

7015--A

2015-2016 Regular Sessions

I N   A S S E M B L Y

April 20, 2015

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Introduced by M. of A. HIKIND -- read once and referred to the Committee on Governmental Employees -- recommitted to the Committee on Governmental Employees in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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:

1     Section 1. Notwithstanding any provision of law to the contrary, Israel  
2     el Baum, a member of the New York city teachers' retirement system  
3     having Tier III status, who was employed as a teacher by the New York  
4     City Board of Education from February 1, 1974 until his death on September  
5     20, 2009, and who became a member of the New York city teachers'  
6     retirement system on October 1, 1977, and who, for reasons not ascribable  
7     to his own negligence, was not able to complete the retirement process  
8     before his untimely death, shall be deemed to have officially  
9     retired from the New York City Board of Education on September 20, 2009,  
10    if, on or before December 31, 2016, Mr. Baum's widow, Rochelle Baum,  
11    files a written application therefor, including a retirement benefit  
12    option election and election of the beneficiary of such benefits, with  
13    the head of the New York city teachers' retirement system; and upon  
14    receipt of such application, the head of the New York city teachers'  
15    retirement system shall calculate Israel Baum's retirement benefits  
16    retroactive to September 20, 2009 and thereafter and pay such benefits  
17    accordingly as if he had retired on September 20, 2009. The amount of  
18    benefits payable pursuant to this act shall be reduced by the ordinary  
19    death benefit which has been paid to Rochelle Baum, less the retroactive  
20    sum of previous years that is owed to Mrs. Baum, the exact amount to be  
21    calculated actuarially. Due to the length of his service, Mr. Baum was  
22    eligible to retire with full pension benefits. Mr. Baum's intent to

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

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1 retire was evidenced by the fact that he, along with his wife, Rochelle  
 2 Baum, attended a special seminar for teachers given in February 2009  
 3 called "Getting Ready for Retirement"; this seminar was expressly  
 4 designed for those members of the retirement system who were planning to  
 5 retire within the year. The Baums received a letter dated January 22,  
 6 2009 confirming their participation. At the seminar, the Baums were  
 7 given a package of documents and an overview regarding retirement proce-  
 8 dures and benefits. Mr. Baum also submitted an informal designated date  
 9 of retirement as requested. Subsequently, on June 22, 2009, Mr. and Mrs.  
 10 Baum attended a personal session at the Board of Education in downtown  
 11 Brooklyn for the purpose of discussing Mr. Baum's retirement. The Baums  
 12 discussed the various retirement allowance options and decided that they  
 13 would select Option 1 - Equal Pay Option, which would allow the benefi-  
 14 ciary to receive monthly payments equal to 100% of his reduced retire-  
 15 ment allowance payments. The beneficiary of Israel Baum's retirement  
 16 allowance was to be his wife, Rochelle Baum.

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

19 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, upon application made on or before December 31, 2016, 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 Retire-  
 ment 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 inter-  
 est 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
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	\$418,830.43

The proposed legislation, if enacted, would authorize NYCTRS to pay  
 pension benefits to Mrs. Baum as if Isreal 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 theordi-  
 nary 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  
 implantation of this legislation including any recognition of the  
 difference in taxability of the ODB as compared to the Service Retire-  
 ment benefit would be determined by NYCTRS if the proposed legislation  
 is enacted.

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

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

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: The estimated financial  
 impact of this proposal has been calculated based on the difference

between (1) the actuarial present value of the Service Retirement benefits Mrs. Baum would receive if this proposed 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 \$1,448,000 as of June 30, 2016 prior to offsetting for the ODB that Mrs. Baum has previously been paid. This amount includes the monthly payments that Mrs. Baum would have received from September 2009 to June 2016 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, 2016 in accordance with NYCTRS Policies and Procedures regarding delayed interest calculations.

The ODB previously paid to Mrs. Baum brought forward with compound interest of 7.0% per annum from September 20, 2009 to June 30, 2016 is approximately \$644,000. Therefore, the net increase in the APVB and UAAL of NYCTRS would be approximately \$804,000 as of June 30, 2016.

**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 \$804,000 based on the Actuary's actuarial assumptions and methods in effect on June 30, 2015 would be recognized in the first year.

**CONTRIBUTION TIMING:** If enacted during the 2016 Legislative Session on or before June 30, 2016, the pension payable to Mrs. Baum would likely be first reflected in the June 30, 2016 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 2018.

If enacted during the 2016 Legislative Session after June 30, 2016 but on or before June 30, 2017, the pension payable to Mrs. Baum would likely first be reflected in the June 30, 2017 census data and increased employer contributions would be determined for Fiscal Year 2019.

**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, 2015 (Lag) actuarial valuation used to determine Preliminary Fiscal Year 2017 employer contributions of NYCTRS. The actuarial assumptions include an update from the prior year to reflect recent mortality improvements in post-retirement mortality.

**STATEMENT OF ACTUARIAL OPINION:** I, Sherry S. Chan, am the Chief Actuary for the New York City Retirement Systems. I am an Associate of the Society of Actuaries, a Fellow of the Conference of Consulting 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 2016-03, dated March 1, 2016 prepared by the Chief Actuary for the New York City Teachers' Retirement System.