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

4006

2015-2016 Regular Sessions

I N S E N A T E

February 25, 2015

Introduced by Sen. GOLDEN -- (at request of the New York State Teachers' Retirement System) -- read twice and ordered printed, and when printed to be committed to the Committee on Education

AN ACT to amend the education law and the retirement and social security law, in relation to the applicable interest rate for calculating certain benefits provided by the New York state teachers' retirement system

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

Section 1. Section 537 of the education law, as separately amended by chapters 140 and 167 of the laws of 2003, is amended to read as follows:

S 537. Lump sum payment of de minimis service retirement benefit. Notwithstanding any other law to the contrary, a member of the retirement system who is entitled to receive a retirement allowance, other than for disability, pursuant to this article or pursuant to article eleven or fifteen of the retirement and social security law, which retirement allowance prior to optional modification is twenty-four hundred dollars per annum or less, may elect at retirement to receive, in lieu of such retirement allowance, a lump sum payment which has been certified by the actuary to be of actuarial equivalent value to such retirement allowance and approved by the retirement board. Such lump sum shall be calculated using the interest rate on thirty year United States treasury bonds as of January first of the calendar year in which the retirement becomes effective. Upon payment of such lump sum, any and all obligations of the retirement system to such member shall be totally discharged. Commencing January first, two thousand four, the interest rate on ten year United States treasury obligations as of January first of the calendar year in which the retirement becomes effective shall be used. COMMENCING JANUARY FIRST, TWO THOUSAND SIXTEEN, THE AVERAGE ANNUAL INTEREST RATE ON TEN YEAR UNITED STATES TREASURY OBLIGATIONS FOR THE

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

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DAYS DURING THE CALENDAR YEAR THAT PRECEDES THE CALENDAR YEAR IN WHICH THE RETIREMENT BECOMES EFFECTIVE SHALL BE USED.

S 2. Subdivision h of section 517-b of the retirement and social security law, as amended by chapter 140 of the laws of 2003, is amended to read as follows:

h. Notwithstanding the provisions of section five hundred sixteen of this article, whenever a member of such a retirement system, for whom a loan is outstanding, retires, the retirement allowance payable without optional modification shall be reduced by a life annuity which is actuarially equivalent to the amount of the outstanding loan (all outstanding loans shall continue to accrue interest charges until retirement), such life annuity being calculated utilizing the interest rate on thirty-year United States treasury bonds as of January first of the calendar year of the effective date of retirement and the mortality tables for options available under section five hundred fourteen of this article. Notwithstanding the preceding sentence, in the case of the New York state teachers' retirement system, commencing January first, two thousand four, the interest rate on ten year United States treasury obligations as of January first of the calendar year of the effective date of retirement shall be used. NOTWITHSTANDING THE PRECEDING SENTENCE, IN THE CASE OF THE NEW YORK STATE TEACHERS' RETIREMENT SYSTEM, COMMENCING JANUARY FIRST, TWO THOUSAND SIXTEEN, THE AVERAGE ANNUAL INTEREST RATE ON TEN YEAR UNITED STATES TREASURY OBLIGATIONS FOR THE DAYS DURING THE CALENDAR YEAR THAT PRECEDES THE CALENDAR YEAR IN WHICH THE RETIREMENT BECOMES EFFECTIVE SHALL BE USED.

S 3. Subdivision h of section 613-a of the retirement and social security law, as amended by chapter 140 of the laws of 2003, is amended to read as follows:

h. Notwithstanding the provisions of subdivision b of section six hundred twelve of this article, whenever a member of such a retirement system, for whom a loan is outstanding, retires, the retirement allowance payable without optional modification shall be reduced by a life annuity which is actuarially equivalent to the amount of the outstanding loan (all outstanding loans shall continue to accrue interest charges until retirement), such life annuity being calculated utilizing the interest rate on thirty-year United States treasury bonds as of January first of the calendar year of the effective date of retirement and the mortality tables for options available under section six hundred ten of this article. Notwithstanding the preceding sentence, in the case of the New York state teachers' retirement system, commencing January first, two thousand four, the interest rate on ten year United States treasury obligations as of January first of the calendar year of the effective date of retirement shall be used. NOTWITHSTANDING THE PRECEDING SENTENCE, IN THE CASE OF THE NEW YORK STATE TEACHERS' RETIREMENT SYSTEM, COMMENCING JANUARY FIRST, TWO THOUSAND SIXTEEN, THE AVERAGE ANNUAL INTEREST RATE ON TEN YEAR UNITED STATES TREASURY OBLIGATIONS FOR THE DAYS DURING THE CALENDAR YEAR THAT PRECEDES THE CALENDAR YEAR IN WHICH THE RETIREMENT BECOMES EFFECTIVE SHALL BE USED.

S 4. This act shall take effect June 30, 2015, except that if this act shall have become a law on or after June 30, 2015, this act shall take effect immediately and shall be deemed to have been in full force and effect on and after June 30, 2015.

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

This bill would amend Section 537 of the Education Law and Sections 517-b and 613-a of the Retirement and Social Security Law to change the interest rate used in calculating certain benefits provided by the New

York State Teachers' Retirement System to the average annual interest rate on ten year United States treasury obligations for the days during the calendar year that precedes the calendar year in which retirement becomes effective. Currently the interest rate on ten year United States treasury obligations as of January first of the calendar year of the effective date of retirement is used in calculating such benefits. This change would be effective January 1, 2016.

The annual cost to the employers of members of the New York State Teachers' Retirement System is estimated to be negligible if this bill is enacted.

Employee data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Comprehensive Annual Financial Report (CAFR). System assets are as reported in the System's financial statements, and can also be found in the CAFR. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2015-6 dated January 20, 2015 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2015 Legislative Session. I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.