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

5547--A

2013-2014 Regular Sessions

I N S E N A T E

May 16, 2013

Introduced by Sen. GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- recommitted to the Committee on Civil Service and Pensions in accordance with Senate Rule 6, sec. 8 -- 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 disability retirement of certain New York city correction members

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

Section 1. Paragraph 1 of subdivision b of section 507-a of the retirement and social security law, as added by chapter 452 of the laws of 1983, is amended to read as follows:

1. Have at least ten years of total service credit, EXCEPT THAT A MEMBER IN THE UNIFORMED PERSONNEL OF THE NEW YORK CITY DEPARTMENT OF CORRECTION MAY FILE AN APPLICATION WITHOUT REGARD TO LENGTH OF SERVICE, and

S 2. This act shall take effect immediately.

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

This proposed legislation would amend Retirement and Social Security Law ("RSSL") Section 507-a to modify the eligibility requirements for Ordinary Disability Retirement ("ODR") of employees of the New York City Department of Correction ("Corrections") who are Tier III members of the New York City Employees' Retirement System ("NYCERS").

For purposes of this Fiscal Note, the reference to employees of Corrections who are Tier III members of NYCERS refers to such members joining NYCERS from July 27, 1976 through March 31, 2012.

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

IMPACT ON COVERAGE: If enacted, the proposed legislation would eliminate the minimum service eligibility requirements of Tier III

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

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Corrections members of NYCERS ("Covered Participants") to qualify for ODR benefits available under RSSL Section 507-a.

IMPACT ON BENEFITS: Currently, Tier III Corrections members who become disabled have two alternative, possible ODR benefits for which they may apply, if eligible:

A. ODR - Integrated Formula (RSSL Section 506): If a disability qualifies a member for primary Social Security Disability benefits and the member has accumulated at least 5 years of service credit, such member would be eligible for an immediate ODR retirement allowance equal to the greater of:

1) 33 1/3% of Final Average Salary (("FAS") - based on the highest three-year average salary), or

2) 2% of FAS multiplied by credited service (not in excess of 30 years of service),

less 50% of the primary Social Security Disability Benefit (as determined under RSSL Section 511),

less 100% of the Workers' Compensation Benefit.

B. ODR - Corrections Formula (RSSL Section 507-a): If the member is determined to be disabled by NYCERS' Medical Board and the member has accumulated at least 10 years of service credit, such member would be eligible for an immediate ODR retirement allowance equal to the greater of:

1) 1/3 of FAS, or

2) 1/60 of FAS multiplied by credited service.

If such member is also eligible for Service Retirement, the ODR benefit cannot be less than the retirement allowance for Service Retirement.

Under the proposed legislation, if enacted, the ODR formula benefit under RSSL Section 507-a would become available to any Tier III Corrections member who becomes disabled, subject to approval under the applicable procedures established by NYCERS, and not, on and after the Effective Date, include any minimum service requirement.

For purposes of this Fiscal Note, the Actuary has assumed that the proposed ODR benefits would be available only prospectively to eligible Covered Participants retiring for disability on and after the Effective Date.

FINANCIAL IMPACT - OVERVIEW: Insofar as this legislation relates to NYCERS, the ultimate cost of this proposed legislation would be any additional benefits paid compared with current law.

The amount and timing of the financial impact of the proposed legislation would depend on the number, salaries, ages and lengths of service of Tier III Corrections members who become eligible for ODR benefits and the actuarial assumptions and methods employed by the Actuary for such purposes.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: Based on the anticipated group of Covered Participants and based on the actuarial assumptions and methods herein, the enactment of this proposed legislation would increase the Actuarial Present Value of Benefits ("APVB") for NYCERS by approximately $0.9 million as of June 30, 2013.

Under the Entry Age Actuarial Cost Method ("EAACM") used to determine employer contributions to NYCERS, there would be an increase in the Actuarial Present Value of Future Employer Normal Cost of $10.3 million offset by a decrease in the Unfunded Actuarial Accrued Liability ("UAAL") of approximately $9.4 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER COSTS: In accordance with Section 13.638.2(k-2) of the Administrative Code of the City of New York ("ACNY"), new UAAL attributable to benefit changes are to be amortized

as determined by the Actuary but generally over the remaining working lifetime of those impacted by the benefit changes which has been estimated to be 15 years.

With respect to NYCERS, based on the Actuary's actuarial assumptions and methods used in the June 30, 2013 valuation of the NYCERS and those described later in this Fiscal Note, the enactment of this proposed legislation would increase annual employer costs by approximately $90,000 per year.

This increase in employer costs has been estimated assuming that the increase in UAAL would be financed over a 15-year period (14 payments under One-Year Lag Methodology) using level dollar payments.

If enacted into law prior to June 30, 2015, increased employer costs would be determined for Fiscal Year 2015.

The additional annual employer contributions for this proposed legislation would be expected to equal the additional annual employer costs.

The ultimate impact of the proposed legislation on employer contributions would depend on the number and timing of the additional ODRs that would result from the change in eligibility for ODRs if the proposed legislation were enacted.

OTHER COSTS: Not measured in this Fiscal Note are any possible increased administrative costs or additional post-retirement medical costs.

CENSUS DATA: Estimates of increases in APVB, employer costs and employer contributions are based on the active census data used for the June 30, 2013 actuarial valuation of NYCERS, including 7,791 Tier III Corrections members with salaries of approximately $725.5 million.

Of such total number only 3,521 Tier III Corrections members with salaries of approximately $282.2 million have less than 10 years of credited service as of June 30, 2013 and could possibly benefit from the proposed legislation.

For purposes of this Fiscal Note, the reference to employees of Corrections who are Tier III members of NYCERS refers to such members joining NYCERS from July 27, 1976 through March 31, 2012.

ACTUARIAL ASSUMPTIONS AND METHODS: Additional APVB, UAAL and employer costs presented herein have been calculated based on the Actuary's actuarial assumptions and methods in effect for the June 30, 2013 (Lag) actuarial valuations used to determine Fiscal Year 2015 employer contributions of NYCERS.

Additional annual employer costs have been estimated assuming the additional APVB are financed through future employer normal contributions offset by certain UAAL payments.

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 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 2014-24, dated May 29, 2014, prepared by the Chief Actuary for the New York City Employees' Retirement System.