STATE OF NEW YORK

3966

2015-2016 Regular Sessions

IN SENATE

February 24, 2015

Introduced by Sen. GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Cities

AN ACT to amend the administrative code of the city of New York and the retirement and social security law, in relation to the disability benefits of members of the New York city police and fire department pension funds

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

Section 1. Subdivisions a and b of section 13-357 of the administrative code of the city of New York, subdivision a as amended by chapter 438 of the laws of 1986, are amended to read as follows:

a. Once each year the board may, and upon his or her own application shall, require any disability pensioner, under the minimum period for service retirement elected by him or her, and who at the time of his or her retirement for disability was an improved benefits plan member, OR ANY DISABILITY PENSIONER RETIRED PURSUANT TO SECTION FIVE HUNDRED SIX OR FIVE HUNDRED SEVEN OF THE RETIREMENT AND SOCIAL SECURITY LAW, AND WHO IS UNDER EARLY RETIREMENT AGE AS DEFINED IN SECTION FIVE HUNDRED ONE OF THE RETIREMENT AND SOCIAL SECURITY LAW FOR POLICE/FIRE MEMBERS to undergo medical examination. Such examination shall be made at the place of residence of such beneficiary or other place mutually agreed upon. Upon the completion of such examination the medical board shall report and certify to the board whether such beneficiary is or is not totally or partially incapacitated physically or mentally and whether he or she is or is not engaged in or able to engage in a gainful occupation. If the board concur in a report by the medical board that such beneficiary is able to engage in a gainful occupation, it shall certify the name of such beneficiary to the appropriate civil service commission, state or municipal, and such commission shall place his or her name as a preferred eligible on such appropriate lists of candidates as are prepared for appointment to positions for which he or she is stated to

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

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be qualified. Should such beneficiary be engaged in a gainful occupation, or should he or she be offered city-service as a result of the placing of his or her name on a civil service list, such board shall reduce the amount of his or her disability pension and his or her pension-providing-for-increased-take-home-pay, if any, to an amount which, when added to that then earned by him or her, or earnable by him or her in city-service so offered him or her, shall not exceed the current maximum salary for the title next higher than that held by him or her when he or she was retired. Should the earning capacity of such beneficiary be further altered, such board may further alter his or her pension and his or her pension-providing-for-increased-take-home-pay, if any, to an amount which shall not exceed the rate of pension and his or her pension-providing-for-increased-take-home-pay, if any, upon which he or she was originally retired but which, subject to such limitation, shall equal, when added to that earnable by him or her, the current maximum salary for the title next higher than that held by him or her when he or she was retired. The provisions of this section shall be executed, any provision of the charter or the code to the contrary notwithstanding.

b. Should any disability pensioner, under the minimum period for service retirement elected by him or her, and who was an improved benefits plan member at the time of his or her retirement for disability, OR ANY DISABILITY PENSIONER RETIRED PURSUANT TO SECTION FIVE HUNDRED SIX OR FIVE HUNDRED SEVEN OF THE RETIREMENT AND SOCIAL SECURITY LAW AND WHO IS UNDER EARLY RETIREMENT AGE AS DEFINED IN SECTION FIVE HUNDRED ONE OF THE RETIREMENT AND SOCIAL SECURITY LAW FOR POLICE/FIRE MEMBERS, refuse to submit to one medical examination in any year by a physician or physicians designated by the medical board, his or her pension and his or her pension-providing-for-increased-take-home-pay, if any, may be discontinued until his or her withdrawal of such refusal. Should such refusal continue for one year, all his or her rights in and to such pension and his or her pension-providing-for-increased-take-home-pay, if any, may be revoked by such board.

S 2. Section 506 of the retirement and social security law is amended by adding two new subdivisions e and f to read as follows:

E. 1. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR OF ANY GENERAL, SPECIAL OR LOCAL LAW, CHARTER, ADMINISTRATIVE CODE OR RULE OR REGULATION TO THE CONTRARY, SUBDIVISIONS A, B, C AND D OF THIS SECTION SHALL NOT APPLY TO MEMBERS OF THE NEW YORK CITY POLICE PENSION FUND WHO ARE SUBJECT TO THIS ARTICLE. A MEMBER OF THE NEW YORK CITY POLICE PENSION FUND WHO IS SUBJECT TO THIS ARTICLE SHALL INSTEAD BE ELIGIBLE FOR ORDINARY DISABILITY RETIREMENT PURSUANT TO SECTIONS 13-251 AND 13-254 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK, AND SHALL RECEIVE A RETIREMENT ALLOWANCE WHICH SHALL CONSIST OF:

(I) AN ANNUITY, WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER ACCUMULATED CONTRIBUTIONS, IF ANY, AT THE TIME OF HIS OR HER RETIREMENT; AND

(II) A PENSION WHICH IS THE ACTUARIAL EQUIVALENT OF THE RESERVE-FOR-INCREASED-TAKE-HOME-PAY TO WHICH HE OR SHE MAY THEN BE ENTITLED, IF ANY; AND

(III) A PENSION, WHICH, TOGETHER WITH HIS OR HER ANNUITY AND THE PENSION-PROVIDING-FOR-INCREASED-TAKE-HOME-PAY, IF ANY, SHALL BE EQUAL TO A RETIREMENT ALLOWANCE EQUAL TO ONE-FORTIETH OF HIS OR HER FINAL AVERAGE SALARY MULTIPLIED BY THE NUMBER OF YEARS OF CITY-SERVICE CREDITED TO HIM OR HER, BUT NOT LESS THAN (1) ONE-HALF OF HIS OR HER FINAL AVERAGE SALARY, IF THE YEARS OF CITY-SERVICE CREDITED TO HIM OR HER ARE TEN OR MORE,

OR (2) ONE-THIRD OF HIS OR HER FINAL AVERAGE SALARY, IF THE YEARS OF CITY-SERVICE CREDITED TO HIM OR HER ARE LESS THAN TEN.

2. THE PROVISIONS OF SUBDIVISIONS G, H AND I OF SECTION FIVE HUNDRED SEVEN OF THIS ARTICLE SHALL APPLY TO DISABILITY BENEFITS UNDER THIS SUBDIVISION.

F. 1. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR OF ANY GENERAL, SPECIAL OR LOCAL LAW, CHARTER, ADMINISTRATIVE CODE OR RULE OR REGULATION TO THE CONTRARY, SUBDIVISIONS A, B, C AND D OF THIS SECTION SHALL NOT APPLY TO MEMBERS OF THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO ARE SUBJECT TO THIS ARTICLE. A MEMBER OF THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO IS SUBJECT TO THIS ARTICLE SHALL INSTEAD BE ELIGIBLE FOR ORDINARY DISABILITY RETIREMENT PURSUANT TO SECTIONS 13-352 AND 13-357 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK, AND SHALL RECEIVE A RETIREMENT ALLOWANCE WHICH SHALL CONSIST OF:

(I) AN ANNUITY, WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER ACCUMULATED CONTRIBUTIONS, IF ANY, AT THE TIME OF HIS OR HER RETIREMENT; AND

(II) A PENSION WHICH IS THE ACTUARIAL EQUIVALENT OF THE RESERVE-FOR-INCREASED-TAKE-HOME-PAY TO WHICH HE OR SHE MAY THEN BE ENTITLED, IF ANY, AND

(III) A PENSION, WHICH TOGETHER WITH HIS OR HER ANNUITY AND THE PENSION-PROVIDING-FOR-INCREASED-TAKE-HOME-PAY, IF ANY, SHALL BE EQUAL TO A RETIREMENT ALLOWANCE EQUAL TO ONE-FORTIETH OF HIS OR HER FINAL AVERAGE SALARY MULTIPLIED BY THE NUMBER OF YEARS OF CITY-SERVICE CREDITED TO HIM OR HER, BUT NOT LESS THAN (1) ONE-HALF OF HIS OR HER FINAL AVERAGE SALARY, IF THE YEARS OF CITY-SERVICE CREDITED TO HIM OR HER ARE TEN OR MORE, OR (2) ONE-THIRD OF HIS OR HER FINAL AVERAGE SALARY, IF THE YEARS OF CITY-SERVICE CREDITED TO HIM OR HER ARE LESS THAN TEN.

2. THE PROVISIONS OF SUBDIVISIONS G, H AND I OF SECTION FIVE HUNDRED SEVEN OF THIS ARTICLE SHALL APPLY TO DISABILITY BENEFITS UNDER THIS SUBDIVISION.

S 3. Section 507 of the retirement and social security law is amended by adding two new subdivisions j and k to read as follows:

J. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR OF ANY GENERAL, SPECIAL OR LOCAL LAW, CHARTER, ADMINISTRATIVE CODE OR RULE OR REGULATION TO THE CONTRARY, SUBDIVISIONS A, B, C, D, E AND F OF THIS SECTION SHALL NOT APPLY TO MEMBERS OF THE NEW YORK CITY POLICE PENSION FUND WHO ARE SUBJECT TO THIS ARTICLE. A MEMBER OF THE NEW YORK CITY POLICE PENSION FUND WHO IS SUBJECT TO THIS ARTICLE SHALL INSTEAD BE ELIGIBLE FOR ACCIDENTAL DISABILITY RETIREMENT PURSUANT TO SECTIONS 13-215, 13-252 AND 13-254 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK, AND SHALL RECEIVE A RETIREMENT ALLOWANCE WHICH SHALL CONSIST OF:

1. AN ANNUITY, WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER ACCUMULATED CONTRIBUTIONS, IF ANY, AT THE TIME OF HIS OR HER RETIREMENT;

2. A PENSION WHICH IS THE ACTUARIAL EQUIVALENT OF THE RESERVE-FOR-INCREASED-TAKE-HOME-PAY TO WHICH HE OR SHE MAY THEN BE ENTITLED, IF ANY; AND

3. A PENSION, OF THREE-QUARTERS OF HIS OR HER FINAL AVERAGE SALARY, IN ADDITION TO THE ANNUITY AND PENSION PROVIDED FOR BY PARAGRAPHS ONE AND TWO OF THIS SUBDIVISION.

K. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR ANY GENERAL, SPECIAL OR LOCAL LAW, CHARTER, ADMINISTRATIVE CODE OR RULE OR REGULATION TO THE CONTRARY, SUBDIVISIONS A, B, C, D, E, AND F OF THIS SECTION SHALL NOT APPLY TO MEMBERS OF THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO ARE SUBJECT TO THIS ARTICLE. A MEMBER OF THE NEW YORK FIRE DEPARTMENT

PENSION FUND WHO IS SUBJECT TO THIS ARTICLE SHALL INSTEAD BE ELIGIBLE FOR ACCIDENTAL DISABILITY RETIREMENT PURSUANT TO SECTIONS 13-353, 13-354, AND 13-357 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK AND ANY ACCIDENTAL DISABILITY RETIREMENT BENEFITS FOUND IN THE GENERAL MUNICIPAL LAW AND SHALL RECEIVE A RETIREMENT ALLOWANCE WHICH SHALL CONSIST OF:

1. AN ANNUITY, WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER ACCUMULATED CONTRIBUTIONS, IF ANY, AT THE TIME OF HIS OR HER RETIREMENT; AND

2. A PENSION WHICH IS THE ACTUARIAL EQUIVALENT OF THE RESERVE-FOR-INCREASED-TAKE-HOME-PAY TO WHICH HE OR SHE MAY THEN BE ENTITLED, IF ANY; AND

3. A PENSION, OF THREE-QUARTERS OF HIS OR HER FINAL AVERAGE SALARY, IN ADDITION TO THE ANNUITY AND PENSION PROVIDED FOR BY PARAGRAPHS ONE AND TWO OF THIS SUBDIVISION.

S 4. Section 510 of the retirement and social security law is amended by adding a new subdivision i to read as follows:

I. NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS ARTICLE OR THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK, THE ANNUAL ESCALATION PROVIDED IN THIS SECTION SHALL NOT APPLY TO THE ORDINARY OR ACCIDENTAL DISABILITY RETIREMENT BENEFIT OF MEMBERS OF THE NEW YORK CITY POLICE PENSION FUND OR MEMBERS OF THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO RETIRE PURSUANT TO SECTION FIVE HUNDRED SIX OR FIVE HUNDRED SEVEN OF THIS ARTICLE. THE ORDINARY OR ACCIDENTAL DISABILITY RETIREMENT BENEFIT OF MEMBERS OF THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO RETIRE PURSUANT TO SECTION FIVE HUNDRED SIX OR FIVE HUNDRED SEVEN OF THIS ARTICLE SHALL BE ADJUSTED FOR COST-OF-LIVING PURSUANT TO THE PROVISIONS OF SECTION 13-696 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK.

S 5. Subdivision f of section 511 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

f. This section shall not apply to general members in the uniformed correction force of the New York city department of correction or to uniformed personnel in institutions under the jurisdiction of the department of corrections and community supervision and security hospital treatment assistants, as those terms are defined in subdivision i of section eighty-nine of this chapter, provided, however, that the provisions of this section shall apply to a New York city uniformed correction/sanitation revised plan member, AND THIS SECTION SHALL ALSO NOT APPLY TO MEMBERS OF THE NEW YORK CITY POLICE PENSION FUND OR THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO ARE SUBJECT TO THIS ARTICLE WHO RETIRE ON ORDINARY OR ACCIDENTAL DISABILITY RETIREMENT PURSUANT TO SECTION FIVE HUNDRED SIX OR FIVE HUNDRED SEVEN OF THIS ARTICLE.

S 6. Section 512 of the retirement and social security law is amended by adding two new subdivisions e and f to read as follows:

E. NOTWITHSTANDING THE PROVISIONS OF SUBDIVISION A OF THIS SECTION, OR ANY OTHER GENERAL, SPECIAL OR LOCAL LAW, WITH RESPECT TO MEMBERS OF THE NEW YORK CITY POLICE PENSION FUND WHO RETIRE PURSUANT TO SECTIONS FIVE HUNDRED SIX AND FIVE HUNDRED SEVEN OF THIS ARTICLE A MEMBER'S FINAL AVERAGE SALARY SHALL MEAN THE SALARY EARNED BY SUCH MEMBER DURING THE ONE-YEAR PERIOD IMMEDIATELY PRIOR TO RETIREMENT, EXCLUSIVE OF ANY FORM OF TERMINATION PAY (WHICH SHALL INCLUDE ANY COMPENSATION IN ANTICIPATION OF RETIREMENT) OR ANY LUMP SUM PAYMENT FOR DEFERRED COMPENSATION, SICK LEAVE, OR ACCUMULATED VACATION CREDIT, OR ANY OTHER PAYMENT FOR TIME NOT WORKED (OTHER THAN COMPENSATION RECEIVED WHILE ON SICK LEAVE OR AUTHORIZED LEAVE OF ABSENCE); PROVIDED, HOWEVER, IF THE SALARY OR WAGES EARNED

DURING THE ONE-YEAR PERIOD IMMEDIATELY PRIOR TO RETIREMENT EXCEEDS THAT OF THE PREVIOUS ONE-YEAR PERIOD BY MORE THAN TWENTY PER CENTUM, THE AMOUNT IN EXCESS OF TWENTY PER CENTUM SHALL BE EXCLUDED FROM THE COMPUTATION OF FINAL AVERAGE SALARY. IN DETERMINING FINAL AVERAGE SALARY, ANY MONTH OR MONTHS (NOT IN EXCESS OF THREE) WHICH WOULD OTHERWISE BE INCLUDED IN COMPUTING FINAL AVERAGE SALARY BUT DURING WHICH THE MEMBER WAS ON AUTHORIZED LEAVE OF ABSENCE WITHOUT PAY SHALL BE EXCLUDED FROM THE COMPUTATION OF FINAL AVERAGE SALARY AND THE MONTH OR AN EQUAL NUMBER OF MONTHS IMMEDIATELY PRECEDING SUCH PERIOD SHALL BE SUBSTITUTED IN LIEU THEREOF.

F. NOTWITHSTANDING THE PROVISIONS OF SUBDIVISION A OF THIS SECTION, OR ANY OTHER GENERAL, SPECIAL OR LOCAL LAW, WITH RESPECT TO MEMBERS OF THE NEW YORK FIRE DEPARTMENT PENSION FUND WHO RETIRE PURSUANT TO SECTIONS FIVE HUNDRED SIX AND FIVE HUNDRED SEVEN OF THIS ARTICLE A MEMBER'S FINAL AVERAGE SALARY SHALL MEAN THE SALARY EARNED BY SUCH MEMBER DURING THE ONE-YEAR PERIOD IMMEDIATELY PRIOR TO RETIREMENT, EXCLUSIVE OF ANY FORM OF TERMINATION PAY (WHICH SHALL INCLUDE ANY COMPENSATION IN ANTICIPATION OF RETIREMENT), OR ANY LUMP SUM PAYMENT FOR DEFERRED COMPENSATION, SICK LEAVE, OR ACCUMULATED VACATION CREDIT, OR ANY OTHER PAYMENT FOR TIME NOT WORKED (OTHER THAN COMPENSATION RECEIVED WHILE ON SICK LEAVE OR AUTHORIZED LEAVE OF ABSENCE); PROVIDED, HOWEVER, IF THE SALARY OR WAGES EARNED DURING THE ONE YEAR PERIOD IMMEDIATELY PRIOR TO RETIREMENT EXCEEDS THAT OF THE PREVIOUS ONE-YEAR PERIOD BY MORE THAN TWENTY PER CENTUM THE AMOUNT IN EXCESS OF TWENTY PER CENTUM SHALL BE EXCLUDED FROM THE COMPUTATION OF FINAL AVERAGE SALARY. IN DETERMINING FINAL AVERAGE SALARY, ANY MONTH OR MONTHS (NOT IN EXCESS OF THREE) WHICH WOULD OTHERWISE BE INCLUDED IN COMPUTING FINAL AVERAGE SALARY BUT DURING WHICH THE MEMBER WAS ON AUTHORIZED LEAVE OF ABSENCE WITHOUT PAY SHALL BE EXCLUDED FROM THE COMPUTATION OF FINAL AVERAGE SALARY AND THE MONTH OR AN EQUAL NUMBER OF MONTHS IMMEDIATELY PRECEDING SUCH PERIOD SHALL BE SUBSTITUTED IN LIEU THEREOF.

S 7. Paragraph (b) of subdivision 1 of section 13-353.1 of the administrative code of the city of New York is relettered paragraph (c) and a new paragraph (b) is added to read as follows:

(B) IN ORDER TO BE ELIGIBLE FOR THE PRESUMPTION PROVIDED UNDER PARAGRAPH (A) OF THIS SUBDIVISION, A MEMBER MUST HAVE (I) SUCCESSFULLY PASSED A PHYSICAL EXAMINATION FOR ENTRY INTO PUBLIC SERVICE WHICH FAILED TO DISCLOSE EVIDENCE OF THE QUALIFYING CONDITION OR IMPAIRMENT OF HEALTH THAT FORMED THE BASIS FOR THE DISABILITY, OR (II) AUTHORIZED RELEASE OF ALL RELEVANT MEDICAL RECORDS, IF THE MEMBER DID NOT UNDERGO A PHYSICAL EXAMINATION FOR ENTRY INTO PUBLIC SERVICE, AND THERE IS NO EVIDENCE OF THE QUALIFYING CONDITION OR IMPAIRMENT OF HEALTH THAT FORMED THE BASIS FOR THE DISABILITY IN SUCH MEDICAL RECORDS PRIOR TO SEPTEMBER 11, 2001.

S 8. This act shall take effect on the sixtieth day after it shall have become a law.

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

PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Retirement and Social Security Law ("RSSL") Sections 506, 507, 510, 511 and 512 and amend Administrative Code of the City of New York ("ACNY") Section 13-254 to change, for members of the New York City Police Pension Fund ("POLICE") subject to Article 14 of the RSSL, the eligibility for and the calculation of Ordinary Disability Retirement ("ODR") benefits and Accidental Disability Retirement ("ADR") benefits.

For purposes of this Fiscal Note, all POLICE members subject to Article 14 of the RSSL will be referred to as "Tier III POLICE Members." Of those Tier III POLICE Members who have a date of membership prior to

April 1, 2012, they will be referred to as "Original Tier III POLICE Members." Of those Tier III POLICE Members who have a date of membership on or after April 1, 2012, they will be referred to as "Revised Tier III POLICE Members."

The Effective Date of the proposed legislation would be the 60th day after the date of enactment.

IMPACT ON ODR BENEFITS PAYABLE: The current eligibility provisions for ODR benefits for Tier III POLICE Members are based on:

* Completing five or more years of service, and
* Becoming eligible for Primary Social Security Disability retirement benefits.

Such ODR benefits are equal to the greater of:

* 33 1/3% of Three-Year Final Average Salary ("FAS3") for Original Tier III POLICE Members or Five-Year Final Average Salary ("FAS5") for Revised Tier III POLICE Members, or
* 2% of FAS3 (FAS5 for Revised Tier III POLICE Members) multiplied by years of credited service (not in excess of 22 years),
* Reduced by 50% of the Primary Social Security Disability benefits (determined under RSSL Section 511), and
* Reduced by 100% of Workers' Compensation benefits (if any).

It is the understanding of the Actuary that POLICE Members are not covered by Workers' Compensation.

Under the proposed legislation the eligibility requirements for ODR benefits for Tier III POLICE Members would be revised to be the same as those provided in ACNY Sections 13-216, 13-251 and 13-254 (i.e., the provisions applicable to Tier I and Tier II POLICE members).

In particular, completing five or more years of service would not be required in order to be eligible for ODR benefits. In other words, there would not any requirement for any minimum length of service to be completed in order to be eligible for ODR benefits.

Under the proposed legislation, if enacted, the ODR benefit for Tier III POLICE Members would be an allowance consisting of:

* An actuarial equivalent annuity of accumulated member contributions, plus
* A pension, which together with the annuity, equal to 1/40 of One-Year Final Average Salary ("FAS1") multiplied by years of credited service, but not less than:
* 1/2 of FAS1, if years of credited service are greater than or equal to 10 years, or
* 1/3 of FAS1, if years of credited service are less than 10 years.

Note: The proposed legislation also states that one component of the ODR benefit would be the actuarial equivalent annuity of an Increased-Take-Home-Pay ("ITHP") reserve. This theoretical benefit is not included in this Fiscal Note analysis since it is the understanding of the Actuary that ITHP is not available to Tier III members generally and is not specifically defined in the proposed legislation.

In addition, the proposed legislation would NOT apply the Escalation available under RSSL Section 510 to ODR benefits for Tier III POLICE Members. However, such ODR benefits would still be eligible for Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000.

IMPACT ON ADR BENEFITS PAYABLE: The current eligibility provisions for ADR benefits for Tier III POLICE Members are based on satisfying either:

* Being eligible for Social Security Disability retirement benefits and having become disabled due to an accident sustained in the line of duty, or

* Being physically or mentally incapacitated as a result of an accident sustained in the line of duty as determined by the appropriate administrative authority assigned by POLICE.

As a consequence of RSSL Section 507.e, a Tier III POLICE Member would not be eligible for ADR unless the member waived the benefits of any statutory presumptions (e.g., certain heart diseases).

Such ADR benefits are calculated using a formula of 50% multiplied by FAS3 for Original Tier III POLICE Members or FAS5 for Revised Tier III POLICE Members less 50% of Primary Social Security disability benefit (determined under RSSL Section 511) and less 100% of Workers' Compensation benefits (if any).

Note: It is the understanding of the Actuary that POLICE Members are not covered by Workers' Compensation.

Under the proposed legislation the eligibility requirements for ADR benefits for Tier III POLICE Members would be revised to be the same as those provided in ACNY Sections 13-216, 13-252 and 13-254 (i.e., the provisions applicable to Tier I and Tier II POLICE Members).

In addition, it is the understanding of the Actuary that the proposed legislation, if enacted, would provide Tier III POLICE Members the ability to be eligible for and to utilize the statutory presumptions (e.g., certain heart diseases) that qualify certain Tier I and Tier II POLICE Members for ADR.

Under the proposed legislation, if enacted, the ADR benefit for Tier III POLICE Members would be revised to equal a retirement allowance equal to the sum of:

* An actuarial equivalent annuity of accumulated member contributions, plus
* 75% multiplied by FAS1.

Note: The proposed legislation also states that one component of the ADR benefit would be the actuarial equivalent annuity of an Increased-Take-Home-Pay ("ITHP") reserve. This theoretical benefit is not included in this Fiscal Note analysis since it is the understanding of the Actuary that ITHP is not available to Tier III members generally and is not specifically defined in the proposed legislation.

Also note, it is the understanding of the Actuary that the Tier III POLICE Members impacted by the proposed legislation would not receive any additional 1/60 of annual earnings after 20 years of service.

In addition, the proposed legislation would NOT apply the Escalation available under RSSL Section 510 to ADR benefits for Tier III POLICE Members. However, such ADR benefits would still be eligible for Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000.

FINANCIAL IMPACT - CHANGES IN BENEFITS - ACTUARIAL PRESENT VALUES. Based on the census data and the actuarial assumptions and methods noted herein, if the Effective Date is on or before June 30, 2015, then this would change the Actuarial Present Value ("APV") of benefits ("APBV"), APV of members contributions, the Unfunded Actuarial Accrued Liability ("UAAL") and APV of future employer contributions as of June 30, 2013 for Tier III POLICE Members.

FINANCIAL IMPACT - CHANGES IN PROJECTED APV OF FUTURE EMPLOYER CONTRIBUTIONS AND PROJECTED EMPLOYER CONTRIBUTIONS: For purposes of this Fiscal Note, it is assumed that the changes in APBV, APV of member contributions, UAAL and APV of future employer contributions would be reflected for the first time in the June 30, 2013 actuarial valuation of POLICE.

Under the One-Year Lag Methodology ("OYLM"), the first year that changes in benefits for Tier III POLICE Members could impact employer contributions to POLICE would be Fiscal Year 2015.

In accordance with ACNY Section 13.638.2(k-2), 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. As of June 30, 2013, the remaining working lifetime of the Tier III POLICE Members is approximately 18 years. Recognizing that this period will decrease over time as the group of Tier III Members matures, the Actuary would likely choose to amortize the new UAAL attributable to this proposed legislation over a 15-year period (14 payments under the OYLM Methodology).

The following Table one presents an estimate of the increases due to the changes in ODR and ADR provisions for Tier III POLICE Members in the APV of future employer contributions and in employer contributions to POLICE for Fiscal Years 2015 through 2019 that would occur based on the applicable actuarial assumptions and methods noted herein:

Table 1

Estimated Financial Impact on POLICE
If Certain Revisions are Made to
Provisions for ODR and ADR Benefits
for Tier III POLICE Members*

($ Millions)

Fiscal Year	Increase in APV of Future Employer Contributions	Increase in Employer Contributions
2015	$272.3	$35.7
2016	378.7	47.2
2017	469.6	56.9
2018	552.8	65.5
2019	622.9	72.2

* Based on actuarial assumptions and methods set forth in the Actuarial Assumptions and Method Section. Also, based on the projection assumptions as described herein.

ODR and ADR benefits are NOT subject to Tier III Escalation (RSSL Section 510).

The estimated increases in employer contributions shown in Table 1 are based upon the following projection assumptions:

* Level workforce (i.e., new employees are hired to replace those who leave active status).
* Projected salary increases consistent with those used in projections presented to the New York City Office of Management and Budget ("NYCOMB") for use in the January 2015 Financial Plan ("Updated Preliminary Projections").
* New entrant salaries consistent with those used in the Updated Preliminary Projections.

These "open group" projections include future new entrants introduced into the census data models to project the future workforces.

As of each future actuarial valuation date, the current "closed group" actuarial assumptions and valuation methodology are used.

Under this methodology only Plan participants as of each actuarial valuation date are utilized to determine APVs, employer costs and employer contributions.

FINANCIAL IMPACT - EMPLOYER ENTRY AGE NORMAL COSTS: Employer Entry Age Normal Costs can provide a useful basis to compare the value of alternative benefit programs.

For each member who enters POLICE, there is a theoretical net annual employer cost to be paid for such member while such member remains actively employed (i.e., the Employer Entry Age Normal Cost (referred to hereafter as "EEANC")).

In addition, such EEANC may be expressed as a percentage of salary earned over a working lifetime and referred to as the Employer Entry Age Normal Rate ("EEANR").

Under the proposed legislation and based on the actuarial assumptions noted herein, the EEANC and EEANR of Tier III POLICE Members would be greater than the EEANC and EEANR for comparable Tier III POLICE Members entering at the same attained age and gender under the current POLICE provisions.

Table 2A shows a summary of the change in EEANC for Original Tier III POLICE Members for entry ages 25, 30 and 35 determined as of the most recent date of published EEANR calculations:

Table 2A

Comparison of Employer Entry Age Normal Rates
Determined as of June 30, 2012*

To Implement Certain ODR and ADR Provisions for
Original Tier III POLICE Members

Under Proposed Legislation
and Under Current Law

Retirement System	Entry Age 25 Male	Entry Age 25 Female	Entry Age 30 Male	Entry Age 30 Female	Entry Age 35 Male	Entry Age 35 Female
EEANR Under Proposed Legislation**						
POLICE	23.91%	24.74%	25.15%	26.14%	27.27%	28.46%
EEANR Under Current Law						
POLICE	20.92%	21.75%	20.73%	21.71%	20.50%	21.63%
Increase in EEANR Due to Proposed Legislation						
POLICE	2.99%	2.99%	4.42%	4.43%	6.77%	6.83%

* Based on salaries paid over entire working lifetime. EEANR do not vary significantly over time, absent benefit and/or actuarial assumption changes.

** EEANR determined under the terms of the revised ODR and ADR benefit provisions based on the Actuarial Assumptions and Methods as noted herein including changes in assumptions for ADR. ODR and ADR benefits are NOT subject to Tier III Escalation (RSSL Section 510).

Table 2B shows a summary of the change in EEANC for Revised Tier III POLICE Members for entry ages 25, 30 and 35 determined as of the most recent date of published EEANR calculations:

Table 2B

Comparison of Employer Entry Age Normal Rates
Determined as of June 30, 2012*

To Implement Certain ODR and ADR Provisions for
Revised Tier III POLICE Members

Under Proposed Legislation
and Under Current Law

Retirement System	Entry Age 25 Male	Entry Age 25 Female	Entry Age 30 Male	Entry Age 30 Female	Entry Age 35 Male	Entry Age 35 Female
EEANR Under Proposed Legislation**						
POLICE	23.36%	24.17%	24.68%	25.64%	26.90%	28.07%
EEANR Under Current Law						
POLICE	19.91%	20.71%	19.66%	20.59%	19.38%	20.46%
Increase in EEANR Due to Proposed Legislation						
POLICE	3.45%	3.46%	5.02%	5.05%	7.52%	7.61%

* Based on salaries paid over entire working lifetime. EEANR do not vary significantly over time, absent benefit and/or actuarial assumption changes.

** EEANR determined under the terms of the revised ODR and ADR benefit provisions based on the Actuarial Assumptions and Methods as noted herein including changes in assumptions for ADR, ODR and ADR benefits are NOT subject to Tier III Escalation (RSSL Section 510).

OTHER COSTS: Not measured in this Fiscal Note are the following:

* The initial, additional administrative costs of POLICE and other New York City agencies to implement the proposed legislation.
* The potential impact if this proposed legislation were to be extended to other public safety employees (e.g., firefighters).
* The impact of this proposed legislation on Other Postemployment Benefit ("OPEB") costs.

CENSUS DATA: The starting census data used for the calculations presented herein are the census data used in the Updated Preliminary June 30, 2013 (Lag) actuarial valuation of POLICE used under the OYLM to determine the Updated Preliminary Fiscal Year 2015 employer contributions.

The census data used for the estimates of additional employer contributions presented herein are based on average salaries of new entrants utilized in the Updated Preliminary June 30, 2013 (Lag) actuarial valuations used to determine Updated Preliminary Fiscal Year 2015 employer contributions of POLICE.

The 3,601 Original Tier III POLICE Members as of June 30, 2013 had an average age of approximately 28, average service of approximately 2.2 years and an average salary of approximately $63,000.

The 1,916 Revised Tier III POLICE Members as of June 30, 2013 had an average age of approximately 27, average service of approximately 0.6 years and an average salary of approximately $55,000.

Overall, the 5,517 Tier III POLICE Members as of June 30, 2013 had an average age of approximately 28, average service of approximately 1.7 years, and an average salary of approximately $60,000.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional employer contributions 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 Updated Preliminary Fiscal Year 2015 employer contributions of POLICE and adjusted for revised ADR eligibility provisions.

The probabilities of accidental disability used for Tier III POLICE Members in the event statutory presumptions were to apply equal those currently used for Tier I and Tier II POLICE Members.

The actuarial valuation methodology does not include a calculation of the value of an offset for Workers' Compensation benefits as it is the understanding of the Actuary that POLICE Members are not covered by such benefits.

To the extent that the enactment of this proposed legislation would cause a greater (lesser) number of Tier III POLICE Members to be reclassified from Ordinary Disability to Accidental Disability Retirement, or to the extent that Tier III POLICE Members who would not otherwise ever choose to apply and then receive an Ordinary Disability Retirement benefit or an Accidental Disability Retirement benefit, then the additional APVB and employer contributions shown herein would be greater (lesser).

Employer contributions under current methodology have been estimated assuming the additional APVB would be financed through future normal contributions including an amortization of the new UAAL attributable to this proposed legislation over a 15-year period (14 payments under the OYLM Methodology).

New entrants into Tier III POLICE Members were projected to replace the POLICE members expected to leave the active population to maintain a steady-state population.

The following Table 3 presents the total number of active employees of POLICE used in the projections, assuming a level work force, and the cumulative number (i.e., net of withdrawals) of Revised Tier III Members as of each June 30 from 2013 through 2017.

Table 3
Surviving Actives from Census on June 30, 2013
and
Cumulative New Revised Tier III POLICE Members from 2013
Used in the Projections*

June 30	Tier I&II	Original Tier III	Revised Tier III	Total
2013	29,258	3,601	1,916	34,775
2014	26,784	3,500	4,491	34,775
2015	24,565	3,406	6,804	34,775
2016	22,571	3,314	8,890	34,775
2017	20,937	3,225	10,613	34,775

* Total active members including in the projections assume a level work force based on the June 30, 2013 (Lag) actuarial valuation census data. Assumes presumptions apply to Tier III POLICE members.

For purposes of estimating the impact of the Tier III Escalation for retired Tier III POLICE Members, consistent with an underlying Consumer Price Inflation ("CPI") assumption of 2.5% per year, Tier III Escalation of 2.5% per year has been assumed.

This compares with the current Chapter 125 of the Laws of 2000 COLA assumption of 1.5% per year (i.e., 50% of CPI adjusted to recognize 1.0% minimum and 3.0% maximum) on the first $18,000 of benefit.

For Variable Supplements Fund ("VSF") benefits, it has been assumed that retroactive lump sum payments of VSF ("DROP payments") would be payable from the completion of 20 years of service.

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 POLICE.

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 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 2015-02, dated January 30, 2015 prepared by the Actuary Chief Actuary of the New York City Retirement Systems.

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

PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Retirement and Social Security Law ("RSSL") Sections 506, 507, 510, 511 and 512 and amend Administrative Code of the City of New York ("ACNY") Section 13-357 to change, for members of the New York Fire Department Pension Fund ("FIRE") subject to Article 14 of the RSSL, the eligibility for and the calculation of Ordinary Disability Retirement ("ODR") benefits and Accidental Disability Retirement ("ADR") benefits.

Unless otherwise noted, for purposes of this Fiscal Note the term Tier III FIRE members refers to members of the New York Fire Department Pension Fund ("FIRE") who have a date of membership on or after July 1, 2009. Note: Although referred to herein as Tier III members, it should be noted that members who join FIRE on or after April 1, 2012 are often referred to as Tier VI members or Revised Tier III members. Also Note: There is only one Tier III member of FIRE who has a date of membership on or after July 1, 2009 and prior to April 1, 2012.

The Effective Date of the proposed legislation would be the 60th day after the date of enactment.

IMPACT ON ODR BENEFITS PAYABLE: The current eligibility provisions for ODR benefits for Tier III FIRE Members are based on:

* Completing five or more years of service, and
* Becoming eligible for Primary Social Security Disability retirement benefits.

Such ODR benefits are equal to the greater of:

* 33 1/3% of Five-Year Final Average Salary ("FAS"), or

* 2% of FAS multiplied by years of credited service (not in excess of 22 years),
* Reduced by 50% of the Primary Social Security Disability benefits (determined under RSSL Section 511), and
* Reduced by 100% of Workers' Compensation benefits (if any).

It is the understanding of the Actuary that FIRE Members are not covered by Workers' Compensation.

Under the proposed legislation the eligibility requirements for ODR benefits for Tier III FIRE Members would be revised to be the same as those provided in ACNY Sections 13-316, 13-352 and 13-357 (i.e., the provisions applicable to Tier I and Tier II FIRE members).

In particular, completing five or more years of service would not be required in order to be eligible for ODR benefits. In other words, there would not any requirement for any minimum length of service to be completed in order to be eligible for ODR benefits.

Under the proposed legislation, if enacted, the ODR benefit for Tier III FIRE Members would be an allowance consisting of:

* An actuarial equivalent annuity of accumulated member contributions, plus
* A pension, which together with the annuity, equal to 1/40 of One-Year Final Average Salary ("FAS1") multiplied by years of credited service, but not less than:
  ** 1/2 of FAS1, if years of credited service are greater than or equal to 10 years, or
  ** 1/3 of FAS1, if years of credited service are less than 10 years.

Note: The proposed legislation also states that one component of the ODR benefit would be the actuarial equivalent annuity of an Increased-Take-Home-Pay ("ITHP") reserve. This theoretical benefit is not included in this Fiscal Note analysis since it is the understanding of the Actuary that ITHP is not available to Tier III members generally and is not specifically defined in the proposed legislation.

In addition, the proposed legislation would NOT apply the Escalation available under RSSL Section 510 to ODR benefits for Tier III FIRE Members. However, such ODR benefits would still be eligible for Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000.

IMPACT ON ADR BENEFITS PAYABLE: The current eligibility provisions for ADR benefits for Tier III FIRE Members are based on satisfying either:

* Being eligible for Social Security Disability retirement benefits and having become disabled due to an accident sustained in the line of duty, or
* Being physically or mentally incapacitated as a result of an accident sustained in the line of duty as determined by the appropriate administrative authority assigned by FIRE.

As a consequence of RSSL Section 507.e, a Tier III FIRE Member would not be eligible for ADR unless the member waived the benefits of any statutory presumptions (e.g., certain heart diseases).

Such ADR benefits are calculated using a formula of 50% multiplied by FAS less 50% of Primary Social Security disability benefit (determined under RSSL Section 511) and less 100% of Workers' Compensation benefits (if any).

Note: It is the understanding of the Actuary that FIRE Members are not covered by Workers' Compensation.

Under the proposed legislation the eligibility requirements for ADR benefits for Tier III FIRE Members would be revised to be the same as those provided in ACNY Sections 13-316, 13-353 and 13-357 (i.e., the provisions applicable to Tier I and Tier II FIRE Members).

In addition, it is the understanding of the Actuary that the proposed legislation, if enacted, would provide that Tier III FIRE Members could be eligible for and utilize the statutory presumptions (e.g., certain heart diseases) that qualify certain Tier I and Tier II Fire Members for ADR.

Under the proposed legislation, if enacted, the ADR benefit for Tier III FIRE Members would be revised to equal a retirement allowance equal to the sum of:

* An actuarial equivalent annuity of accumulated member contributions, plus
* 75% multiplied by FAS1.

Note: The proposed legislation also states that one component of the ADR benefit would be the actuarial equivalent annuity of an Increased-Take-Home-Pay ("ITHP") reserve. This theoretical benefit is not included in this Fiscal Note analysis since it is the understanding of the Actuary that ITHP is not available to Tier III members generally and is not specifically defined in the proposed legislation.

Also note, it is the understanding of the Actuary that the Tier III FIRE Members impacted by the proposed legislation would not receive any additional 1/60 of annual earnings after 20 years of service.

In addition, the proposed legislation would NOT apply the Escalation available under RSSL Section 510 to ADR benefits for Tier III FIRE Members. However, such ADR benefits would still be eligible for Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000.

FINANCIAL IMPACT - CHANGES IN BENEFITS - ACTUARIAL PRESENT VALUES. Based on the census data and the actuarial assumptions and methods noted herein, if the Effective Date is on or before June 30, 2015, then this would change the Actuarial Present Value ("APV") of benefits ("APVB"), APV of member contributions, the Unfunded Actuarial Accrued Liability ("UAAL") and APV of future employer contributions as of June 30, 2013 for Tier III FIRE Members.

FINANCIAL IMPACT - CHANGES IN PROJECTED APV OF FUTURE EMPLOYER CONTRIBUTIONS AND PROJECTED EMPLOYER CONTRIBUTIONS: For purposes of this Fiscal Note, it is assumed that the changes in APVB, APV of member contributions, UAAL and APV of future employer contributions would be reflected for the first time in the June 30, 2013 actuarial valuation of FIRE.

Under the One-Year Lag Methodology ("OYLM"), the first year that changes in benefits for Tier III FIRE Members could impact employer contributions to FIRE would be Fiscal Year 2015.

In accordance with ACNY Section 13.638.2(k-2), 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. As of June 30, 2013, the remaining working lifetime of the Tier III FIRE Members is approximately 24 years. Recognizing that this period will decrease over time as the group of Tier III Members matures, the Actuary would likely choose to amortize the new UAAL attributable to this proposed legislation over a 15-year to 20-year period (between 14 and 19 payments under the OLYM Methodology). However, since virtually all of the Tier III FIRE members that would be impacted by the benefit changes are new entrants, the resulting UAAL would be de minimis and therefore the amortization period used for the UAAL has very little impact on the final results.

The following Table 1 presents an estimate of the increases due to the changes in ODR and ADR provisions for Tier III FIRE Members in the APV of future employer contributions and in employer contributions to FIRE for Fiscal Years 2015 through 2019 that would occur based on the applicable actuarial assumptions and methods noted herein:

Table 1
Estimated Financial Impact on FIRE
If Certain Revisions are Made to
Provisions for ODR and ADR Benefits
for Tier III FIRE Members*

($ Millions)

Fiscal Year	Increase in APV of Future Employer Contributions	Increase in Employer Contributions
2015	$15.7	$1.9
2016	67.7	8.0
2017	119.6	13.4
2018	172.7	18.3
2019	227.0	23.0

* Based on actuarial assumptions and methods set forth in the Actuarial Assumptions and Method section. Also, based on the projection assumptions as described herein.

ODR and ADR benefits are NOT subject to Tier III Escalation (RSSL Section 510).

The estimated increases in employer contributions shown in Table 1 are based upon the following projection assumptions:

* Level workforce (i.e., new employees are hired to replace those who leave active status).

* Projected salary increases consistent with those used in projections presented to the New York City Office of Management and Budget ("NYCOMB") for use in the January 2015 Financial Plan ("Preliminary Projections").

* New entrant salaries consistent with those used in the Updated Preliminary Projections.

These "open group" projections include future new entrants introduced into the census data models to project the future workforces.

As of each future actuarial valuation date, the current "closed group" actuarial assumptions and valuation methodology are used.

Under this methodology only Plan participants as of each actuarial valuation date are utilized to determined APVs, employer costs and employer contributions.

FINANCIAL IMPACT - EMPLOYER ENTRY AGE NORMAL COSTS: Employer Entry Age Normal Costs can provide a useful basis to compare the value of alternative benefit programs.

For each member who enters FIRE, there is a theoretical net annual employer cost to be paid for such member while such member remains actively employed (i.e., the Employer Entry Age Normal Cost ("EEANC")).

In addition, such EEANC may be expressed as a percentage of salary earned over a working lifetime and referred to as the Employer Entry Age Normal Rate ("EEANR").

Under the proposed legislation and based on the actuarial assumptions noted herein, the EEANC and EEANR of Tier III FIRE Members would be greater than the EEANC and EEANR for comparable Tier III FIRE Members entering at the same attained age and gender under the current FIRE provisions.

Table 2 shows a summary of the change in EEANR for Tier III FIRE Members who have a date of membership on or after April 1, 2012 for entry ages 25, 30 and 35 with a starting salary of $45,000, determined as of the most recent date of published EEANR calculations:

Table 2
Comparison of Employer Entry Age Normal Rates
Determined as of June 30, 2012*

To Implement Certain ODR and ADR Provisions for
Tier III FIRE Members with a Membership Date on or After April 1, 2012

Under Proposed Legislation
and
Under Current Law

EEANR Under Proposed Legislation**

Retirement System	Entry Age 25		Entry Age 30		Entry Age 35	
	Male	Female	Male	Female	Male	Female
FIRE	21.92%	22.50%	27.31%	28.01%	34.55%	35.31%
	EEANR Under Current Law					
FIRE	15.94%	16.51%	18.99%	19.68%	21.78%	22.51%
	Increase In EEANR Due to Proposed Legislation					
FIRE	5.98%	5.99%	8.32%	8.33%	12.77%	12.80%

* Based on salaries paid over entire working lifetime. EEANR do not vary significantly over time, absent benefit and/or actuarial assumption changes.

** EEANR determined under the terms of the revised ODR and ADR benefit provisions based on the Actuarial Assumptions and Methods as noted herein including changes in assumptions for ADR, ODR and ADR benefits are NOT subject to Tier III Escalation (RSSL Section 510).

OTHER COSTS: Not measured in this Fiscal Note are the following:

* The initial, additional administrative costs of FIRE and other New York City agencies to implement the proposed legislation.
* The potential impact if this proposed legislation were to be extended to other public safety employees.
* The impact of this proposed legislation on Other Postemployment Benefit ("OPEB") costs.

CENSUS DATA: The starting census data used for the calculations presented herein are the census data used in the Updated Preliminary June 30, 2013 (Lag) actuarial valuation of FIRE used to determine the Updated Preliminary Fiscal Year 2015 employer contributions.

The census data used for the estimates of additional employer contributions presented herein are based on average salaries of new entrants utilized in the Updated Preliminary June 30, 2013 (Lag) actuarial valuations used to determine Updated Preliminary Fiscal Year 2015 employer contributions of FIRE.

The 169 Tier III FIRE Members as of June 30, 2013 (including the one Tier III member who has a date of membership prior to April 1, 2012) had an average age of approximately 27, average service of approximately 0.5 years and an average salary of approximately $48,200.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional employer contributions 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 Updated Preliminary Fiscal Year 2015 employer contributions of FIRE and adjusted for revised ADR eligibility provisions.

The probabilities of accidental disability used for Tier III FIRE Members in the event statutory presumptions were to apply equal those currently used for Tier I and Tier II FIRE Members.

The actuarial valuation methodology does not include a calculation of the value of an offset for Workers' Compensation benefits as it is the understanding of the Actuary that FIRE members are not covered by such benefits.

To the extent that the enactment of this proposed legislation would cause a greater (lesser) number of Tier III FIRE Members to be reclassified from Ordinary Disability to Accidental Disability Retirement, or to the extent that Tier III FIRE Members who would not otherwise ever choose to apply and then receive an Ordinary Disability Retirement benefit or an Accidental Disability Retirement benefit, then the additional APVB and employer contributions shown herein would be greater (lesser).

Employer contributions under current methodology have been estimated assuming the additional APVB would be financed through future normal contributions including an amortization of the new UAAL attributable to this proposed legislation over a 15-year period (14 payments under the OYLM Methodology).

New entrants into Tier III FIRE Members were projected to replace the FIRE members expected to leave the active population to maintain a steady-state population.

The following Table 3 presents the total number of active employees of FIRE used in the projections, assuming a level work force, and the cumulative number (i.e., net of withdrawals) of Tier III Members as of each June 30 from 2013 through 2017.

Table 3
Surviving Actives from Census on June 30, 2013
and
Cumulative New Tier III FIRE Members from 2013
Used in the Projections*

June 30	Tier I & II	Tier III	Total
2013	10,013	169	10,182
2014	9,486	696	10,182
2015	8,988	1,194	10,182
2016	8,509	1,673	10,182
2017	8,055	2,127	10,182

* Total active members included in the projections assume a level work force based on the June 30, 2013 (Lag) actuarial valuation census data. Assumes presumptions apply to Tier III FIRE members.

For purposes of estimating the impact of the Tier III Escalation for retired Tier III FIRE Members, consistent with an underlying Consumer Price Inflation ("CPI") assumption of 2.5% per year, Tier III Escalation of 2.5% per year has been assumed.

This compares with the current Chapter 125 of the Laws of 2000 COLA assumption of 1.5% per year (i.e., 50% of CPI adjusted to recognize 1.0% minimum and 3.0% maximum) on the first $18,000 of benefit.

For Variable Supplements Fund ("VSF") benefits, it has been assumed that retroactive lump sum payments of VSF ("DROP payments") would be payable from the completion of 20 years of service.

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 FIRE.

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 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 2015-03, dated January 30, 2015 prepared by the Acting Chief Actuary of the New York Fire Department Pension Fund.