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

5144

2015-2016 Regular Sessions

I N A S S E M B L Y

February 12, 2015

Introduced by M. of A. HEVESI -- read once and referred to the Committee on Governmental Employees

AN ACT to allow Thomas Steier to be reclassified as a Tier II member of the New York City Employees' Retirement System

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

Section 1. Notwithstanding any inconsistent provision of law, Thomas Steier, a member of the New York City Employees' Retirement System (NYCERS) with Tier III status, who was employed with the New York City Employees' Retirement System (NYCERS) on July 6, 1976 until August 1978 and was employed with the New York city transit authority from August 1978 to February 2, 2013 when upon such date he retired, and who for reasons not ascribable to his own negligence was not offered membership in the New York City Employees' Retirement System on July 6, 1976 as a Tier II member, shall, upon application filed with the Board of Trustees of NYCERS on or before the thirty-first day of December next succeeding the date on which this act shall have become a law, be reclassified as a Tier II member with July 6, 1976 as his date of membership and shall be entitled to every right, benefit and privilege which would have been available to him in accordance with Tier II status, and the city of New York, as Thomas Steier's employer from July 6, 1976 until August 1978, is responsible for such error and shall be responsible for all costs to provide the Tier II benefit to Thomas Steier, provided, however Thomas Steier shall be responsible for contributing the required member contributions for Tier II membership.

S 2. 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 Employees' Retirement System ("NYCERS") to accept an application from Thomas Steier, a Tier IV NYCERS member with Tier III rights, to be reclassified as a Tier II member.

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

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BACKGROUND: Mr. Steier was originally employed by NYCERS on July 6, 1976 and would have been a Tier II member of NYCERS had he joined the system prior to the establishment of Tier III on July 27, 1976. However, since he joined NYCERS on July 29, 1976 he is a Tier IV member with Tier III rights.

Mr. Steier retired on February 2, 2013 under the Tier IV basic 65/5 retirement plan and began his pension at that time under the 100% Joint and Survivor payment option with his wife as the beneficiary.

The proposed legislation, if enacted, would authorize NYCERS to accept an application from Mr. Steier on or before December 31 next succeeding the date on which this proposed legislation is enacted that would allow him to be reclassified from his current status as a retired Tier IV member to a retired Tier II member.

This reclassification would provide Mr. Steier with the pension benefits that would have been available to him had he always been a Tier II member of NYCERS.

The Effective Date of the proposed legislation would be the Date of Enactment but would allow for his retirement allowance to be recomputed as if he had always had Tier II membership status.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: The estimated financial impact has been calculated based on the difference between (1) the benefits Mr. Steier would receive as a Tier II member in the Modified Fifty-Five-Year Increased Service Fractional Plan ("ISF Plan") if this proposed legislation were enacted and (2) the benefits Mr. Steier is currently entitled to receive as a Tier IV member in the NYCERS 62/5 plan.

The difference in estimated costs (retroactive from his retirement date to June 30, 2015 and prospective on and after July 1, 2015) is intended to provide a sense of the ultimate financial impact.

If the legislation is enacted, Mr. Steier would be entitled to a pension of approximately $56,534 per year beginning on his retirement date of February 2, 2013 under the 100% Joint and Survivor Option with his wife as his beneficiary. If the legislation is not enacted, Mr. Steier would continue to be entitled to an annual pension of $38,955 under the 100% Joint and Survivor Option that he elected.

Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Actuarial Present Value ("APV") of Benefits ("APVB") and the Unfunded Actuarial Accrued Liability ("UAAL") of NYCERS by approximately $249,000 as of June 30, 2015. This amount was calculated as shown in Table 1 below:

Table 1

Estimated Financial Impact of Reclassification for Thomas Steier
Retroactive from February 2, 2013 to June 30, 2015
And Prospective On and After July 1, 2015

APV of Pension if	Retroactive Payments	Prospective Payments	Total
Legislation is Enacted	$ 136,000	$ 682,000	$ 818,000
Legislation is Not Enacted	(94,000)	(475,000)	(569,000)
Increase in APV	$ 42,000	$ 207,000	$ 249,000

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS AND 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.

For this proposed legislation, Mr. Steier is inactive and therefore the entire increase in UAAL based on the Actuary's actuarial assumptions and methods in effect on June 30, 2013 rolled forward to June 30, 2015 of $249,000 should be recognized immediately for contribution purposes.

The increase in employer costs would be comparable to the increase in employer contributions.

CONTRIBUTION TIMING: If enacted during the 2015 Legislative Session and if his application for reclassification to Tier II were received by NYCERS on or before June 30, 2015, his status as a Tier II retiree would likely first be reflected in the June 30, 2015 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 2017.

If enacted during the 2015 Legislative Session, and if his application for reclassification to Tier II were received by NYCERS after June 30, 2015 but on or before June 30, 2016, his status as a Tier II retiree would likely first be reflected in the June 30, 2016 census data and increased employer contributions would be determined for Fiscal Year 2018.

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

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 NYCERS.

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 Acting 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 2015 Legislative Session. It is Fiscal Note 2015-04, dated February 5, 2015 prepared by the Acting Chief Actuary for the New York City Employees' Retirement System.