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

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I N S E N A T E

June 13, 2014

Introduced by Sen. FELDER -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT relating to granting retroactive retiree status to former New York city public-school teacher Israel Baum

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

Section 1. Notwithstanding any provision of law to the contrary, Israel Baum, a member of the New York city teachers' retirement system having Tier III status, who was employed as a teacher by the New York City Board of Education from February 1, 1974 until his death on September 20, 2009, and who became a member of the New York city teachers' retirement system on October 1, 1977, and who, for reasons not ascribable to his own negligence, was not able to complete the retirement process before his untimely death, shall be deemed to have officially retired from the New York City Board of Education on September 20, 2009, if, on or before December 31, 2014, Mr. Baum's widow, Rochelle Baum, files a written application therefor, including a retirement benefit option election and election of the beneficiary of such benefits, with the head of the New York city teachers' retirement system; and upon receipt of such application, the head of the New York city teachers' retirement system shall calculate Israel Baum's retirement benefits retroactive to September 20, 2009 and thereafter and pay such benefits accordingly as if he had retired on September 20, 2009. The amount of benefits payable pursuant to this act shall be reduced by the ordinary death benefit which has been paid to Rochelle Baum, less the retroactive sum of previous years that is owed to Mrs. Baum, the exact amount to be calculated actuarially. Due to the length of his service, Mr. Baum was eligible to retire with full pension benefits. Mr. Baum's intent to retire was evidenced by the fact that he, along with his wife, Rochelle Baum, attended a special seminar for teachers given in February 2009 called "Getting Ready for Retirement"; this seminar was expressly designed for those members of the retirement system who were planning to retire within the year. The Baums received a letter dated January 22, 2009 confirming their participation. At the seminar, the Baums were

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

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given a package of documents and an overview regarding retirement procedures and benefits. Mr. Baum also submitted an informal designated date of retirement as requested. Subsequently, on June 22, 2009, Mr. and Mrs. Baum attended a personal session at the Board of Education in downtown Brooklyn for the purpose of discussing Mr. Baum's retirement. The Baums discussed the various retirement allowance options and decided that they would select Option 1 - Equal Pay Option, which would allow the beneficiary to receive monthly payments equal to 100% of his reduced retirement allowance payments. The beneficiary of Israel Baum's retirement allowance was to be his wife, Rochelle Baum.

S 2. Any costs incurred as a result of the enactment of this act shall be borne by the New York City Board of Education.

S 3. This act shall take effect immediately.

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

PROVISIONS OF PROPOSED LEGISLATION: The proposed legislation would authorize the New York City Teachers' Retirement System ("NYCTRS") to pay pension benefits to the widow of Mr. Israel Baum (Mrs. Rochelle Baum) as if Mr. Baum had retired for service on September 20, 2009 (his date of death), elected a 100% Joint & Survivor form of payment and died immediately thereafter.

BACKGROUND: Mr. Baum became a Tier III member of NYCTRS on October 1, 1977.

He died on September 20, 2009 without having filed a Service Retirement application with NYCTRS. Accordingly, NYCTRS paid on or around February 18, 2010 an Ordinary Death Benefit equal to three times Mr. Baum's last year's salary plus his accumulated contributions plus the interest to his widow, Mrs. Rochelle Baum. These amounts are summarized as follows:

*Three times last year's salary	$324,419.85
*Accumulated contributions	86,982.30
*Interest to date of payment	7,428.28
	$418,830.43

The proposed legislation, if enacted, would authorize NYCTRS to pay pension benefits to Mrs. Baum as if Israel Baum had retired for service on his date of death of September 20, 2009 and elected a 100% Joint & Survivor option with Mrs. Baum as his beneficiary, offset by the Ordinary Death Benefit ("ODB") that has previously been paid.

The 100% Joint & Survivor benefit that would be payable to Mrs. Baum has been estimated to be approximately $59,900 per year. The actual implementation of this legislation including any recognition of the difference in taxability of the ODB as compared to the Service Retirement benefit would be determined by NYCTRS if the proposed legislation is enacted.

All costs associated with the implementation of this proposed legislation would be borne by the New York City Board of Education.

The Effective Date of the proposed legislation would be the Date of Enactment.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: The estimated financial impact of this proposed legislation has been calculated based on the difference between (1) the Service Retirement benefits Mrs. Baum would receive if this prosed legislation were enacted and (2) the ODB that has already been paid to Mrs. Baum.

Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Actuarial

Present Value of Benefits ("APVB") and the Unfunded Actuarial Accrued Liability ("UAAL") of NYCTRS by approximately $1,287,000 as of June 30, 2014 prior to offsetting for the ODB that Mrs. Baum has previously been paid. This amount includes the monthly payment that Mrs. Baum would have received from September 2009 to June 2014 and the post-retirement Death Benefit that would have been paid to Mrs. Baum upon Mr. Baum's death (had Mr. Baum retired for service on his date of death and elected the 100% Joint & Survivor benefit with Mrs. Baum as his beneficiary) brought forward to June 30, 2014 in accordance with NYCTRS Policies and Procedures regarding delayed interest calculations.

The ODB previously paid to Mrs. Baum brought forward with compound interest of 7% per annum from September 20, 2009 to June 30, 2014 is approximately $563,000. Therefore, the net increase in the APVB and UAAL of NYCTRS would be approximately $724,000 as of June 30, 2014.

FINANCIAL IMPACT - ANNUAL EMPLOYER COSTS AND ANNUAL EMPLOYER CONTRIBUTIONS: 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. For this proposed legislation, Mrs. Baum would be collecting a pension and therefore the entire increase in UAAL of $724,000 based on the Actuary's actuarial assumptions and methods in effect on June 30, 2013 would be recognized in the first year.

CONTRIBUTION TIMING: If enacted during the 2014 Legislative Session on or before June 30, 2014, the pension payable to Mrs. Baum would likely first be reflected in the June 30, 2014 census data. In accordance with the One-Year Lag methodology used to determine employer contributions, increased employer contributions would be consistent with the increased employer costs and would be determined for Fiscal Year 2016.

If enacted during the 2014 Legislative Session after June 30, 2014 but on or before June 30, 2015, the pension payable to Mrs. Baum would likely first be reflected in the June 30, 2015 census data and increased employer contributions would be determined for Fiscal Year 2017.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional APVB and UAAL for employer contribution purposes presented herein have been calculated by using the actuarial assumptions and methods in effect for the June 30, 2013 (Lag) actuarial valuation used to determine Fiscal Year 2015 employer contributions of NYCTRS.

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 NYCTRS.

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 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 2014-13, dated April 7, 2014 prepared by the Chief Actuary for the New York City Teachers' Retirement System.