVISIONS OF AN ACT OF CONGRESS ENTITLED "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974" AS SUCH PROVISIONS MAY BE AMENDED FROM TIME TO TIME, OR AN INSURANCE COMPANY; AND (B) (I) IS LICENSED OR CHARTERED BY THE STATE INSURANCE DEPARTMENT; (II) IS LICENSED OR CHARTERED BY THE STATE BANKING DEPARTMENT; (III) IS CHARTERED BY AN AGENCY OF THE FEDERAL GOVERNMENT; (IV) IS SUBJECT TO THE JURISDICTION AND REGULATION OF THE SECURITIES AND EXCHANGE COMMISSION OF THE FEDERAL GOVERNMENT; OR (V) IS ANY OTHER ENTITY OTHERWISE AUTHORIZED TO ACT IN THIS STATE AS A TRUSTEE PURSUANT TO THE PROVISIONS OF AN ACT OF CONGRESS ENTITLED "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974" AS SUCH PROVISIONS MAY BE AMENDED FROM TIME TO TIME.

5. THE CURRENT RETIREMENT PLANS FOR NON-CIVIL SERVICE APPOINTED EMPLOYEES AND ELECTED OFFICIALS SHALL BE FROZEN AS OF THE EFFECTIVE DATE OF THIS SECTION. NON-CIVIL SERVICE APPOINTED EMPLOYEES AND ELECTED OFFICIALS SHALL NO LONGER CONTRIBUTE TO THEIR CURRENT RETIREMENT PLAN, HOWEVER, SUCH PERSONS SHALL RECEIVE THE BENEFITS THEY HAVE ACCRUED UP TO THE EFFECTIVE DATE OF THIS SECTION UPON RETIREMENT. THE MEMBERSHIP OF A NON-CIVIL SERVICE APPOINTED EMPLOYEE OR ELECTED OFFICIAL IN ANY STATE RETIREMENT SYSTEM SHALL REMAIN OPEN IF HE OR SHE BECOMES A MEMBER OF THE DEFINED CONTRIBUTION PLAN.

S 2. This act shall take effect on the first of the fiscal year next succeeding the date on which it shall have become a law; provided, however, that the amendments made to article 15 of the retirement and social security law by this act shall expire on the same date as such article expires pursuant to section 615 of such law. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized and directed to be made and completed on or before such effective date.

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

This bill would change the retirement plan coverage for existing and future elected officials and non-civil service appointees who are employed by the State of New York or any public employer which participates in the New York State and Local Employees' Retirement System (NYS&LERS). Affected employees and their employers would be required to contribute 3% of annual compensation to a defined contribution plan. The Comptroller shall select one or more financial organizations to administer the plan and to invest the funds held pursuant to such plan.

This proposal would freeze the benefit accruals in the NYS&LERS as of the effective date for current members. If this becomes law, this bill is likely to face a constitutional challenge based upon the guarantee that a member's benefits may not be diminished.

If this bill is enacted, relatively few members would be affected. There will not be a cost to the State or the participating employers in the NYS&LERS.

This estimate, dated March 11, 2009, and intended for use only during the 2009 Legislative Session, is Fiscal Note No. 2009-151, prepared by the Actuary for the New York State and Local Employees' Retirement System.