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

7232

I N S E N A T E

April 8, 2016

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

AN ACT to amend the retirement and social security law, in relation to member contributions to 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. Paragraph 2 of subdivision a of section 613 of the retirement and social security law, as amended by chapter 510 of the laws of 2015, is amended to read as follows:

2. A member of the New York city employees' retirement system who is eligible to be a participant in the twenty-five-year and age fifty-five retirement program, as defined by paragraph five of subdivision a of section six hundred four-b of this article shall contribute two percent of annual wages to such system effective on the starting date of the elimination of additional member contributions, as defined in an election made pursuant to paragraph ten of subdivision e of section six hundred four-b of this article[, except that beginning April first, two thousand thirteen for members who first become members of the New York city employees' retirement system on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) shall be determined by reference to the wages of such member in the second plan year (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) preceding such current plan year as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

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

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(ii) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(iii) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(iv) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(v) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) in which such member has established membership in the New York city employees' retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer].

S 2. This act shall take effect immediately.

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

FISCAL NOTE. -- PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend paragraph 2 of subdivision a of Section 613 of the Retirement and Social Security Law (RSSL) to modify the member contribution rate for Tier 6 Transit Authority members who participate in the Transit 25-Year/Age 55 Retirement Plan from the current graded schedule of 3% to 6% based on the members' wages to a flat 2% of wages.

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

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: Based on the actuarial assumptions and methods herein, the enactment of this proposed legislation would decrease the Actuarial Present Value of Benefits (APVB) for NYCERS by approximately $10.3 million and decrease the Actuarial Present Value of member contributions by approximately $190.7 million as of June 30, 2015.

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 $173.1 million and an increase in the Unfunded Actuarial Accrued Liability (UAAL) of approximately $7.3 million.

FINANCIAL IMPACT - 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, which has been estimated to be approximately 18.2 years. Recognizing that this period will decrease over time as the group of Tier VI Members matures, the Actuary would likely choose to amortize the new UAAL attributable to this proposed legislation over a 15-year period.

With respect to NYCERS, based on the Actuary's actuarial assumptions and methods used in the Preliminary June 30, 2015 valuations of the NYCERS and those described later in this Fiscal Note, the enactment of this proposed legislation would increase annual employer contributions by approximately $21.1 million per year.

This increase in employer contributions 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 during the 2016 Legislative Session, increased employer costs would be determined for Fiscal Year 2017.

CENSUS DATA: Estimates of increases in APVB, employer costs and employer contributions are based on the active census data used for the Preliminary June 30, 2015 actuarial valuation of NYCERS, including 5,902 Tier 6 Transit members with salaries of approximately $366.4 million.

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, 2015 (Lag) actuarial valuations used to determine Preliminary Fiscal Year 2017 employer contributions of NYCERS.

STATEMENT OF ACTUARIAL OPINION: I, Sherry S. Chan, am an Associate 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 2016 Legislative Session. It is Fiscal Note 2016-05, dated March 1, 2016.