STATE OF NEW YORK

7558--A

2011-2012 Regular Sessions

IN ASSEMBLY

May 10, 2011

Introduced by M. of A. ABBATE -- read once and referred to the Committee on Governmental Employees -- recommitted to the Committee on Governmental Employees in accordance with Assembly Rule 3, sec. 2 -- 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 extend special unreduced early retirement provisions for certain members of the New York City Employees' Retirement System ("NYCERS").

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

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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 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.

Under this current law, 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, 2013.

Thus, using the earlier example of a Covered Member with 18 years of credited service as of December 31, 2008, under the proposed legislation if that Covered Member reaches 23 years of service as of December 31, 2013, 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 $550,000.

Since the proposed legislation would allow earlier unreduced service retirement, there would be a reduction in the APV of future salary ("APVSAL") of approximately $3.1 million.

FINANCIAL IMPACT - ADDITIONAL ANNUAL EMPLOYER 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, 2010, the enactment of this proposed legislation would increase annual employer costs to NYCERS by approximately $150,000 per year.

If enacted on or before June 30, 2012, this proposed legislation would be expected to increase employer contributions to NYCERS beginning Fiscal Year 2012.

If enacted during the 2012 Legislative Session after June 30, 2012 but on or before December 31, 2012, this proposed Legislation would increase employer contributions to NYCERS beginning Fiscal Year 2013.

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, APVSAL, employer costs and employer contributions presented herein is based upon the census data fro active members included in the June 30, 2010 (Lag) actuarial valuation of NYCERS.

For TBTA overall, census data consisted of 1,649 active members of NYCERS with annual salaries of approximately $123.5 million. There were 1,195 Covered Members with annual salaries of $85.1 million.

The subset of Covered Members who are potentially affected by the proposed legislation consisted of 257 Tier IV members with salaries of approximately $20.4 million whose average age and average service as of June 30, 2010 were 49.4 years and 16.6 years, respectively.

The Covered Members who are actually affected by the proposed legislation consisted of 117 Tier IV members with salaries of approximately $9.0 million whose average age and average service as of June 30, 2010 were 43.1 years and 13.6 years, respectively.

ACTUARIAL ASSUMPTIONS AND METHODS: Additional APVB, APVSAL, employer costs and employer contributions have been computed based on the actuarial assumptions and methods currently in effect for the June 30, 2010 (Lag) actuarial valuation of NYCERS to determine employer contributions for Fiscal Year 2012.

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

To determine the impact of the proposed legislation, a subgroup of the Covered Members was developed on the basis of who would benefit actuarially.

For each member, the net APV of future employer costs (i.e., the APVB less the APV of future member contributions) was developed under the current PWRBN provisions and the proposed PWRBN provisions. If such net APV measured for the proposed PWRBN provisions was greater than the net APV under the current PWRBN provisions, the member was deemed to benefit actuarially.

POTENTIAL CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS: The impact of enactment of the proposed legislation provided in this Fiscal Note has been based on the continued use of the current actuarial assumptions and methods.

However, the Actuary has proposed a new package of actuarial assumptions and methods for use in determining employer contributions to NYCERS for Fiscal Year 2012 and after, as the current actuarial assumptions no longer represent the Actuary's best estimates.

It is anticipated that the proposed new package of actuarial assumptions and methods would likely result in a greater increase in APVB than the amount determined under the current actuarial assumptions and methods. Annual employer costs and contributions would increase similarly assuming that the prior service obligation associated with this increase in APVB were amortized over a period comparable to that required under the current actuarial methodology.

Hence, the estimated financial impact of proposed legislation incorporating the new package of actuarial assumptions and methods is expected to differ from the financial impact computed using the actuarial assumptions and methods continued from Fiscal Year 2011.

ECONOMIC VALUES OF BENEFITS: The actuarial assumptions used to determine the financial impact of the proposed legislation discussed in this Fiscal Note are those appropriate for budgetary models and determining annual employer contributions to NYCERS.

However, the economic assumptions (current and proposed) that are used for determining employer contributions do not develop risk-adjusted, economic values of benefits. Such risk-adjusted, economic values of benefits would likely differ significantly from those developed by the budgetary models.

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 2012 Legislative Session. It is Fiscal Note 2012-06, dated March 7, 2012, prepared by the Chief Actuary for the New York City Employees' Retirement System.