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

5756

2011-2012 Regular Sessions

I N S E N A T E

June 14, 2011

Introduced by COMMITTEE ON RULES -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

AN ACT to amend the retirement and social security law, in relation to permitting Triborough bridge and tunnel members of the twenty-year/age fifty retirement program who have incurred contribution deficiencies to defer full repayment until 2015

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

Section 1. Paragraph 7-a of subdivision e of section 604-c of the retirement and social security law, as amended by chapter 693 of the laws of 2003, is amended to read as follows:

7-a. Notwithstanding paragraph six or seven of this subdivision, where a deficiency chargeable to a participant pursuant to paragraph three of this subdivision has not been paid in full while the participant is a Triborough bridge and tunnel member and such participant retires prior to July first, two thousand [eleven] FIFTEEN, such participant may elect to be covered by this paragraph. Such participant shall be entitled to the benefits provided in subdivision c of this section provided that participant authorizes the retirement system to deduct from such benefits an amount which will result in the deficiency, plus associated interest to date of final payment, being paid in full no later than July first, two thousand [eleven] FIFTEEN or such earlier date as agreed to by the participant. Such amount will be deducted in equal installments on a monthly basis. Nothing in this paragraph shall prevent the participant from making a partial payment of the amount of the deficiency at the time of retirement so as to reduce the monthly payment nor to make a lump sum payment equal to the amount of the total unpaid balance at any time during the period of repayment.

S 2. This act shall take effect immediately.

FISCAL NOTE.--PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Retirement and Social Security Law ("RSSL") Section

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

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604-c.e.7(a) to extend from June 30, 2011 to June 30, 2015 the right for the Triborough Bridge and Tunnel Authority ("TBTA") employee participating in the TBTA Age 50 20 Years of Service Plan ("TBTA 50/20 Plan") to retire with an Additional Member Contribution ("AMC") deficiency.

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

MEMBERS IMPACTED BY THE PROPOSED LEGISLATION: The proposed legislation would cover active members of NYCERS ("Covered Members") who are participating in the TBTA 50/20 Plan and who elect to retire between July 1, 2011 and June 30, 2015.

IMPACT ON BENEFITS PAYABLE: Under current law, Covered Members who retire prior to July 1, 2011 are permitted to retire with an AMC deficiency and repay that deficiency during retirement no later than July 1, 2011.

The proposed legislation would extend the July 1, 2011 date of this provision to July 1, 2015.

FINANCIAL IMPACT - OVERVIEW: The ultimate cost of this proposed legislation depends on how many active TBTA 50/20 Plan participants choose to retire between July 1, 2011 and June 30, 2015 and, if so, whether they have, and choose not to pay off, any AMC deficiencies.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: Under current practice actuarial gains or losses attributable to TBTA 50/20 Plan participants who retire with an AMC deficiency are not determined until after retirement.

Following retirement, if a TBTA 50/20 Plan participant retires with an AMC deficiency, the actuarial gain or loss is represented by the difference between the amount earned by the lesser amount of Plan assets (due to paying the full benefit amounts without accounting for the AMC deficiency) versus the interest amounts paid on the AMC deficiency.

Overall, this impact is expected to be modest and the impact on annual employer contributions is expected to be minor.

If enacted on or before June 30, 2011, this proposed legislation would be expected to change employer contributions to NYCERS beginning Fiscal Year 2014 after Covered Members retire during Fiscal Year 2012.

If enacted during the 2011 Legislative Session after June 30, 2011 but on or before December 31, 2011, this proposed legislation would also first impact employer contributions to NYCERS beginning Fiscal Year 2014.

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 certain current actuarial assumptions and methods.

However, this set of actuarial assumptions and methods do not represent the only possible approach for funding 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 are 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 recommend by the Actuary are likely to result in increased 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, experience review of actuarial assumptions and methods.

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

CENSUS DATA: As of June 30, 2010, census data consisted of 891 TBTA 50/20 Plan participants of NYCERS with annual salaries of approximately $62.3 million.

The subset of Covered Members who are potentially affected by the proposed legislation (i.e., eligible to retire on or before June 30, 2015) consisted of 121 Tier IV members with salaries of approximately $10.4 million whose average age and average service as of June 30, 2010 were 50.8 years and 22.5 years, respectively.

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

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

As stated earlier, 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. As such, not all assumptions employed in determining the results contained in this Fiscal Note for Fiscal Years 2012 and later represent the Actuary's current best estimate of future experience. However, most of the assumptions and methods used to determine the results contained herein are generally those adopted by the NYCERS Board of Trustees and enacted by the State Legislature and Governor, and provide consistency with the employer contributions currently being presented.

Finally, the actuarial assumptions currently employed for determining employer contributions do not represent risk-adjusted, economic evaluations. As risk-adjusted, economic evaluations could, for certain components of the proposed legislation, produce results that differ significantly from the results shown herein.

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 2011-21, dated June 13, 2011, prepared by the Chief Actuary for the New York City Employees' Retirement System.