

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

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2013-2014 Regular Sessions

I N A S S E M B L Y

February 20, 2013

Introduced by M. of A. FITZPATRICK, KELLNER, CERETTO, RAIA, FRIEND, TENNEY, TEDISCO, OAKS, McLAUGHLIN, CORWIN, LALOR, BLANKENBUSH, HAWLEY, KATZ -- Multi-Sponsored by -- M. of A. CROUCH, JOHNS, PAULIN, STEC, WALTER -- 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, in relation to establishing a defined contribution plan

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

1 Section 1. The retirement and social security law is amended by adding
2 a new section 618 to read as follows:
3 S 618. DEFINED CONTRIBUTION PLAN. 1. THE DEFINED CONTRIBUTION PLAN IS
4 HEREBY ESTABLISHED. THE COMPTROLLER SHALL ADOPT RULES AND REGULATIONS
5 REGARDING THE STANDARDS AND REQUIREMENTS OF THE DEFINED CONTRIBUTION
6 PLAN ESTABLISHED PURSUANT TO THIS SECTION, INCLUDING SELECTION OF FINAN-
7 CIAL ORGANIZATIONS FOR INVESTMENT PURPOSES.
8 2. A. NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE DEFINED
9 CONTRIBUTION PLAN SHALL BE ESTABLISHED FOR ALL NON-CIVIL SERVICE
10 APPOINTED EMPLOYEES AND ELECTED OFFICIALS EMPLOYED BY THE STATE OF NEW
11 YORK OR ANY PUBLIC EMPLOYER WHICH HAS ELECTED TO PARTICIPATE IN THE NEW
12 YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM.
13 B. THE COMPTROLLER SHALL ENTER INTO WRITTEN AGREEMENTS WITH ONE OR
14 MORE FINANCIAL ORGANIZATIONS TO ADMINISTER THE DEFINED CONTRIBUTION PLAN
15 FOR MEMBERS AND TO INVEST FUNDS HELD PURSUANT TO SUCH PLAN.
16 C. THE RULES AND REGULATIONS PROMULGATED BY THE COMPTROLLER SHALL
17 ESTABLISH STANDARDS FOR THE SELECTION OF FINANCIAL ORGANIZATIONS,
18 AUTHORIZED TO DO BUSINESS IN THIS STATE, TO PARTICIPATE IN SUCH PLANS,
19 INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING CRITERIA: (I) RATES OF

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

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1 COMMISSION, BROKERAGE AND OTHER FEES, ADMINISTRATIVE EXPENSES AND
2 RELATED SERVICE CHARGES IMPOSED BY THE FINANCIAL ORGANIZATION; (II)
3 VARIETY OF TYPES OF INVESTMENT OPPORTUNITIES OFFERED BY THE FINANCIAL
4 ORGANIZATION AND/OR AMONG THE FINANCIAL ORGANIZATIONS SELECTED AND THE
5 ABILITY TO TRANSFER AMONG SUCH OPPORTUNITIES; (III) THE STABILITY OF THE
6 FINANCIAL ORGANIZATION AS EVIDENCED BY EXPERIENCE, REPUTATION, ASSETS
7 AND HOLDINGS, ABILITY TO GUARANTEE SPECIFIC RATES OF RETURN; (IV) ABILI-
8 TY TO COMPLY WITH REPORTING REQUIREMENTS TO THE COMPTROLLER AND TO
9 PARTICIPANTS IN SUCH A PLAN; AND (V) SUCH OTHER FACTORS WHICH WOULD BE
10 CONSIDERED BY A PRUDENT INVESTOR IN SUCH A PLAN.

11 D. THE PRESIDENT OF THE STATE CIVIL SERVICE COMMISSION, SUBJECT TO THE
12 RULES AND REGULATIONS OF THE COMPTROLLER, SHALL PROVIDE ASSISTANCE TO
13 ANY PUBLIC EMPLOYER AS IS APPROPRIATE TO THE PROVISIONS OF THIS SECTION.

14 3. A PUBLIC EMPLOYER SHALL CONTRIBUTE THREE PERCENT OF SUCH AFFECTED
15 EMPLOYEE'S ANNUAL SALARY TOWARDS SUCH DEFINED CONTRIBUTION PLAN. ALL
16 NON-CIVIL SERVICE APPOINTED EMPLOYEES AND ELECTED OFFICIALS ARE REQUIRED
17 TO CONTRIBUTE THREE PERCENT OF THEIR SALARY TOWARDS THE DEFINED CONTRIB-
18 UTION PLAN. SUCH EMPLOYEES MAY CONTRIBUTE UP TO ONE HUNDRED PERCENT,
19 NOT TO EXCEED SIXTEEN THOUSAND FIVE HUNDRED DOLLARS OF HIS OR HER SALARY
20 TOWARDS THE DEFINED CONTRIBUTION PLAN.

21 4. THE TERM "FINANCIAL ORGANIZATION" SHALL MEAN AN ORGANIZATION
22 AUTHORIZED TO DO BUSINESS IN THE STATE OF NEW YORK AND (A) WHICH IS AN
23 AUTHORIZED FIDUCIARY TO ACT AS A TRUSTEE PURSUANT TO THE PROVISIONS OF
24 AN ACT OF CONGRESS ENTITLED "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF
25 1974" AS SUCH PROVISIONS MAY BE AMENDED FROM TIME TO TIME, OR AN INSUR-
26 ANCE COMPANY; AND (B) (I) IS LICENSED OR CHARTERED BY THE DEPARTMENT OF
27 FINANCIAL SERVICES; (II) IS CHARTERED BY AN AGENCY OF THE FEDERAL
28 GOVERNMENT; (III) IS SUBJECT TO THE JURISDICTION AND REGULATION OF THE
29 SECURITIES AND EXCHANGE COMMISSION OF THE FEDERAL GOVERNMENT; OR (IV) IS
30 ANY OTHER ENTITY OTHERWISE AUTHORIZED TO ACT IN THIS STATE AS A TRUSTEE
31 PURSUANT TO THE PROVISIONS OF AN ACT OF CONGRESS ENTITLED "EMPLOYEE
32 RETIREMENT INCOME SECURITY ACT OF 1974" AS SUCH PROVISIONS MAY BE
33 AMENDED FROM TIME TO TIME.

34 5. THE CURRENT RETIREMENT PLANS FOR NON-CIVIL SERVICE APPOINTED
35 EMPLOYEES AND ELECTED OFFICIALS SHALL BE FROZEN AS OF THE EFFECTIVE DATE
36 OF THIS SECTION. NON-CIVIL SERVICE APPOINTED EMPLOYEES AND ELECTED OFFI-
37 CIALS SHALL NO LONGER CONTRIBUTE TO THEIR CURRENT RETIREMENT PLAN,
38 HOWEVER, SUCH PERSONS SHALL RECEIVE THE BENEFITS THEY HAVE ACCRUED UP TO
39 THE EFFECTIVE DATE OF THIS SECTION UPON RETIREMENT. THE MEMBERSHIP OF A
40 NON-CIVIL SERVICE APPOINTED EMPLOYEE OR ELECTED OFFICIAL IN ANY STATE
41 RETIREMENT SYSTEM SHALL REMAIN OPEN IF HE OR SHE BECOMES A MEMBER OF THE
42 DEFINED CONTRIBUTION PLAN.

43 S 2. This act shall take effect on the first of the fiscal year next
44 succeeding the date on which it shall have become a law. Effective imme-
45 diately, the addition, amendment and/or repeal of any rule or regulation
46 necessary for the implementation of this act on its effective date are
47 authorized and directed to be made and completed on or before such
48 effective date.

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

This bill would require a change in the retirement plan coverage for current and future elected officials and non-civil service appointees who are employed by the State of New York or any public employer which participates in the New York State and Local Employees' Retirement System (NYS&LERS). Affected employees and their employers would be required to contribute 3% of annual compensation to a defined contribution plan. The Comptroller shall select one or more financial organiza-

tions to administer the plan and to invest the funds held pursuant to such plan.

This legislation would freeze the benefit accruals of current elected officials and non-civil service appointees as of the effective date. If this becomes law, this bill is likely to face a constitutional challenge based upon the guarantee that a member's benefits may not be diminished.

If this bill is enacted, relatively few members would be affected.

The state and participating employers will incur costs to modify their payroll systems and procedures in order to collect employee contributions and remit them along with mandatory employer contributions shortly after each payroll. Remittance of employer contributions on a payroll schedule, rather than annually under the defined benefit plan, will affect employers' cash management. Further, the bill contains no appropriation to support the additional payroll administrative expense to the Office of the State Comptroller or the implementation and ongoing expenses of NYSLRS related to the new plan.

In addition, employees will incur management and investment expenses for their defined contribution accounts estimated to average 0.5% of the account balance annually.

Summary of relevant resources:

The membership data used in measuring the impact of the proposed change was the same as that used in the March 31, 2013 actuarial valuation. Distributions and other statistics can be found in the 2013 Report of the Actuary and the 2013 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2010, 2011, 2012 and 2013 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2013 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This estimate, dated January 27, 2014, and intended for use only during the 2014 Legislative Session, is Fiscal Note No. 2014-64 prepared by the Actuary for the New York State and Local Employees' Retirement System.