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

5628--A

2009-2010 Regular Sessions

I N S E N A T E

May 22, 2009

Introduced by Sen. SAVINO -- 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, in relation to the purchase of service credit

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 809 to read as follows:

S 809. PURCHASE OF ADDITIONAL SERVICE CREDIT. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A MEMBER OF THE NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM WHO HAS RENDERED A MINIMUM OF TEN YEARS OF CREDITED SERVICE SHALL BE ELIGIBLE TO PURCHASE UP TO FIVE YEARS OF ADDITIONAL SERVICE CREDIT AND MAY OBTAIN SUCH CREDIT UPON APPLICATION TO THE SAID RETIREMENT SYSTEM. IN ORDER TO OBTAIN SERVICE CREDIT PURSUANT TO THIS SECTION, THE MEMBER SHALL PAY INTO THE PENSION ACCUMULATION FUND THE CONTRIBUTION AMOUNT AS DETERMINED BY THE COMPTROLLER, EITHER IN A LUMP SUM OR IN INSTALLMENTS, NECESSARY TO PAY IN FULL THE COST OF SUCH SERVICE CREDIT. IF SUCH PAYMENT IS MADE IN INSTALLMENTS, THE SAME SHALL BE PAID WITHIN A PERIOD NO GREATER THAN THE NUMBER OF MONTHS OF SUCH MEMBER SERVICE PURCHASED. THE PROVISIONS OF THIS SECTION SHALL NOT APPLY TO ANY MEMBER WHO IS A MEMBER OF A RETIREMENT PLAN THAT PROVIDES FOR RETIREMENT AT HALF PAY AFTER TWENTY OR TWENTY-FIVE YEARS OF SERVICE WITHOUT REGARD TO AGE. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, IN THE EVENT OF DEATH PRIOR TO RETIREMENT, AMOUNTS PAID BY THE MEMBER FOR THE PURCHASE OF SERVICE CREDIT PURSUANT TO THIS SECTION SHALL BE REFUNDED, WITH INTEREST, TO THE EXTENT THAT SERVICE CREDIT PURCHASED WITH SUCH AMOUNTS DOES NOT PRODUCE A GREATER DEATH BENEFIT THAN WOULD

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

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HAVE BEEN PAYABLE HAD THE MEMBER NOT PURCHASED SUCH CREDIT. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, IN THE EVENT OF RETIREMENT, AMOUNTS PAID BY THE MEMBER FOR THE PURCHASE OF SERVICE CREDIT PURSUANT TO THIS SECTION SHALL BE REFUNDED, WITH INTEREST, TO THE EXTENT THE SERVICE CREDIT PURCHASED WITH SUCH AMOUNTS DOES NOT PRODUCE A GREATER RETIREMENT ALLOWANCE THAN WOULD HAVE BEEN PAYABLE HAD THE MEMBER NOT PURCHASED SUCH CREDIT.

S 2. This act shall take effect on the ninetieth day after it shall have become a law.

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

This bill would allow certain members in the New York State and Local Employees Retirement System (NYS&LERS) who have rendered a minimum of ten years of creditable service to purchase a maximum of five years of additional service credit for a period of time during which no actual service was rendered. This type of service is commonly referred to as "air time". The full cost of such service will be paid by the member. The purchase of "air time" will not be available to any member who may retire at half pay after completion of 20 or 25 years of creditable service without regard to age.

If this bill is enacted, the cost to purchase "air time" will depend on the member's plan, tier, age, salary, current service and the amount of "air time" that will be purchased. There could be costs to the NYS&LERS on behalf of members whose salary increases subsequent to purchasing this "service" exceed our expectations, or for members who survive beyond their life expectancy. There will also be administrative costs to the NYS&LERS.

This bill would provide members with a favorable alternative to purchasing annuities in the private market. The NYS&LERS would, effectively, be providing 8% annual interest.

This estimate, dated January 29, 2010, and intended for use only during the 2010 Legislative Session, is Fiscal Note No. 2010-87, prepared by the Actuary for the New York State and Local Employees' Retirement System.