

8012

2011-2012 Regular Sessions

I N A S S E M B L Y

May 26, 2011

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

AN ACT to amend the administrative code of the city of New York, in relation to the rate of regular interest used in the actuarial valuation of liabilities for the purpose of calculating contributions to the New York city employees' retirement system, the New York city teachers' retirement system, the police pension fund, subchapter two, the fire department pension fund, subchapter two and the board of education retirement system of such city by public employers and other obligors required to make employer contributions to such retirement systems, the crediting of special interest and additional interest to members of such retirement systems, and the allowance of supplementary interest on the funds of such retirement systems

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

1 Section 1. Paragraph 2 of subdivision b of section 13-638.2 of the
 2 administrative code of the city of New York, as amended by chapter 265
 3 of the laws of 2010, is amended to read as follows:

4 (2) With respect to each retirement system, such rate of interest
 5 shall be as hereinafter set forth in this paragraph:

	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
10 Retirement		
11 System		
13 NYCERS	8%	July 1, 2004 to June 30, [2011] 2012
15 NYCTRS	8%	July 1, 2004 to

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

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1			June 30, [2011] 2012
2	PPF	8%	July 1, 2004 to
3			June 30, [2011] 2012
4	FPF	8%	July 1, 2004 to
5			June 30, [2011] 2012
6	BERS	8%	July 1, 2004 to
7			June 30, [2011] 2012

8 S 2. Paragraph 2 of subdivision f of section 13-638.2 of the adminis-
 9 trative code of the city of New York, as amended by chapter 265 of the
 10 laws of 2010, is amended to read as follows:

11 (2) Such special interest shall be allowed at the rates and for the
 12 periods set forth below in this paragraph:

13			First day and
14			last day of
15		Rate of interest	fiscal year or
16		per centum per	series of fiscal
17	Retirement	annum, compounded	years for which
18	System	annually	rate is effective
19			
20	NYCERS	1 1/4%	July 1, 2004 to
21			June 30, [2011] 2012
22	NYCTRS	1 1/4%	July 1, 2004 to
23			June 30, [2011] 2012
24	PPF	1 1/4%	July 1, 2004 to
25			June 30, [2011] 2012
26	FPF	1 1/4%	July 1, 2004 to
27			June 30, [2011] 2012
28	BERS	1 1/4%	July 1, 2004 to
29			June 30, [2011] 2012

30 S 3. Paragraph 2 of subdivision g of section 13-638.2 of the adminis-
 31 trative code of the city of New York, as amended by chapter 265 of the
 32 laws of 2010, is amended to read as follows:

33 (2) Such additional interest shall be included at the rates and for
 34 the periods set forth below in this paragraph:

35			First day and
36			last day of
37		Rate of interest	fiscal year or
38		per centum per	series of fiscal
39	Retirement	annum, compounded	years for which
40	System	annually	rate is effective
41			
42	NYCERS	1 1/4%	July 1, 2004 to
43			June 30, [2011] 2012
44	NYCTRS	1 1/4%	July 1, 2004 to
45			June 30, [2011] 2012
46	PPF	1 1/4%	July 1, 2004 to
47			June 30, [2011] 2012
48	FPF	1 1/4%	July 1, 2004 to
49			June 30, [2011] 2012
50	BERS	1 1/4%	July 1, 2004 to
51			June 30, [2011] 2012

1 S 4. Paragraph 2 of subdivision i of section 13-638.2 of the adminis-
 2 trative code of the city of New York, as amended by chapter 265 of the
 3 laws of 2010, is amended to read as follows:

4 (2) Such supplementary interest shall be allowed at the rates and for
 5 the periods set forth below in this paragraph:

6 7 8 9 10 Retirement 11 System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
13 NYCERS	1%	July 1, 2004 to June 30, [2011] 2012
14 NYCTRS	1%	July 1, 2004 to June 30, [2011] 2012
16 PPF	1%	July 1, 2004 to June 30, [2011] 2012
18 FPF	1%	July 1, 2004 to June 30, [2011] 2012
20 BERS	1%	July 1, 2004 to June 30, [2011] 2012

23 S 5. This act shall take effect July 1, 2011; provided, however, if
 24 this act shall become a law after such date, it shall take effect imme-
 25 diately and shall be deemed to have been in full force and effect on and
 26 after July 1, 2011.

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

PROVISIONS OF PROPOSED LEGISLATION -- OVERVIEW: The enactment of this proposed legislation (referred to hereafter as "Interest Rate Extender Legislation") would amend Administrative Code of the City of New York ("ACNY") Section 13-638.2 to continue for Fiscal Year 2012 for the five actuarially-funded New York City Retirement Systems ("NYCRS") the following rates that expire on June 30, 2011:

* The 8.25% per annum rate used to credit interest on Tier I and Tier II member account balances and Increased-Take-Home-Pay ("ITHP") Reserves, and

* The 8.0% per annum Actuarial Interest Rate ("AIR") assumption used to compute employer contributions.

The Effective Date for this proposed Interest Rate Extender Legislation would be July 1, 2011.

FINANCIAL IMPACT - EMPLOYER CONTRIBUTIONS: The continuation for Fiscal Year 2012 of the same 8.25% per annum rate that was used for Fiscal Year 2011 to credit interest on Tier I and Tier II member contributions and ITHP Reserves would not change the amount or timing of expected employer contributions.

The continuation for Fiscal Year 2012 of the AIR assumption of 8.0% per annum that was used to determine employer contributions to the NYCRS for Fiscal Year 2011 would not change the expected amount or timing of employer contributions.

FINANCIAL IMPACT - 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, this set of actuarial assumptions and methods do not represent the only possible approach for funding the NYCERS.

Historically, actuarial assumptions and methods have been reviewed on average every five years in connection with an actuarial experience study mandated by New York City Charter Section 96.

Following this review, the Actuary generally proposes changes in actuarial assumptions and methods that he believes appropriate and reasonably related to such experience period and future expectations.

The next such review is anticipated during Fiscal Year 2012 at which time the Actuary is likely to propose new packages of actuarial assumptions and methods to be effective for use in determining employer contributions beginning Fiscal Year 2012.

It is anticipated that whatever new actuarial assumptions are recommended by the Actuary are likely to result in increased Actuarial Present Values of Benefits ("APVB") and employer costs as the current actuarial assumptions no longer represent the Actuary's best estimates.

Note: The Actuary has not yet committed to any particular actuarial assumptions or methodology for determining employer costs and employer contributions in connection with the upcoming review of the actuarial assumptions and methods.

OTHER COSTS: Enactment of this proposed legislation would not be expected to produce any additional costs.

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 2011 Legislative Session. It is Fiscal Note 2011-10, dated April 7, 2011, prepared by the Chief Actuary for the New York City Retirement System.