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

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2013-2014 Regular Sessions

I N S E N A T E

June 11, 2013

Introduced by Sen. BALL -- read twice and ordered printed, and when printed to be committed to the Committee on Veterans, Homeland Security and Military Affairs -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Veterans, Homeland Security and Military Affairs 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 providing credit to members of public retirement systems of the state for certain military service

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

Section 1. Paragraph (d) of subdivision 2 of section 1000 of the retirement and social security law, as added by chapter 548 of the laws of 2000, is amended to read as follows:

(d) 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, AFGHANISTAN, 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.

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.--Pursuant to Legislative Law, Section 50:

This bill would extend the benefits of Chapter 548, Laws of 2000 to members of public retirement systems in New York State who rendered any

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

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military service during the period of conflict in Afghanistan and were assigned to the theater of operations. The total service credit granted for any military service shall not exceed three (3) years. Members must have at least five years of credited service (not including military service). Tier 1-5 members and retirees 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 and retirees would be required to make a payment of six percent of their most recent compensation per year of additional service credit.

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. For members who retired on or after December 21, 1998 there would be additional costs for payments which will be paid retroactive to their date of retirement.

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. For members who retired on or after December 21, 1998 there would be additional costs for payments which will be paid retroactive to their date of retirement.

The exact number of current members as well as future members who could be affected by this legislation cannot be readily determined.

As this legislation states "None of the provisions of this act shall be subject to Section 25 of the Retirement and Social Security Law", these past service 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 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 October 28, 2013 and intended for use only during the 2014 Legislative Session, is Fiscal Note No. 2014-12, 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.--Pursuant to Legislative Law, Section 50:

This bill would amend subdivision 2 of Section 1000 of the Retirement and Social Security Law to add Afghanistan to the list of theaters of operations in which a member of a public retirement system of New York State may claim service credit. A member may claim service credit for up to three years of military service performed during 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. A member must have at least five years of credited service to be eligible and make application for such credit before the effective date of retirement. 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. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after December 21, 1998.

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.

The source of this estimate is Fiscal Note 2014-17 dated February 24, 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 Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

PROVISIONS OF PROPOSED LEGISLATION: With respect to the New York City Retirement Systems ("NYCRS"), the proposed legislation would amend New York State Retirement and Social Security Law ("RSSL") Section 1000 to provide members of the New York City Employees' Retirement System ("NYCERS"), the New York City Teachers' Retirement System ("NYCTRS"), the New York City Board of Education Retirement System ("BERS"), the New York City Police Pension Fund ("POLICE") and the New York Fire Department Pension Fund ("FIRE") the opportunity to obtain additional retirement service credits, up to three years (inclusive of any prior purchases of military service credit), for military service in Afghanistan from August 2, 1990 to the end of such hostilities, provided certain conditions are met.

In order to purchase such military service, a member would be required to:

* Receive an honorable discharge from military service,

* Make an application for these additional service credits prior to the date of retirement, but after completing five years of credited service (exclusive of the service credit that could be purchased under this proposed legislation), and

* 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.

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.

The Actuary has presumed that retirees as of the enactment of this proposed legislation would not be eligible to purchase additional military service provided by this proposed legislation.

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 purposes 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 for 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 presenting the estimated financial impact if 100 members in each of the NYCRS are eligible and each member purchases 2.5 years of service.

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 of 3.0% of salary by members who first joined prior to April 1, 2012 and 6.0% of salary for members who first joins on or after April 1, 2012 per year of military service purchased) 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 as of June 30, 2014.

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 100 members in each System are eligible and each purchases 2.5 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 100 Members in Each System
Purchase 2.5 Years of Service Each)

($ Millions)

Retirement System	Additional APV of Benefits	Additional APV of Future Employer Contributions[1]	Estimated Additional Annual Employer Costs[2]
NYCERS	$ 3.36	$ 2.82	$ 0.33
NYCTRS	3.31	2.73	0.32
BERS	2.01	1.69	0.20
POLICE	5.72	4.90	0.58
FIRE	6.63	5.77	0.68

[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.

ADDITIONAL EMPLOYER COSTS - GENERAL: In general, the real cost of the enactment of this proposed legislation would be the addition benefits paid.

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

CENSUS DATE: The census data use for estimates of APV of benefits and employer contributing presented herein are the active members included in the 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 with each eligible member purchasing an average of 2.5 years of military service.

A more robust analysis would also use various approximating techniques and assumptions by the Actuary, including, but not limited to:

* A certain percentage of veterans being honorably discharged.

* A certain percentage of honorably discharged veterans being disabled.

* Varying percentages of members of each of the NYCRS with prior military service.

As benefiting from the provisions of this proposed legislation is dependent upon actions by Plan members and the timing and amounts of miliary 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 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 (current and proposed) 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 System. 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 2014-06, dated February 12, 2014, prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund and the New York Fire Department Pension Fund.