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

513--D

2013-2014 Regular Sessions

I N A S S E M B L Y

(PREFILED)

January 9, 2013

Introduced by M. of A. CUSICK, ORTIZ, COLTON, MARKEY, MILLMAN, PERRY, GUNTHER, TITONE, CAHILL, HIKIND, LUPARDO, SCHIMMINGER, WEISENBERG, SIMANOWITZ -- read once and referred to the Committee on Governmental Employees -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- 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 -- reported and referred to the Committee on Ways and Means -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- again reported from said committee with amendments, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law, in relation to providing three years of retirement service credit to certain members of public retirement systems of the state honorably discharged from the military for medical reasons due to injuries suffered during certain military conflicts

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

Section 1. Section 1000 of the retirement and social security law is amended by adding a new subdivision 2-a to read as follows:

2-A. A MEMBER, UPON APPLICATION TO SUCH RETIREMENT SYSTEM, MAY OBTAIN A TOTAL OF THREE YEARS OF SERVICE CREDIT FOR LESS THAN THREE YEARS OF MILITARY DUTY, AS DEFINED IN SECTION TWO HUNDRED FORTY-THREE OF THE MILITARY LAW, IF THE MEMBER WAS HONORABLY DISCHARGED FROM THE MILITARY FOR MEDICAL REASONS DUE TO INJURIES SUFFERED DURING SUCH MILITARY DUTY, IF ALL OR PART OF SUCH SERVICES WAS RENDERED IN THE MILITARY CONFLICTS REFERENCED BELOW, AS FOLLOWS:

(A) COMMENCING DECEMBER SEVENTH, NINETEEN HUNDRED FORTY-ONE AND TERMINATING DECEMBER THIRTY-FIRST, NINETEEN HUNDRED FORTY-SIX;

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

LBD00841-09-4

(B) COMMENCING JUNE TWENTY-SEVENTH, NINETEEN HUNDRED FIFTY AND TERMINATING JANUARY THIRTY-FIRST, NINETEEN HUNDRED FIFTY-FIVE;

(C) COMMENCING FEBRUARY TWENTY-EIGHTH, NINETEEN HUNDRED SIXTY-ONE AND TERMINATING MAY SEVENTH, NINETEEN HUNDRED SEVENTY-FIVE;

(D) HOSTILITIES PARTICIPATED IN BY THE MILITARY FORCES OF THE UNITED STATES IN LEBANON, FROM THE FIRST DAY OF JUNE, NINETEEN HUNDRED EIGHTY-THREE TO THE FIRST DAY OF DECEMBER, NINETEEN HUNDRED EIGHTY-SEVEN, AS ESTABLISHED BY RECEIPT OF THE ARMED FORCES EXPEDITIONARY MEDAL, THE NAVY EXPEDITIONARY MEDAL, OR THE MARINE CORPS EXPEDITIONARY MEDAL;

(E) HOSTILITIES PARTICIPATED IN BY THE MILITARY FORCES OF THE UNITED STATES IN GRENADA, FROM THE TWENTY-THIRD DAY OF OCTOBER, NINETEEN HUNDRED EIGHTY-THREE TO THE TWENTY-FIRST DAY OF NOVEMBER, NINETEEN HUNDRED EIGHTY-THREE, AS ESTABLISHED BY RECEIPT OF THE ARMED FORCES EXPEDITIONARY MEDAL, THE NAVY EXPEDITIONARY MEDAL, OR THE MARINE CORPS EXPEDITIONARY MEDAL;

(F) HOSTILITIES PARTICIPATED IN BY THE MILITARY FORCES OF THE UNITED STATES IN PANAMA, FROM THE TWENTIETH DAY OF DECEMBER, NINETEEN HUNDRED EIGHTY-NINE TO THE THIRTY-FIRST DAY OF JANUARY, NINETEEN HUNDRED NINETY, AS ESTABLISHED BY RECEIPT OF THE ARMED FORCES EXPEDITIONARY MEDAL, THE NAVY EXPEDITIONARY MEDAL, OR THE MARINE CORPS EXPEDITIONARY MEDAL; OR

(G) HOSTILITIES PARTICIPATED IN BY THE MILITARY FORCES OF THE UNITED STATES, FROM THE SECOND DAY OF AUGUST, NINETEEN HUNDRED NINETY, TO THE END OF SUCH HOSTILITIES IN CASE OF A VETERAN WHO SERVED IN THE THEATER OF OPERATIONS INCLUDING IRAQ, KUWAIT, SAUDI ARABIA, BAHRAIN, QATAR, THE UNITED ARAB EMIRATES, OMAN, THE GULF OF ADEN, THE GULF OF OMAN, THE PERSIAN GULF, THE RED SEA, AND THE AIRSPACE ABOVE THESE LOCATIONS. HOWEVER, NOTHING PROVIDED HEREIN SHALL AUTHORIZE OR PERMIT THE CREDITING OF SERVICE WHERE NOT PERMITTED PURSUANT TO SECTION 415(N) OF THE INTERNAL REVENUE CODE OR ANY REGULATIONS PROMULGATED THEREUNDER.

S 2. Notwithstanding any other provision of law to the contrary, none of the provisions of this act shall be subject to section 25 of the retirement and social security law.

S 3. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after December 21, 1998.

FISCAL NOTE.--This bill would add a new subdivision 2-a to Section 1000 of the Retirement and Social Security Law to allow members of public retirement systems of New York State to claim service credit for up to three years of military service, for less than three years of military duty, if the member was honorably discharged for medical reasons due to injuries suffered during such military duty. A member must have at least five years of credited service to be eligible. To obtain such credit, a member must make payments as required in Section 1000 of the Retirement and Social Security Law. Tier 1, 2, 3, 4 and 5 members are required to pay three percent of salary earned during the twelve months of credited service immediately preceding the year in which a claim is made for each year of military service. Tier 6 members are required to pay six percent of salary earned during the twelve months of credited service immediately preceding the year in which a claim is made for each year of military service. A member who retired on or after December 21, 1998 may apply for credit pursuant to this section within one year of the effective date of this act.

It is not possible to determine the total annual cost to the employers of members of the New York State Teachers' Retirement System since the total amount of service credit which would be claimed under this bill cannot be estimated. However, the cost to the employers of members of the New York State Teachers' Retirement System is estimated to be

$21,700 per year of service credited for Tier 1 and 2 members, $20,500 per year of service credited for Tier 3 and 4 members, $20,400 per year of service credited for Tier 5 members, and $15,000 per year of service credited for Tier 6 members if this bill is enacted. These costs would be offset by member payments required under Section 1000 of the Retirement and Social Security Law. The cost is estimated to be, on average, approximately $75,000 for each retired member claiming service credit under this bill if enacted, including payments retroactive to their date of retirement.

Employee data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Comprehensive Annual Financial Report (CAFR). System assets are as reported in the System's financial statements, and can also be found in the CAFR. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2014-24 dated April 4, 2014 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2014 Legislative Session. I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

FISCAL NOTE.-- This bill would amend Chapter 548 of the Laws of 2000 to allow certain individuals with less than three (3) years of military duty, who were discharged from the military for medical reasons due to injuries suffered during such military duty, to purchase three (3) years of service credit for military duty. The additional service credit granted pursuant to this legislation, when added to credit granted for military service pursuant to any other provision of law shall not exceed a total of three (3) years. Members must have at least five (5) years of credited service. Tier 1-5 members would be required to make a payment of three percent of their most recent compensation per year of additional service credit granted by this bill. Tier 6 members would be required to make a payment of six percent of their most recent compensation per year of additional service credit. In addition, none of the provisions of this bill will be subject to Section 25 of the retirement and social security law.

If this bill is enacted, insofar as this proposal affects the New York State and Local Employees' Retirement System (ERS), it is estimated that the past service cost will average approximately 12% (9% for Tier 6) of an affected members' compensation for each year of additional service credit that is purchased.

Insofar as this proposal affects the New York State and Local Police and Fire Retirement System (PFRS), it is estimated that the past service cost will average approximately 17% (14 for Tier 6) of an affected members' compensation for each year of additional service that is purchased.

The exact number of members who could be affected by this legislation cannot be readily determined. In all likelihood, very few members would be affected.

These costs would be shared by the State of New York and the participating employers in the ERS and the PFRS.

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 valu-

ation. 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 February 27, 2014 and intended for use only during the 2014 Legislative Session, is Fiscal Note No. 2014-90, prepared by the Actuary for the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System.

FISCAL NOTE.-- PROVISIONS OF PROPOSED LEGISLATION: The proposed legislation would amend Retirement and Social Security Law ("RSSL") section 1000 by adding a new subdivision 2-a to allow a member of the New York City Retirement Systems ("NYCRS") the option to purchase a total of three years of service credit for less than three years of military duty if the member was honorably discharged from the military for medical reasons due to injuries suffered during such military duty if all or part of such services was rendered during certain military conflicts.

The NYCRS include New York City Employees' Retirement System ("NYCERS"), New York City Teachers' Retirement System ("NYCTRS"), New York City Board of Education Retirement System ("BERS"), New York City Police Pension Fund ("POLICE") and New York Fire Department Pension Fund ("FIRE").

The Effective Date of the proposed legislation would be the date of enactment and shall be deemed to have been in full force and effect on and after December 21, 1998.

In order to purchase such military service, a member would be required to pay the appropriate NYCRS, for each year of military service purchased, a sum equal to 3.0% (6.0% for members who first join on or after April 1, 2012) of such member's compensation earned during the twelve months of credited service immediately preceding the date that the member makes application for military service credit. For those that are already retired, the cost to the retiree would be based on the compensation earned during the twelve month period immediately preceding retirement.

IMPACT ON BENEFITS: For purposes of the respective NYCRS, each year of military service credit purchased would apply toward providing the member with a year of benefit accrual under the particular benefit formula covering the member.

In certain circumstances, the member also may be entitled to utilize such military service as qualifying service for benefit eligibility purposes.

For purposed of this Fiscal Note, it has been assumed that members who purchase military service in accordance with this proposed legislation would generally be entitled to count such service for benefit accrual purposes and the purpose of qualifying for benefits.

MEMBERS IMPACTED: Insofar as this proposed legislation relates to the NYCRS, the number of members who could potentially benefit from this proposed legislation cannot be readily determined.

For illustrative purposes only, a table is included in this Fiscal Note presenting the estimated financial impact per member assuming that the affected member purchases 1.5 years of service credit as a result of the enactment of this legislation.

FINANCIAL IMPACT - OVERVIEW: With respect to an individual member, the additional cost of this proposed legislation would depend on the member's length of service not including the military service being purchased, the years of military service being purchased, age, salary history and Plan in which the member participates.

With respect to employers participating in the NYCRS, the ultimate employer cost of this proposed legislation would be determined by the increase in benefits to be paid, the impact of certain benefits commencing earlier, shorter working lifetimes and the reduction in certain future member contributions.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: With respect to the NYCRS and based on the census data and assumptions herein, the enactment of this proposed legislation would increase the Actuarial Present Value ("APV") of benefits ("APVB") by approximately $13,400 for NYCERS, $13,200 for NYCTRS, $8,100 for BERS, $22,900 for POLICE and $26,500 for FIRE per year of service credit purchased as of June 30, 2014.

In addition, with respect to the NYCRS, the APV of future member contributions (primarily attributable to the payments by members of 3.0% of salary who first joined prior to April 1, 2012) would increase by approximately $2,100 for NYCERS, $2,300 for NYCTRS, $1,300 for BERS, $3,300 for POLICE and $3,400 for FIRE per year of service credit purchased as of June 30, 2014.

Consequently, with respect to the NYCRS, the APV of net future employer contributions would increase by approximately $11,300 for NYCERS, $10,900 for NYCTRS, $6,800 for BERS, $19,600 for POLICE and $23,100 for FIRE per year of service credit purchased as of June 30, 2014.

FINANCIAL IMPACT - ADDITIONAL EMPLOYER COSTS: Enactment of this proposed legislation would increase employer costs, where such amounts depend on the number of members affected and upon the amount of military service being credited as well as other characteristics including the age, salary history and Plan in which the member participates.

With respect to the NYCRS, based on the Actuary's actuarial assumptions and methods in effect as of June 30, 2013, the enactment of this proposed legislation is estimated to increase annual employer costs by approximately $1,300 for NYCERS, $1,300 for NYCTRS, $800 for BERS, $2,300 for POLICE and $2,700 for FIRE per year of service credit purchased.

The real cost of the enactment of this proposed legislation would be the additional benefits paid.

FINANCIAL IMPACT - ADDITIONAL EMPLOYER CONTRIBUTIONS: With respect to the NYCRS, increases in employer contributions would depend upon when the members purchase the military service permitted by the proposed legislation and such service is credited to their records, but would ultimately be comparable to the increases in employer costs.

FINANCIAL IMPACT - SUMMARY: The following table summarizes the estimated financial impact of this proposed legislation on the NYCRS assuming one member in each System is eligible and each purchases 1.5 years of service:

Estimated Financial Impact to Allow Members of the NYCRS To Purchase Certain Years of Military Service Credit as of June 30, 2014

(Assumes One Member in Each System Purchases 1.5 Years of Service Each)

($ Thousands)

Retirement System	Additional APV of Benefits	Additional APV of Future Employer Contributions{1}	Estimated Additional Annual Employer Costs{2}
NYCERS	$20.16	$16.95	$2.01
NYCTRS	19.84	16.40	1.94
BERS	12.08	10.16	1.20
POLICE	34.29	29.41	3.48
FIRE	39.80	34.60	4.09

{1} Equals increase in APVB minus increase in APV of future member contributions

{2} Estimated Additional Annual Employer Costs are determined without regard to the funded status of the Retirement Systems and represent the best estimates of the ultimate annual financial burden of the proposed legislation and assume that any additional APV of Future Employer Contributions, as they arise, are amortized as actuarial losses over 15 years (14 payments). Estimated Additional Annual Employer Contributions would ultimately approximate estimated Additional Annual Employer Costs.

If enacted during the 2014 Legislative Session and if these affected members and their amount of military service being credited were identified on or before June 30, 2014, this proposed legislation would be expected to increase employer contributions, if any, to the NYCRS beginning Fiscal Year 2016.

OTHER COSTS: The enactment of this proposed legislation would result in some administrative expenses for the NYCRS and costs for Other Post-Employment Benefits ("OPEB").

CENSUS DATA: The census data used for estimates of APV of benefits and employer contributions presented herein are the active members included in the Preliminary June 30, 2013 (Lag) actuarial valuations of NYCERS, NYCTRS, BERS, POLICE and FIRE used to determine the Preliminary Fiscal Year 2015 employer contributions.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional APV of benefits and employer contributions presented herein have been estimated as of June 30, 2014 on a hypothetical basis for illustrative purposes with each eligible member purchasing 1.5 years of military service.

As benefiting from the provisions of this proposed legislation is dependent upon actions by Plan members and the timing and amounts of military service to be purchased are unknown, the financial impact would likely be realized upon receipt by the Actuary of updated service credit information.

Consequently, changes in employer contributions have been estimated assuming the increase in the APV of Future Employer Contributions would be financed over a time period comparable to that used for actuarial gains and losses under the Entry Age Actuarial Cost Method. Using this approach, the Additional APV of Future Employer Contributions would be amortized over a closed 15-year period (14 payments under One-Year Lag Methodology) using level dollar payments.

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 the NYCRS.

However, the economic assumptions 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 2014 Legislative Session. It is Fiscal Note 2014-20, dated May 7, 2014 prepared by the Chief Actuary of the New York City Retirement Systems.