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

8032

2015-2016 Regular Sessions

I N A S S E M B L Y

June 4, 2015

Introduced by M. of A. ABBATE -- Multi-Sponsored by -- M. of A. GOLDFEDER -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, the administrative code of the city of New York, and the general municipal law, in relation to the disability benefits of members of the New York city police and fire pension funds and the disability benefits of sanitation and correction members 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. Section 1205 of the retirement and social security law, as added by section 1 of part A of chapter 504 of the laws of 2009, is amended to read as follows:

S 1205. Recalculation of benefits. Notwithstanding any other provision of law, any member who has joined the retirement system pursuant to the provisions of article fourteen of this chapter on or after July first, two thousand nine may elect to have his or her retirement benefits calculated pursuant to this article by filing [within one hundred twenty days of the effective date of this section] a request for such calculation with the retirement system in the form and manner prescribed by the state comptroller NO LATER THAN JUNE 30, 2016.

S 2. 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

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

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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 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 3. Section 13-171 of the administrative code of the city of New York is amended by adding a new subdivision c to read as follows:

C. THE PROVISIONS OF SUBDIVISIONS A AND B OF THIS SECTION SHALL APPLY TO ANY SANITATION OR CORRECTION MEMBER WHO 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 CORRECTION/SANITATION REVISED PLAN MEMBERS.

S 4. Section 506 of the retirement and social security law is amended by adding three new subdivisions e, f and g 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;

(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.

G. 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 SANITATION AND CORRECTION MEMBERS OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM WHO ARE SUBJECT TO THIS ARTICLE. A SANITATION OR CORRECTION MEMBER OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM WHO IS SUBJECT TO THIS ARTICLE SHALL INSTEAD BE ELIGIBLE FOR ORDINARY DISABILITY RETIREMENT PURSUANT TO SECTION 13-167 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK AND SHALL RECEIVE A RETIREMENT ALLOWANCE WHICH SHALL BE EQUAL TO THE GREATER OF:

(I) ONE-THIRD OF HIS OR HER FINAL AVERAGE SALARY; OR

(II) ONE-SIXTIETH OF HIS OR HER FINAL AVERAGE SALARY MULTIPLIED BY THE NUMBER OF YEARS OF HIS OR HER CREDITED SERVICE; PROVIDED, HOWEVER, THAT WHERE SUCH MEMBER IS OTHERWISE ELIGIBLE TO RETIRE FROM SERVICE, AND THE RETIREMENT ALLOWANCE WHICH HE OR SHE WOULD RECEIVE IN THE CASE OF SERVICE RETIREMENT IS LARGER THAN THE RETIREMENT ALLOWANCE HE OR SHE WOULD OTHERWISE RECEIVE UNDER THIS PARAGRAPH OR PARAGRAPH (I) OF THIS SUBDIVISION, HIS OR HER DISABILITY RETIREMENT ALLOWANCE PURSUANT TO THIS SUBDIVISION SHALL BE EQUAL TO THE RETIREMENT ALLOWANCE HE OR SHE WOULD RECEIVE IF HE OR SHE HAD RETIRED FROM SERVICE.

S 5. Section 507 of the retirement and social security law is amended by adding three new subdivisions j, k and l to read as follows:

J. 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.

K. 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.

1. 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 SANITATION AND CORRECTION MEMBERS OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM WHO ARE SUBJECT TO THIS ARTICLE. A SANITATION OR CORRECTION MEMBER OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM WHO IS SUBJECT TO THIS ARTICLE SHALL INSTEAD BE ELIGIBLE FOR ACCIDENTAL DISABILITY RETIREMENT PURSUANT TO SECTION 13-168 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 BE EQUAL TO THREE-QUARTERS OF FINAL AVERAGE SALARY, SUBJECT TO THE PROVISIONS OF SECTION 13-176 OF THE ADMINISTRATIVE CODE OF THE CITY OF NEW YORK.

S 6. 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, OR THE ORDINARY OR ACCIDENTAL DISABILITY RETIREMENT BENEFIT OF SANITATION AND CORRECTION MEMBERS OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM, 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 7. 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, OR SANITATION REVISED PLAN MEMBERS OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM, OR CORRECTION REVISED PLAN MEMBERS OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM, 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 8. Section 512 of the retirement and social security law is amended by adding three new subdivisions e, f and g 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 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.

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 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.

G. NOTWITHSTANDING THE PROVISIONS OF SUBDIVISION A OF THIS SECTION, OR ANY OTHER GENERAL, SPECIAL OR LOCAL LAW, WITH RESPECT TO SANITATION AND CORRECTION MEMBERS OF THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM WHO RETIRE PURSUANT TO SECTION 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 ANY THREE CONSECUTIVE YEARS WHICH PROVIDE THE HIGHEST AVERAGE WAGE, 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 ANY YEAR INCLUDED IN THE PERIOD EXCEEDS THAT OF THE AVERAGE OF THE PREVIOUS TWO YEARS BY MORE THAN TEN PER CENTUM, THE AMOUNT IN EXCESS OF TEN 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 9. 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 10. Section 207-k of the general municipal law, as amended by chapter 1046 of the laws of 1973, subdivision a as amended by chapter 654 of the laws of 2006, is amended to read as follows:

S 207-k. Disabilities of policemen and firemen in certain cities. a. Notwithstanding the provisions of any general, special or local law or administrative code to the contrary, but except for the purposes of sections two hundred seven-a and two hundred seven-c of this article, the workers' compensation law and the labor law, any condition of impairment of health caused by diseases of the heart, or by a stroke, resulting in total or partial disability or death to a paid member of the uniformed force of a paid police department or fire department, where such paid policemen or firemen are drawn from competitive civil service lists, who successfully passed a physical examination on entry into the service of such respective department, which examination failed to reveal any evidence of such condition, shall be presumptive evidence that it was incurred in the performance and discharge of duty, unless the contrary be proved by competent evidence.

b. The provisions of this section shall remain in full force and effect to and including the thirtieth day of June, nineteen hundred seventy-four.

C. IN ADDITION, ANY CONDITION OF IMPAIRMENT OF HEALTH CAUSED BY DISEASES OF THE HEART, OR BY A STROKE, RESULTING IN TOTAL OR PARTIAL DISABILITY OR DEATH TO A MEDICAL OFFICER OF THE FIRE DEPARTMENT OF THE CITY OF NEW YORK, SHALL BE PRESUMPTIVE EVIDENCE THAT IT WAS INCURRED IN THE PERFORMANCE AND DISCHARGE OF DUTY, PROVIDED THAT SUCH MEDICAL OFFICER AUTHORIZED RELEASE OF ALL RELEVANT MEDICAL RECORDS, AND THERE IS NO EVIDENCE OF THE QUALIFYING CONDITION OR IMPAIRMENT OF HEALTH THAT FORMED THE BASIS FOR THE DISABILITY OR DEATH IN SUCH MEDICAL RECORDS UNLESS THE CONTRARY BE PROVED BY COMPETENT EVIDENCE.

S 11. Section 207-kk of the general municipal law, as amended by chapter 531 of the laws of 2003, is amended to read as follows:

S 207-kk. Disabilities of firefighters in certain cities caused by cancer. A. Notwithstanding any other provisions of this chapter to the contrary, any condition of impairment of health caused by (i) any condition of cancer affecting the lymphatic, digestive, hematological, urinary, neurological, breast, reproductive, or prostate systems or (ii) melanoma resulting in total or partial disability or death to a paid member of a fire department in a city with a population of one million or more, who successfully passed a physical examination on entry into the service of such department, which examination failed to reveal any evidence of such condition, shall be presumptive evidence that it was incurred in the performance and discharge of duty unless the contrary be

proved by competent evidence. The provisions of this section shall remain in full force and effect to and including the thirtieth day of June, two thousand five.

B. IN ADDITION, ANY CONDITION OF IMPAIRMENT OF HEALTH CAUSED BY (I) ANY CONDITION OF CANCER AFFECTING THE LYMPHATIC, DIGESTIVE, HEMATOLOGICAL, URINARY, NEUROLOGICAL, BREAST, REPRODUCTIVE, OR PROSTATE SYSTEMS OR (II) MELANOMA RESULTING IN TOTAL OR PARTIAL DISABILITY OR DEATH TO A MEDICAL OFFICER OF THE FIRE DEPARTMENT OF THE CITY OF NEW YORK, SHALL BE PRESUMPTIVE EVIDENCE THAT IT WAS INCURRED IN THE PERFORMANCE AND DISCHARGE OF DUTY, PROVIDED THAT SUCH MEDICAL OFFICER AUTHORIZED RELEASE OF ALL RELEVANT MEDICAL RECORDS, AND THERE IS NO EVIDENCE OF THE QUALIFYING CONDITION OR IMPAIRMENT OF HEALTH THAT FORMED THE BASIS FOR THE DISABILITY OR DEATH IN SUCH MEDICAL RECORDS UNLESS THE CONTRARY BE PROVED BY COMPETENT EVIDENCE.

S 12. Section 207-p of the general municipal law, as added by chapter 641 of the laws of 1999, is amended to read as follows:

S 207-p. Performance of duty disability retirement; police and fire department. A. Notwithstanding any other provision of this chapter or administrative code to the contrary, any paid member of a fire department and/or a paid police department, in a city with a population of one million or more who successfully passed a physical examination upon entry into the service of such department who contracts HIV (where the employee may have been exposed to a bodily fluid of a person under his or her care or treatment, or while the employee examined, transported, rescued or otherwise had contact with such person, in the performance of his or her duties), tuberculosis or hepatitis, will be presumed to have contracted such disease as a natural or proximate result of an accidental injury received in the performance and discharge of his or her duties and not as a result of his or her willful negligence, unless the contrary be provided by competent evidence.

B. IN ADDITION, ANY MEDICAL OFFICER OF THE FIRE DEPARTMENT OF THE CITY OF NEW YORK WHO CONTRACTS HIV (WHERE THE MEDICAL OFFICER HAS BEEN EXPOSED TO A BODILY FLUID OF A PERSON UNDER HIS OR HER CARE OR TREATMENT, OR WHILE THE MEDICAL OFFICER EXAMINED, TRANSPORTED, RESCUED OR OTHERWISE HAD CONTACT WITH SUCH PERSON, IN THE PERFORMANCE OF HIS OR HER DUTIES), TUBERCULOSIS OR HEPATITIS, WILL BE PRESUMED TO HAVE CONTRACTED SUCH DISEASE AS A NATURAL OR PROXIMATE RESULT OF AN ACCIDENTAL INJURY RECEIVED IN THE PERFORMANCE OF HIS OR HER DUTIES AND NOT AS A RESULT OF HIS OR HER WILLFUL NEGLIGENCE, PROVIDED THAT SUCH MEDICAL OFFICER AUTHORIZED RELEASE OF ALL RELEVANT MEDICAL RECORDS, AND THERE IS NO EVIDENCE OF THE QUALIFYING CONDITION OR IMPAIRMENT OF HEALTH THAT FORMED THE BASIS FOR THE DISABILITY IN SUCH MEDICAL RECORDS, UNLESS THE CONTRARY BE PROVED BY COMPETENT EVIDENCE.

S 13. Section 207-q of the general municipal law, as amended by chapter 103 of the laws of 2006, is amended to read as follows:

S 207-q. Firefighters; presumption in certain diseases. A. Notwithstanding any provision of this chapter or of any general, special or local law to the contrary, and for the purposes of this chapter, any condition of impairment of health caused by diseases of the lung, resulting in total or partial disability or death to a uniformed member of a paid fire department, where such member successfully passed a physical examination on entry into such service or subsequent thereto, which examination failed to reveal any evidence of such conditions, shall be presumptive evidence that such disability or death (1) was caused by the natural and proximate result of an accident, not caused by such firefighter's own negligence and (2) was incurred in the performance and

discharge of duty, unless the contrary be proven by competent evidence. The provisions of this section shall remain in full force and effect to and including the thirtieth day of June, two thousand eight.

B. IN ADDITION, ANY CONDITION OF IMPAIRMENT OF HEALTH CAUSED BY DISEASES OF THE LUNG, RESULTING IN TOTAL OR PARTIAL DISABILITY OR DEATH TO A MEDICAL OFFICER OF THE FIRE DEPARTMENT OF THE CITY OF NEW YORK, SHALL BE PRESUMPTIVE EVIDENCE THAT SUCH DISABILITY OR DEATH (1) WAS CAUSED BY THE NATURAL AND PROXIMATE RESULT OF AN ACCIDENT, NOT CAUSED BY SUCH MEDICAL OFFICER'S OWN NEGLIGENCE AND (2) WAS INCURRED IN THE PERFORMANCE AND DISCHARGE OF DUTY, PROVIDED THAT SUCH MEDICAL OFFICER AUTHORIZED RELEASE OF ALL RELEVANT MEDICAL RECORDS, AND THERE IS NO EVIDENCE OF THE QUALIFYING CONDITION OR IMPAIRMENT OF HEALTH THAT FORMED THE BASIS FOR THE DISABILITY IN SUCH MEDICAL RECORDS, UNLESS THE CONTRARY BE PROVED BY COMPETENT EVIDENCE.

S 14. This act shall take effect on the sixtieth day after it shall have become a law; provided, however, that the amendments to sections 207-k, 207-kk and 207-q of the general municipal law made by sections ten, eleven and thirteen of this act shall not affect the expiration of such sections, as provided in section 480 of the retirement and social security law.

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

BACKGROUND - DESIGN OF PROPOSED LEGISLATION

* In general, the OA believes that proposed legislation should:
* Be technically accurate,
* Be clear in its intent,
* Be administrable, and
* Meet desired policy objectives.

While the OA cannot provide any legal analysis, the OA has done a review of the proposed legislation and has some concerns. These concerns that follow represent the best understanding of the Actuary and staff of the OA and should not be considered legal interpretations. All of these concerns and suggestions should be reviewed by Counsel.

For purposes of this letter, all members of the New York City Police Pension Fund ("POLICE") subject to Article 14 of the Retirement and Social Security Law ("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."

CONCERNS WITH PROPOSED LEGISLATION WITH RESPECT TO ORDINARY DISABILITY RETIREMENT ("ODR") AND ACCIDENTAL DISABILITY RETIREMENT ("ADR")

* Benefits Compared to Tier I and Tier II

The proposed legislation, if enacted, would revise the ODR and ADR benefit formulas for Tier III POLICE Members.

It appears that the proposed Tier III ODR benefit formula is intended to be the same as the ODR benefit available to Tier I and Tier II POLICE Members (i.e., 1/40 of Final Average Salary ("FAS") multiplied by the years of service, but not less than (1) one-half of FAS if the years of service are 10 or more or (2) one-third of FAS if the years of service are less than 10) where the FAS for Tier III POLICE Members would be based on a one-year FAS, the same as for Tier II and similar to the rate of pay for Tier I.

Similarly, it also appears that the proposed ADR benefit formula for Tier III POLICE Members is intended to be the same as the ADR benefit available to Tier I and Tier II POLICE Members (i.e., 75% of Final Aver-

age Salary ("FAS")), where the FAS for Tier III POLICE Members would be based on a one-year FAS, the same as for Tier II and similar to the rate of pay for Tier I.

Note: Tier I and Tier II POLICE Members are also entitled to an additional 1/60 of total earnings after their 20th anniversary. Given the proposed statutory references, it is the understanding of the Actuary that the Tier III POLICE Members impacted by the proposed legislation would not receive this additional 1/60 of total earnings after 20 years of service.

POLICE Tier I and Tier II ODR and ADR benefits are subject to Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000 on the first $18,000 of benefit after five years of Disability Retirement.

Given the proposed statutory references, it is the understanding of the Actuary that the proposed ODR and ADR benefits for Tier III POLICE Members would be entitled to the COLA described in the preceding paragraph, but would NOT be subject to an annual Tier III Escalation increase on the full benefit immediately from the date of Disability Retirement.

* Reference to ITHP

The proposed legislation, in defining the revised ODR and ADR benefits, uses the term Increased-Take-Home-Pay ("ITHP").

ITHP is a special benefit provided to Tier I and Tier II members and is not defined for Tier III members.

Given the history that no Tier III Members have ever received ITHP benefits, the Actuary has assumed that if the proposed legislation were enacted, Tier III POLICE Members would not be entitled to ITHP.

* Annuitization of Member Contributions

The proposed legislation would include in the ODR and ADR benefit formulas for Tier III POLICE Members, a benefit in the form of an annuity equal to the actuarial equivalent of the accumulated Tier III member contributions at retirement.

Annuitized benefits based directly on member contributions are available to Tier I and Tier II POLICE Members. However, it is the understanding of the Actuary that no current Tier III Member has any benefit which is defined as an annuitization of accumulated member contributions.

* General Plan Design: From an administrative and design viewpoint, the Actuary would suggest that consideration be given to incorporating enhanced ODR and ADR benefit eligibilities and benefit formulas within RSSL Article 14, using only Article 14 terminology and structure to achieve the desired ODR and ADR benefit eligibilities and benefit levels.

* Presumptive Conditions for ADR

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 presumptive conditions that qualify for ADR that are available to Tier I and Tier II POLICE Members.

The reasoning behind this understanding is that in the proposed legislation, eligibility conditions for Tier III POLICE members for ODR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Sections 13-216, 13-251 and 13-254 (i.e., those that apply to Tier I and Tier II POLICE Members), notwithstanding anything to the contrary.

Similarly, in the proposed legislation, eligibility conditions for Tier III POLICE Members for ADR would be determined pursuant to ACNY

Sections 13-216, 13-252 and 13-254 (i.e., those that apply to Tier I and Tier II POLICE Members), notwithstanding anything to the contrary.

It is the understanding of the Actuary that in the proposed legislation, eligibility for ODR and ADR would not be pursuant to RSSL Section 507.e. RSSL Section 507.e provides that a member shall not be eligible for ODR or ADR unless the member waives the benefits of any statutory presumptions. Accordingly, it is the understanding of the Actuary that since under the proposed legislation RSSL Section 507.e would no longer apply to Tier III POLICE Members, Tier III POLICE Members would not be required to waive RSSL Section 507.e in order to be eligible for ODR or ADR benefits. Consequently, the statutory presumptions would apply since that have not been waived.

In accordance with the above reasoning, since current Tier III POLICE Members are required to waive the presumptions pursuant to RSSL Section 507.e, it is the understanding of the Actuary that Tier III POLICE Members are currently not entitled to presumptive conditions for ADR.

* Consistency Amongst Uniformed Groups

This proposed legislation would cover members of POLICE but not members of the New York Fire Department Pension Fund ("FIRE") or any other uniformed groups. Given the historical consistency in benefits amongst certain uniformed groups, this proposed legislation would likely lead to demands for similar legislation for at least some other uniformed groups.

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 the 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 year.

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 Worker's Compensation benefits (if any).

Note: It is the understanding of the Actuary that POLICE Members are not covered by Worker's 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 the 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 ("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 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 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 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 (referred to hereafter as "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

EEANR Under Proposed Legislation**

Retirement System	Entry Age 25		Entry Age 30		Entry Age 35	
	Male	Female	Male	Female	Male	Female
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

EEANR Under Proposed Legislation**

Retirement System	Entry Age 25		Entry Age 30		Entry Age 35	
	Male	Female	Male	Female	Male	Female
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 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 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 Acting Chief Actuary of the New York City Retirement Systems.

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

In response to your request received by the Office of the Actuary ("OA") on January 15, 2015, enclosed is a Fiscal Note presenting the estimated financial impact if proposed legislation similar to A9975/S7736 which was introduced during the 2014 Legislative Session is enacted into law during the 2015 Legislative Session.

BACKGROUND - DESIGN OF PROPOSED LEGISLATION

In general, the OA believes that proposed legislation should:

* Be technically accurate,
* Be clear in its intent,
* Be administrable, and
* Meet desired policy objectives.

While the OA cannot provide any legal analysis, the OA has done a review of the proposed legislation and has some concerns. These concerns that follow represent the best understanding of the Actuary and staff of the OA and should not be considered legal interpretations. All of these concerns and suggestions should be reviewed by Counsel.

Unless otherwise noted, for purposes of this letter 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 April 1, 2012 and the one Tier III member of FIRE who has a date of membership on or after July 1, 2009 and prior to April 1, 2012.

CONCERNS WITH PROPOSED LEGISLATION WITH RESPECT TO ORDINARY DISABILITY RETIREMENT ("ODR") AND ACCIDENTAL DISABILITY RETIREMENT ("ADR")

* Benefits Compared to Tier II: The proposed legislation, if enacted, would revise the ODR and ADR benefit formulas for Tier III FIRE Members.

It appears that the proposed Tier III ODR benefit formula is intended to be the same as the ODR benefit available to Tier II FIRE Members (i.e., 1/40 of Final Average Salary ("FAS") multiplied by the years of service, but not less than (1) one-half of FAS if the years of service are 10 or more or (2) one-third of FAS if the years of service are less than 10) where the FAS for Tier III FIRE Members would be based on a one-year FAS, the same as for Tier II.

Similarly, it also appears that the proposed ADR benefit formula for Tier III FIRE Members is intended to be the same as the ADR benefit available to Tier II FIRE Members (i.e., 75% of Final Average Salary ("FAS")), where the FAS for Tier III FIRE Members would be based on a one-year FAS, the same as for Tier II.

Note: Tier II FIRE Members are also entitled to an additional 1/60 of total earnings after their 20th anniversary. Given the proposed statutory references it is the understanding of the Actuary that the Tier III FIRE Members impacted by the proposed legislation would not receive this additional 1/60 of total earnings after 20 years of service.

FIRE Tier II ODR and ADR benefits are subject to Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000 on the first $18,000 of benefit after five years of Disability Retirement.

Given the proposed statutory references, it is the understanding of the Actuary that the proposed ODR and ADR benefits for Tier III FIRE Members would be entitled to the COLA described in the preceding paragraph, but would NOT be subject to an annual Tier III Escalation increase on the full benefit immediately from the date of Disability Retirement.

* Reference to ITHP: The proposed legislation, in defining the revised ODR and ADR benefits, uses the term Increased-Take-Home-Pay ("ITHP").

ITHP is a special benefit provided to Tier I and Tier II members and is not defined for Tier III members.

Given the history that no Tier III Members have ever received ITHP benefits, the Actuary has assumed that if the proposed legislation were enacted, Tier III FIRE Members would not be entitled to ITHP.

* Annuitization of Member Contributions: The proposed legislation would include in the ODR and ADR benefit formulas for Tier III FIRE Members, a benefit in the form of an annuity equal to the actuarial equivalent of the accumulated Tier III member contributions at retirement.

Annuitized benefits based directly on member contributions are available to Tier II FIRE Members. However, it is the understanding of the Actuary that no current Tier III Member has any benefit which is defined as an annuitization of accumulated member contributions.

* General Plan Design: From an administrative and design viewpoint, the Actuary would suggest that consideration be given to incorporating enhanced ODR and ADR benefit eligibilities and benefit formulas within Retirement and Social Security Law ("RSSL") Article 14, using only Article 14 terminology and structure to achieve the desired ODR and ADR benefit eligibilities and benefit levels.

* Name: The official name of the Pension Fund is the New York Fire Department Pension Fund.

* Presumptive Conditions for ADR

It is the understanding of the Actuary that the proposed legislation, if enacted, would provide Tier III FIRE Members the ability to be eligible for and to utilize the presumptive conditions that qualify for ADR that are available to Tier I and Tier II FIRE Members.

The reasoning behind this understanding is that in the proposed legislation eligibility conditions for Tier III FIRE members for ODR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Sections 13-316, 13-352 and 13-357 (i.e., those that apply to Tier I and Tier II FIRE Members), notwithstanding anything to the contrary.

Similarly, in the proposed legislation, eligibility conditions for Tier III FIRE Members for ADR would be determined pursuant to the ACNY Sections 13-316, 13-353 and 13-357 (i.e., those that apply to Tier I and Tier II FIRE Members), notwithstanding anything to the contrary.

It is the understanding of the Actuary that in the proposed legislation, eligibility for ODR and ADR would not be pursuant to RSSL Section 507.e. RSSL Section 507.e provides that a member shall not be eligible for ODR or ADR unless the member waives the benefits of any statutory presumptions. Accordingly, it is the understanding of the Actuary that since under the proposed legislation RSSL Section 507.e would no longer apply to Tier III FIRE Members, Tier III FIRE Members would not be required to waive RSSL Section 507.e in order to be eligible for ODR or ADR benefits. Consequently, the statutory presumptions would apply since they have not been waived.

In accordance with the above reasoning, since current Tier III FIRE Members are required to waive the presumptions pursuant to RSSL Section 507.e, it is the understanding of the Actuary that Tier III FIRE Members are currently not entitled to presumptive conditions for ADR.

* Consistency Amongst Uniformed Groups

This proposed legislation would cover members of FIRE but not members of the New York City Police Pension Fund ("POLICE") or any other uniformed groups. Given the historical consistency in benefits amongst certain uniformed groups, this proposed legislation would likely lead to

demands for similar legislation for at least some other uniformed groups.

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 be 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 Actu-

ary 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 OYLM 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 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 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**

	Entry Age 25		Entry Age 30		Entry Age 35	
Retirement System	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 use 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 be 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.

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

BACKGROUND - DESIGN OF PROPOSED LEGISLATION

In general, the OA believes that proposed legislation should:

* Be technically accurate,
* Be clear in its intent,
* Be administrable, and
* Meet desired policy objectives.

While the OA cannot provide any legal analysis, the OA has done a review of the proposed legislation and has some concerns. These concerns that follow represent the best understanding of the Actuary and staff of the OA and should not be considered legal interpretations. All of these concerns and suggestions should be reviewed by Counsel.

Unless otherwise noted, for purposes of this letter 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 April 1, 2012 and the one Tier III member of FIRE who has a date of membership on or after July 1, 2009 and prior to April 1, 2012.

CONCERNS WITH PROPOSED LEGISLATION WITH RESPECT TO ORDINARY DISABILITY RETIREMENT ("ODR") AND ACCIDENTAL DISABILITY RETIREMENT ("ADR")

* Benefits Compared to Tier II: The proposed legislation, if enacted, would revise the ODR and ADR benefit formulas for Tier III FIRE Members.

It appears that the proposed Tier III ODR benefit formula is intended to be the same as the ODR benefit available to Tier II FIRE Members (i.e., 1/40 of Final Average Salary ("FAS") multiplied by the years of service, but not less than (1) one-half of FAS if the years of service are 10 or more or (2) one-third of FAS if the years of service are less than 10) where the FAS for Tier III FIRE Members would be based on a one-year FAS, the same as for Tier II.

Similarly, it also appears that the proposed ADR benefit formula for Tier III FIRE Members is intended to be the same as the ADR benefit available to Tier II FIRE Members (i.e., 75% of Final Average Salary ("FAS")), where the FAS for Tier III FIRE Members would be based on a one-year FAS, the same as for Tier II.

Note: Tier II FIRE Members are also entitled to an additional 1/60 of total earnings after their 20th anniversary. Given the proposed statutory references it is the understanding of the Actuary that the Tier III FIRE Members impacted by the proposed legislation would not receive this additional 1/60 of total earnings after 20 years of service.

FIRE Tier II ODR and ADR benefits are subject to Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000 on the first $18,000 of benefit after five years of Disability Retirement.

Given the proposed statutory references, it is the understanding of the Actuary that the proposed ODR and ADR benefits for Tier III FIRE Members would be entitled to the COLA described in the preceding paragraph, but would NOT be subject to an annual Tier III Escalation increase on the full benefit immediately from the date of Disability Retirement.

* Reference to ITHP: The proposed legislation, in defining the revised ODR and ADR benefits, uses the term Increased-Take-Home-Pay ("ITHP").

ITHP is a special benefit provided to Tier I and Tier II members and is not defined for Tier III members.

Given the history that no Tier III Members have ever received ITHP benefits, the Actuary has assumed that if the proposed legislation were enacted, Tier III FIRE Members would not be entitled to ITHP.

* Annuitization of Member Contributions: The proposed legislation would include in the ODR and ADR benefit formulas for Tier III FIRE Members, a benefit in the form of an annuity equal to the actuarial equivalent of the accumulated Tier III member contributions at retirement.

Annuitized benefits based directly on member contributions are available to Tier II FIRE Members. However, it is the understanding of the Actuary that no current Tier III Member has any benefit which is defined as an annuitization of accumulated member contributions.

* General Plan Design: From an administrative and design viewpoint, the Actuary would suggest that consideration be given to incorporating enhanced ODR and ADR benefit eligibilities and benefit formulas within Retirement and Social Security Law ("RSSL") Article 14, using only Article 14 terminology and structure to achieve the desired ODR and ADR benefit eligibilities and benefit levels.

* Name: The official name of the Pension Fund is the New York Fire Department Pension Fund.

* Presumptive Conditions for ADR

It is the understanding of the Actuary that the proposed legislation, if enacted, would provide Tier III FIRE Members the ability to be eligible for and to utilize the presumptive conditions that qualify for ADR that are available to Tier I and Tier II FIRE Members.

The reasoning behind this understanding is that in the proposed legislation, eligibility conditions for Tier III FIRE members for ODR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Sections 13-316, 13-352 and 13-357 (i.e., those that apply to Tier I and Tier II FIRE Members), notwithstanding anything to the contrary.

Similarly, in the proposed legislation, eligibility conditions for Tier III FIRE Members for ADR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Sections 13-316, 13-353 and 13-357 (i.e., those that apply to Tier I and Tier II FIRE Members), notwithstanding anything to the contrary.

It is the understanding of the Actuary that in the proposed legislation, eligibility for ODR and ADR would not be pursuant to RSSL Section 507.e. RSSL Section 507.e provides that a member shall not be eligible for ODR or ADR unless the member waives the benefits of any statutory presumptions. Accordingly, it is the understanding of the Actuary that since under the proposed legislation RSSL Section 507.e would no longer apply to Tier III FIRE Members, Tier III FIRE Members would not be required to waive RSSL Section 507.e in order to be eligible for ODR or ADR benefits. Consequently, the statutory presumptions would apply since they have not been waived.

In accordance with the above reasoning, since current Tier III FIRE Members are required to waive the presumptions pursuant to RSSL Section 507.e, it is the understanding of the Actuary that Tier III FIRE Members are currently not entitled to presumptive conditions for ADR.

* Consistency Amongst Uniformed Groups

This proposed legislation would cover members of FIRE but not members of the New York City Police Pension Fund ("POLICE") or any other uniformed groups. Given the historical consistency in benefits amongst certain uniformed groups, this proposed legislation would likely lead to demands for similar legislation for at least some other uniformed groups.

FISCAL NOTE: 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 Retire-

ment ("ODR") benefits and Accidental Disability Retirement ("ADR") benefits.

The proposed legislation would also amend ACNY Section 13-353.1 and General Municipal Law ("GML") Sections 207-k, 207-kk, 207-p and 207-q to change the eligibility requirements for Medical Officers of FIRE to utilize the statutory presumptions that qualify FIRE members for ADR.

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.

The current eligibility to utilize the statutory presumptions requires that the member must have 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.

Under the proposed legislation, Medical Officers may satisfy the eligibility to utilize the statutory presumptions provided the Medical Officer authorized release of all relevant medical records, and there is no evidence of the qualifying condition or impairment that formed the basis for the disability in such medical records unless the contrary is proved by competent evidence.

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 Acturial Accrued Liability ("UAAL") and APV of future employer costs as of June 30, 2013 for Tier III FIRE Members.

FINANCIAL IMPACT - CHANGES IN PROJECTED APV OF FUTURE EMPLOYER COSTS AND PROJECTED EMPLOYER COSTS: For purposes of this Fiscal Note, it is assumed that the changes in APVB, APV of future member contributions, UAAL and APV of future employer costs 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 costs 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 OYLM 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 and the changes in eligibility requirements for presumptions for FIRE Medical Officers in the APV of future employer costs and in employer costs 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 and to Presumption
Eligibility Requirements for Medical Officers *

($ Millions)

Fiscal Year	Increase in APV of Future Employer Costs	Increase in Employer Costs
2015	$16.3	$2.1
2016	68.3	8.2
2017	120.1	13.5
2018	173.1	18.4
2019	227.3	23.1

* 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 costs 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 - CHANGES IN PROJECTED APV OF FUTURE EMPLOYER CONTRIBUTIONS AND PROJECTED EMPLOYER CONTRIBUTIONS: Since the assumptions used in the actuarial valuation of FIRE do not distinguish between Medical Officers and other FIRE members and those assumptions for Tier II members already incorporate some or all of the presumptions available under law, the increase in employer contributions and in the APV of future employer contributions would be slightly less than those shown in Table 1.

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.

There were 21 Medical Officers in FIRE as of June 30, 2013. Of the 21, 7 are currently eligible to utilize the statutory presumptions. In addition, 7 of the 14 Medical Officers who are not currently eligible to utilize the statutory presumptions became members after September 11, 2001 and, therefore, are unlikely to be eligible for World Trade Center presumptive benefits but, if the proposed legislation is enacted, could become eligible for other presumptive benefits.

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 2015-07, dated February 27, 2015 prepared by the Acting Chief Actuary of the New York Fire Department Pension Fund.

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

Background - Design of Proposed Legislation

In general, the OA believes that proposed legislation should:

* Be technically accurate,
* Be clear in its intent,
* Be administrable, and
* Meet desired policy objectives.

While the OA cannot provide any legal analysis, the OA has done a review of the proposed legislation and has some concerns. These concerns that follow represent the best understanding of the Actuary and staff of the OA and should not be considered legal interpretations. All of these concerns and suggestions should be reviewed by Counsel.

Concerns with Proposed Legislation with Respect to Ordinary Disability Retirement ("ODR") and Accidental Disability Retirement ("ADR")

* Benefits Compared to Tier III: The proposed legislation, if enacted, would revise the ODR and ADR benefit formulas for Tier VI Correction Members.

It appears that the proposed Tier VI ODR benefit formula is intended to be the same as the ODR benefit available to Tier III Correction Members after completing 10 years of service (i.e., 1 2/3% of Three-Year Final Average Salary ("FAS3") multiplied by the years of service, but not less than one-third of FAS3).

Similarly, it also appears that the proposed ADR benefit formula for Tier VI Correction Members is intended to be the same as the ADR benefit available to Tier III Correction Members (i.e., 75% of FAS3 but not less than 1 2/3% of FAS3 multiplied by years of credited service).

Correction Tier III ODR and ADR benefits are subject to Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000 on the first $18,000 of benefit after five years of Disability Retirement.

Given the proposed statutory references, it is the understanding of the Actuary that the proposed ODR and ADR benefits for Tier VI Correction Members would be entitled to the COLA described in the preceding paragraph, but would NOT be subject to an annual Tier VI Escalation increase on the full benefit immediately from the date of Disability Retirement.

* Presumptive Conditions for ADR

It is the understanding of the Actuary that the proposed legislation, if enacted, would provide Tier VI Correction Members the ability to be eligible for and to utilize the presumptive conditions that qualify for ADR that are available to Tier III Correction Members.

The reasoning behind this understanding is that in the proposed legislation, eligibility conditions for Tier VI Correction members for the ODR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Section 13-167 (i.e., those that apply to Tier III Correction Members), notwithstanding anything to the contrary.

Similarly, in the proposed legislation, eligibility conditions for Tier VI Correction Members for ADR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Section 13-168 (i.e., those that apply to Tier III Correction Members), notwithstanding anything to the contrary.

It is the understanding of the Actuary that in the proposed legislation, eligibility for ODR and ADR would not be pursuant to RSSL Section 507.e. RSSL Section 507.e provides that a member shall not be eligible for ODR or ADR unless the member waives the benefits of any statutory presumptions. Accordingly, it is the understanding of the Actuary that since under the proposed legislation RSSL Section 507.e would no longer apply to Tier VI Correction Members, Tier VI Correction Members would not be required to waive RSSL Section 507.e in order to be eligible for ODR or ADR benefits. Consequently, the statutory presumptions would apply since they have not been waived.

In accordance with the above reasoning, since current Tier VI Correction Members are required to waive the presumptions pursuant to RSSL Section 507.e, it is the understanding of the Actuary that Tier VI Correction Members are currently not entitled to presumptive conditions for ADR.

* Consistency Amongst Uniformed Groups

This proposed legislation would cover member of Correction but not members of any other uniformed groups. Given the historical consistency in benefits amongst certain uniformed groups, this proposed legislation would likely lead to demands for similar legislation for at least some other uniformed groups.

FISCAL NOTE. PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Retirement and Social Security Law ("RSSL") Sections 506, 507, 510, 511 and 512 and Administrative Code of the City of New York ("ACNY") Section 13-171 to change, for Tier VI Correction members of the New York City Employees' Retirement System ("NYCERS") subject to Article 14 of the RSSL as amended by Chapter 18 of the Laws of 2012 ("Tier VI members"), the eligibility for and the calculation of Ordinary Disability Retirement ("ODR") benefits and Accidental Disability Retirement ("ADR") benefits.

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 VI Correction Members are based on:

* Completing five or more years of service, and

* Becoming eligible for Primary Social Security Disability retirement benefits.

Such current Tier VI ODR benefits are equal to the greater of:

* 33 1/3% of Five-Year Final Average Salary ("FAS5"), or

* 2% of FAS5 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).

Under the proposed legislation the eligibility requirements for ODR benefits for Tier VI Correction Members would be revised to be the same as those provided in ACNY Section 13-167 (i.e., the provisions applicable to Tier III Correction members) and would be based on completing ten or more years of service.

Such Tier III ODR benefits are equal to the greater of:

* 33 1/3% of Three-Year Final Average Salary ("FAS3"), or
* 1 2/3% of FAS3 multiplied by years of credited service.

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

Note: As a result of Constitutional Protection under Article V, Section 7 of the New York State Constitution, it is the understanding of the Actuary that all Tier VI Sanitation members who are NYCERS members prior to the effective date of this proposed legislation would continue to be eligible for the current Tier VI ODR provisions, and this has been assumed for purposes of determining obligations under this proposed legislation.

IMPACT ON ADR BENEFITS PAYABLE: The current eligibility provision for ADR benefits for Tier VI Correction Members is based on:

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

Such ADR benefits are equal to:

* 50% multiplied by FAS5,
* Less 50% of Primary Social Security disability benefit or Primary Social Security benefits, whichever begins first (determined under RSSL Section 511),
* Less 100% of Workers' Compensation benefits (if any).

Under the proposed legislation the eligibility requirements for ADR benefits for Tier VI Correction Members would be revised to be the same as those provided in ACNY Section 13-168 (i.e., the provisions applicable to Tier III Correction Members).

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

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

Under the proposed legislation, if enacted, the ADR benefit for Tier VI Correction Members would be revised to equal a retirement allowance equal to:

* 75% multiplied by FAS3,
* Less 100% of Workers' Compensation benefits (if any).

In addition, the proposed legislation would not apply the Escalation available under RSSL Section 510 to ADR benefits for Tier VI Correction Members. However, such ADR benefits would still be eligible for 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 VI Correction 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 NYCERS.

Under the One-Year Lag Methodology ("OYLM"), the first year that changes in benefits for Tier VI Correction Members could impact employer contributions to NYCERS 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 VI Correction Members is approximately 20 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 to 20-year period (between 14 and 19 payments under the OYLM Methodology). However, since virtually all of the Tier VI Correction 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 VI Correction Members in the APV of future employer contributions and in employer contributions to NYCERS 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 NYCERS
If Certain Revisions are Made to
Provisions for ODR and ADR Benefits
for Tier VI Correction Members *

($ Millions)

Fiscal Year	Increase in APV of Future Employer Contributions	Increase in Employer Contributions
2015	$6.8	$0.8
2016	11.3	1.3
2017	15.0	1.6
2018	18.3	1.9
2019	22.0	2.2

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

ODR and ADR benefits are NOT subject to Tier III Escalation (RSSL Section 510) but would be eligible for COLA under Chapter 125 of the Laws of 2000.

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 Correction member who enters NYCERS, 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 VI Correction Members would be greater than the EEANC and EEANR for comparable Tier VI Correction Members entering at the same attained age and gender under the current NYCERS provisions.

Table 2 shows a summary of the change in EEANR for Tier VI Correction Members who have a date of membership on or after the date of enactment of this proposed legislation for entry ages 25, 30 and 35 determined as of June 30, 2012 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 Excluding One-Year Lag Methodology*

To Implement Certain ODR and ADR and Accidental Death Benefit Provisions
for Tier VI Correction Members
Under Proposed Changes with Presumptions
and
Under Current Law

EEANR Under Proposed Changes**

	Entry Age 25		Entry Age 30		Entry Age 35	
	Male	Female	Male	Female	Male	Female
Correction Tier VI	17.80%	18.42%	16.29%	16.90%	15.11%	15.76%

EEANR Under Current Law

Correction Tier VI	17.34%	17.97%	15.79%	16.42%	14.56%	15.24%

Increase in EEANR Due to Proposed Changes

Correction Tier VI	0.46%	0.45%	0.50%	0.48%	0.55%	0.52%

* 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) but would be eligible for COLA under Chapter 125 of the Laws of 2000.

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

* The initial, additional administrative costs of NYCERS 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 NYCERS 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 NYCERS.

The 877 Tier VI Correction Members as of June 30, 2013 had an average age of approximately 32, average service of approximately 0.5 years and an average salary of approximately $46,000.

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 NYCERS and adjusted for revised ADR and Accidental Death eligibility provisions.

For determining the change in APVB and increase in employer costs to NYCERS, the actuarial assumptions and methods are the same as those used in the June 30, 2013 (Lag) actuarial valuation of NYCERS except that probabilities of Ordinary Disability and Ordinary Death have been reduced by 5% and 10%, respectively, and the probabilities of Accidental Disability and Accidental Death have been increased by the same amounts of reduction in the probabilities of Ordinary Disability and Ordinary Death, respectively.

Neither this Fiscal Note nor the actuarial valuation methodology used to determine employer contributions to NYCERS reflect a calculation of the value of an offset for Workers' Compensation benefits.

ADR benefits under both the current provisions and proposed legislation are offset by Workers' Compensation benefits and, therefore, any Workers' Compensation benefits paid would not impact the costs shown.

On the other hand, to the extent members who receive ODR benefits also receive Workers' Compensation benefits, those Workers' Compensation benefits received reduce the amounts otherwise payable under current provisions of law but would not impact the benefits payable under the proposed legislation.

Thus, the lack of an offset for the value of Workers' Compensation benefits understates the costs presented in this Fiscal Note but the Actuary believes this understatement is modest.

The amounts shown in this Fiscal Note equal the impact on employer contributions were the proposed legislation to be enacted.

To the extent that the enactment of this proposed legislation would cause a greater (lesser) number of Tier VI Correction Members to be reclassified from Ordinary Disability to Accidental Disability Retirement or from Ordinary Death to Accidental Death, or to the extent that Tier VI Correction 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 entrant Tier VI Correction Members were projected to replace the Correction 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 Correction used in the projections, assuming a level work force, and the cumulative number (i.e., net of withdrawals) of Tier VI Members as of each June 30 from 2013 through 2017.

Table 3

Surviving Actives from Census on June 30, 2013
and
Cumulative New Tier VI Correction Members from 2013

Used in the Projections*

June 30	Tier I, II, III & IV	Tier VI	Total
2013	7,798	877	8,675
2014	7,278	1,397	8,675
2015	6,865	1,810	8,675
2016	6,414	2,261	8,675
2017	5,919	2,756	8,675

* 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 VI Correction members.

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

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 (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 2015-20, dated April 9, 2015 prepared by the Acting Chief Actuary of the New York City Employees' Retirement System.

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

BACKGROUND - DESIGN OF PROPOSED LEGISLATION

In general, the OA believes that proposed legislation should:

* Be technically accurate,
* Be clear in its intent,
* Be administrable, and
* Meet desired policy objectives.

While the OA cannot provide any legal analysis, the OA has done a review of the proposed legislation and has some concerns. These concerns that follow represent the best understanding of the Actuary and staff of the OA and should not be considered legal interpretations. All of these concerns and suggestions should be reviewed by Counsel.

CONCERNS WITH PROPOSED LEGISLATION WITH RESPECT TO ORDINARY DISABILITY RETIREMENT ("ODR") AND ACCIDENTAL DISABILITY RETIREMENT ("ADR")

* Benefits Compared to Tier IV: The proposed legislation, if enacted, would revise the ODR and ADR benefit formulas for Tier VI Sanitation Members.

It appears that the proposed Tier VI ODR benefit formula is intended to be the same as the ODR benefit available to Tier IV Sanitation Members (i.e., 1 2/3% of Three-Year Final Average Salary ("FAS3") multiplied by the years of service, but not less than one-third of FAS3).

Similarly, it also appears that the proposed ADR benefit formula for Tier VI Sanitation Members is intended to be the same as the ADR benefit available to Tier IV Sanitation Members (i.e., 75% of FAS3 but not less than 1 2/3% of FAS3 multiplied by years of credited service).

Sanitation Tier IV ODR and ADR benefits are subject to Cost-of-Living Adjustments ("COLA") under Chapter 125 of the Laws of 2000 on the first $18,000 of benefit after five years of Disability Retirement.

Given the proposed statutory references, it is the understanding of the Actuary that the proposed ODR and ADR benefits for Tier VI Sanitation Members would be entitled to the COLA described in the preceding paragraph, but would NOT be subject to an annual Tier VI Escalation increase on the full benefit immediately from the date of Disability Retirement.

* Presumptive Conditions for ADR

It is the understanding of the Actuary that the proposed legislation, if enacted, would provide Tier VI Sanitation Members the ability to be

eligible for and to utilize the presumptive conditions that qualify for ADR that are available to Tier IV Sanitation Members.

The reasoning behind this understanding is that in the proposed legislation, eligibility conditions for Tier VI Sanitation members for ODR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Section 13-167 (i.e., those that apply to Tier IV Sanitation Members), notwithstanding anything to the contrary.

Similarly, in the proposed legislation, eligibility conditions for Tier VI Sanitation Members for ADR would be determined pursuant to the Administrative Code of the City of New York ("ACNY") Section 13-168 (i.e., those that apply to Tier IV Sanitation Members), notwithstanding anything to the contrary.

It is the understanding of the Actuary that in the proposed legislation, eligibility for ODR and ADR would not be pursuant to RSSL Section 507.e. RSSL Section 507.e provides that a member shall not be eligible for ODR or ADR unless the member waives the benefits of any statutory presumptions. Accordingly, it is the understanding of the Actuary that since under the proposed legislation RSSL Section 507.e would no longer apply to Tier VI Sanitation Members, Tier VI Sanitation Members would not be required to waive RSSL Section 507.e in order to be eligible for ODR and ADR benefits. Consequently, the statutory presumptions would apply since they have not been waived.

In accordance with the above reasoning, since current Tier VI Sanitation Members are required to waive the presumptions pursuant to RSSL Section 507.e, it is the understanding of the Actuary that Tier VI Sanitation Members are currently not entitled to presumptive conditions for ADR.

* Consistency Amongst Uniformed Groups

This proposed legislation would cover members of Sanitation but not members of any other uniformed groups. Given the historical consistency in benefits amongst certain uniformed groups, this proposed legislation would likely lead to demands for similar legislation for at least some other uniformed groups.

FISCAL NOTE:

PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Retirement and Social Security Law ("RSSL") Sections 506, 507, 510, 511 and 512 and Administrative Code of the City of New York ("ACNY") Section 13-171 to change, for Tier VI Sanitation members of the New York City Employees' Retirement System ("NYCERS") subject to Article 14 of the RSSL as amended by Chapter 18 of the Laws of 2012 ("Tier VI members"), the eligibility for and the calculation of Ordinary Disability Retirement ("ODR") benefits and Accidental Disability Retirement ("ADR") benefits.

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 VI Sanitation Members are based on:

* Completing five or more years of service, and

* Becoming eligible for Primary Social Security Disability retirement benefits.

Such current Tier VI ODR benefits are equal to the greater of:

* 33 1/3% of Five-Year Final Average Salary ("FAS5"), or

* 2% of FAS5 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 Sanitation Members are not covered by Workers' Compensation.

Under the proposed legislation the eligibility requirements for ODR benefits for Tier VI Sanitation Members would be revised to be the same as those provided in ACNY Section 13-167 (i.e., the provisions applicable to Tier IV Sanitation members) and would be based on completing ten or more years of service.

Such Tier IV ODR benefits are equal to the greater of:

* 33 1/3% of Three-Year Final Average Salary ("FAS3"), or

* 1 2/3% of FAS31 multiplied by years of credited service.

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

Note: As a result of Constitutional Protection under Article V, Section 7 of the New York State Constitution, it is the understanding of the Actuary that all Tier VI Sanitation members who are NYCERS members prior to the effective date of this proposed legislation would continue to be eligible for the current Tier VI ODR provisions, and this has been assumed for purposes of determining obligations under this proposed legislation.

IMPACT ON ADR BENEFITS PAYABLE: The current eligibility provision for ADR benefits for Tier VI Sanitation Members is based on:

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

Such ADR benefits are equal to:

* 50% multiplied by FAS5,

* Less 50% of Primary Social Security disability benefit or Primary Social Security benefits, whichever begins first (determined under RSSL Section 511),

* Less 100% of Workers' Compensation benefits (if any).

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

Under the proposed legislation the eligibility requirements for ADR benefits for Tier VI Sanitation Members would be revised to be the same as those provided in ACNY Section 13-168 (i.e., the provisions applicable to Tier IV Sanitation Members).

In addition, it is the understanding of the Actuary that the proposed legislation, if enacted, would provide that Tier VI Sanitation Members could be eligible for and utilize the statutory presumptions (e.g., certain heart diseases) that qualify certain Tier IV Sanitation Members for ADR and Accidental Death Benefits.

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

Under the proposed legislation, if enacted, the ADR benefit for Tier VI Sanitation Members would be revised to equal a retirement allowance equal to:

* 75% multiplied by FAS3.

In addition, the proposed legislation would NOT apply the Escalation available under RSSL Section 510 to ADR benefits for Tier VI Sanitation Members. However, such ADR benefits would still be eligible for 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 VI Sanitation 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 NYCERS.

Under the One-Year Lag Methodology ("OYLM"), the first year that changes in benefits for Tier VI Sanitation Members could impact employer contributions to NYCERS 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 VI Sanitation Members is approximately 21 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 to 20-year period (between 14 and 19 payments under the OYLM Methodology). However, since virtually all of the Tier VI Sanitation 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 VI Sanitation Members in the APV of future employer contributions and in employer contributions to NYCERS 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 NYCERS
If Certain Revisions are Made to
Provisions for ODR and ADR Benefits
for Tier VI Sanitation Members *

($ Millions)

Fiscal Year	Increase in APV of Future Employer Contributions	Increase in Employer Contributions
2015	$4.2	$0.5
2016	8.8	1.0
2017	12.0	1.3
2018	14.9	1.6
2019	17.1	1.7

* 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) but would be eligible for COLA under Chapter 125 of the Laws of 2000.

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 Sanitation member who enters NYCERS, 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 VI Sanitation Members would be greater than the EEANC and EEANR for comparable Tier VI Sanitation Members entering at the same attained age and gender under the current NYCERS provisions.

Table 2 shows a summary of the change in EEANR for Tier VI Sanitation Members who have a date of membership on or after the date of enactment of this proposed legislation 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 Excluding One-Year Lag Methodology*

To Implement Certain ODR and ADR and Accidental Death Benefit Provisions
for Tier VI Sanitation Members
Under Proposed Changes with Presumptions
and
Under Current Law

EEANR Under Proposed Changes**

	Entry Age 25		Entry Age 30		Entry Age 35	
	Male	Female	Male	Female	Male	Female
Sanitation Tier VI	16.85%	17.45%	15.45%	16.05%	14.43%	15.08%
	EEANR Under Current Law					
Sanitation Tier VI	16.46%	17.08%	14.98%	15.59%	13.84%	14.50%
	Increase in EEANR Due to Proposed Changes					
Sanitation Tier VI	0.39%	0.37%	0.47%	0.46%	0.59%	0.58%

* 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) but would be eligible for COLA under Chapter 125 of the Laws of 2000.

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

* The initial, additional administrative costs of NYCERS 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 Post Employment 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 NYCERS 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 NYCERS.

The 382 Tier VI Sanitation Members as of June 30, 2013 had an average age of approximately 35, average service of approximately 1.0 years and an average salary of approximately $47,500.

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 NYCERS and adjusted for revised ADR and Accidental Death eligibility provisions.

The probabilities of accidental disability used for Tier VI Sanitation Members equal those currently used for Tier IV Sanitation Members.

For determining the change in APVB and increase in employer costs to NYCERS, the actuarial assumptions and methods are the same as those used in the June 30, 2013 (Lag) actuarial valuation of NYCERS except that probabilities of Ordinary Disability and Ordinary Death have been

reduced by 5% and 10%, respectively, and the probabilities of Accidental Disability and Accidental Death have been increased by the same amounts of reduction in the probabilities of Ordinary Disability and Ordinary Death, respectively.

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 Sanitation 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 VI Sanitation Members to be reclassified from Ordinary Disability to Accidental Disability Retirement or from Ordinary Death to Accidental Death, or to the extent that Tier VI Sanitation 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 VI Sanitation Members were projected to replace the Sanitation 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 Sanitation used in the projections, assuming a level work force, and the cumulative number (i.e., net of withdrawals) of Tier VI Members as of each June 30 from 2013 through 2017.

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

June 30	Tier I, II, III & IV	Tier VI	Total
2013	6,579	382	6,961
2014	6,150	811	6,961
2015	5,858	1,103	6,961
2016	5,495	1,466	6,961
2017	5,239	1,722	6,961

* 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 VI Sanitation members.

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

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 (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 2015-17, dated March 19, 2015 prepared by the Acting Chief Actuary of the New York City Employees' Retirement System.