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3718--A

2009-2010 Regular Sessions

I N S E N A T E

March 30, 2009

Introduced by Sens. SAVINO, ADDABBO, THOMPSON -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- recommitted to the Committee on Civil Service and Pensions in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law and chapter 511 of the laws of 1988 amending the retirement and social security law relating to a reduction in retirement age for certain members, in relation to extending the application of such provisions

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

Section 1. Paragraph (ii) of subdivision a of section 651 of the retirement and social security law, as amended by chapter 225 of the laws of 2006, is amended to read as follows:

(ii) For each full year of covered employment occurring prior to January first, two thousand [nine] TWELVE which is subsequent to December thirty-first, nineteen hundred seventy, his or her normal retirement age shall be reduced by four months.

S 2. Section 2 of chapter 511 of the laws of 1988, amending the retirement and social security law relating to a reduction in retirement age for certain members, as amended by chapter 225 of the laws of 2006, is amended to read as follows:

S 2. This act shall take effect immediately, and shall apply only to covered employment performed on or before December 31, [2008] 2011.

S 3. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after December 31, 2008.

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

PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Retirement and Social Security Law ("RSSL") Section 651.a(ii) to

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

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extend special unreduced early retirement provisions for certain members of the New York City Employees' Retirement System ("NYCERS").

The Effective Date of the proposed legislation would be the date of enactment.

MEMBERS IMPACTED BY THE PROPOSED LEGISLATION: The proposed legislation would cover those members of NYCERS ("Covered Members") who are employed at the Triborough Bridge and Tunnel Authority ("TBTA") in the following job titles:

* Bridge and Tunnel Officer,
* Bridge and Tunnel Sergeant,
* Bridge and Tunnel Lieutenant,
* Assistant Bridge and Tunnel Maintainer,
* Bridge and Tunnel Maintainer,
* Senior Bridge and Tunnel Maintainer, and
* Bridge and Tunnel Laborer.

IMPACT ON BENEFITS PAYABLE: Under the provisions of Article 16 of of the RSSL, Covered Members are entitled to retire without a reduction in Retirement Allowance prior to attainment of Normal Retirement Age ("NRA") defined as:

* Age 55 - for Tier I members.
* Age 62 - for Tier II, Tier III and Tier IV members.

The Period Without Reduction Before NRA ("PWRBN") is determined in accordance with a schedule which is based upon years of employment in one of the above job titles ("Covered Employment"):

* For Covered Employment before January 1, 1971, six months per year of service.
* For Covered Employment between January 1, 1971 and December 31, 2008, four months per year of service.

Nothing in these provisions shall permit a Tier I member to retire, other than for disability, prior to age 50, or a Tier II, Tier III or Tier IV member to retire, other than for disability, prior to age 55.

In addition, such Covered Member must meet the applicable service requirements for retirement of the NYCERS Plan or Program in which the member participates.

For example, under current provisions in the Tier IV Basic Plan, a Covered Member with 18 years of credited service in Covered Employment as of December 31, 2008 would have a PWRBN period of 6.00 years (i.e., 18 years times 4 months per year equals 72 months divided by 12 equals 6.00 years). Based on the existing Normal Retirement Age of 62 in the Tier IV Basic Plan, the earliest Unreduced Retirement Age ("URA") for this Covered Member would equal age 56 (i.e., the earliest age at which benefits are paid without actuarial reduction).

The proposed legislation would extend the PWRBN provisions to include credited service for Covered Employment to December 31, 2011.

Thus, using the earlier example of a Covered Member with 18 years of credited service as a of December 31, 2008, under the proposed legislation if that Covered Member reaches 21 years of service as of December 31, 2011, the earliest URA would equal age 55.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES ("APV"): Based on the census data and the actuarial assumptions and methods noted herein, the enactment of the proposed legislation would increase the APV of Benefits ("APVB") to NYCERS by approximately $260,000.

Since the proposed legislation would allow earlier unreduced service retirement, there would be a reduction in the APV of future member contributions ("APVMCB") of approximately $1,000 and a reduction in the APV of future salary ("APVSAL") of approximately $2.9 million.

FINANCIAL IMPACT - ANNUAL EMPLOYERS COSTS AND EMPLOYER CONTRIBUTIONS: The ultimate cost of a Retirement Program is the benefits it pays. The financing of that ultimate cost is provided by contributions and investment income.

Based on the Actuary's actuarial assumptions and methods in effect as of June 30, 2008, the enactment of this proposed legislation would increase annual employer costs to NYCERS by approximately $90,000 per year.

If enacted on or before June 30, 2010, this proposed legislation would be expected to increase employer contributions to NYCERS beginning Fiscal Year 2010.

If enacted during the 2010 Legislative Session after June 30, 2010 but on or before June 30, 2011, this proposed Legislation would increase employer contributions to NYCERS beginning Fiscal Year 2011.

OTHER COSTS: The enactment of this proposed legislation would also be expected to result in modest increases in administrative expenses of NYCERS, the employer and certain New York City agencies.

CENSUS DATA: The calculation of estimated changes in APVB, APVMCB, APVSAL, employer costs and employer contributions presented herein is based upon the census data for active members included in the June 30, 2008 (Lag) actuarial valuation of NYCERS.

For TBTA overall, census data consisted of 1,682 active members of NYCERS with annual salaries of approximately $119.8 million. There were 1,201 Covered Members with annual salaries of $80.2 million.

The subset of Covered Members who are potentially affected by the proposed legislation consisted of 273 Tier IV members with salaries of approximately $18.7 million whose average age and average service as of June 30, 2008 were 48.0 years and 15.1 years, respectively.

ACTUARIAL ASSUMPTIONS AND METHODS: Additional APVB, APVMCB, APVSAL, employer costs and employer contributions have been computed based on the actuarial assumptions and methods in effect for the June 30, 2008 (Lag) actuarial valuation of NYCERS for use in determining the Updated Preliminary Fiscal Year 2010 Employer Contributions.

Additional annual employer costs and employer contributions have been estimated assuming the additional APVB would be financed through future normal contributions.

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 2010-07, dated March 3, 2010, prepared by the Chief Actuary for the New York City Employees' Retirement System.