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

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I N S E N A T E

June 13, 2016

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

AN ACT to amend the retirement and social security law, in relation to the right of members of the optional twenty-five year/age fifty improved benefit program for automotive members to revoke their participation in the program

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

Section 1. Paragraph 3 of subdivision b of section 445-g of the retirement and social security law, as added by chapter 414 of the laws of 2002, is amended to read as follows:

3. Any election to be a participant in the twenty-five year/age fifty improved benefit retirement program shall be irrevocable, PROVIDED THAT AFTER COMPLETING FIVE YEARS OF CREDITED SERVICE, BUT NOT MORE THAN TWENTY-FIVE YEARS OF CREDITED SERVICE, A PARTICIPANT MAY REVOKE PARTICIPATION IN THE PROGRAM.

S 2. Subparagraph (ii) of paragraph 7 of subdivision d of section 445-g of the retirement and social security law, as added by chapter 414 of the laws of 2002 is amended to read as follows:

(ii) Should a participant in the twenty-five year/age fifty improved benefit retirement program, who has rendered less than five years of credited service cease to hold a position as an automotive member for any reason whatsoever, OR SHOULD A PARTICIPANT WITH AT LEAST FIVE YEARS BUT LESS THAN TWENTY-FIVE YEARS OF CREDITED SERVICE REVOKE HIS OR HER PARTICIPATION IN ACCORDANCE WITH PARAGRAPH THREE OF SUBDIVISION B OF THIS SECTION, his or her accumulated additional member contributions made pursuant to this subdivision (together with any interest thereon paid to the retirement system) which remain credited to such participant's account may be withdrawn by him or her pursuant to procedures promulgated in regulations of the board of trustees of the retirement system, together with interest thereon at the rate of interest required by law to be used to credit interest on the accumulated deductions of retirement system members compounded annually.

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

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S 3. Paragraph 3 of subdivision b of section 604-g of the retirement and social security law, as added by chapter 414 of the laws of 2002, is amended to read as follows:

3. Any election to be a participant in the twenty-five year/age fifty retirement program shall be irrevocable, PROVIDED THAT AFTER COMPLETING FIVE YEARS OF CREDITED SERVICE, BUT NOT MORE THAN TWENTY-FIVE YEARS OF CREDITED SERVICE, A PARTICIPANT MAY REVOKE PARTICIPATION IN THE PROGRAM.

S 4. Subparagraph (ii) of paragraph 10 of subdivision e of section 604-g of the retirement and social security law, as added by chapter 414 of the laws of 2002, is amended to read as follows:

(ii) Should a participant in the twenty-five year/age fifty retirement program who has rendered less than five years of credited service cease to hold a position as an automotive member for any reason whatsoever, OR SHOULD A PARTICIPANT WITH AT LEAST FIVE YEARS BUT LESS THAN TWENTY-FIVE YEARS OF CREDITED SERVICE REVOKE HIS OR HER PARTICIPATION IN ACCORDANCE WITH PARAGRAPH THREE OF SUBDIVISION B OF THIS SECTION, his or her accumulated additional member contributions made pursuant to this subdivision (together with any interest thereon paid to the retirement system) may be withdrawn by him or her pursuant to procedures promulgated in regulations of the board of trustees of the retirement system, together with interest thereon at the rate of five percent per annum compounded annually.

S 5. This act shall take effect immediately.

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

PROVISIONS OF PROPOSED LEGISLATION: The proposed legislation would amend Retirement and Social Security Law (RSSL) Sections 445-g and 604-g to permit certain New York City Employees' Retirement System (NYCERS) members who participate in the Tier 2, Tier 4 or Tier 6 Twenty-Five Year Age Fifty Retirement Programs for Automotive Members (25/50 Auto Plans) and have at least 5 but less than 25 years of credited service to revoke participation in such Plans and withdraw any accumulated Additional Member Contributions (AMC) with interest paid thereon.

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

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: With respect to NYCERS and based on the anticipated group of members who would revoke participation in the 25/50 Auto Plans and the actuarial assumptions and methods described herein, in the proposed legislation is enacted, then this would increase the Actuarial Present Value (APV) of future employer contributions by $45.8 million as shown below:

Decrease in APV of Future Employee Contributions	$ 32.8 million
Refund of Employee AMC:	$ 26.0 MILLION
	$ 58.8 million
Offset by decrease in APV of Benefits (APVB):	($ 13.0) MILLION
INCREASE IN APV OF FUTURE EMPLOYER CONTRIBUTIONS:	$ 45.8 MILLION

Under the Entry Age Actuarial Cost Method used to determine the employer contributions to NYCERS, there would be an increase in the Unfunded Actuarial Accrued liability (UAAL) of approximately $16.1 million and an increase in the APV of future employer Normal Cost of $29.7 million. The sum of these equals the total increase in the APV of Future Employer Contributions, as stated above, in the amount of $45.8 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: Based on the actuarial assumptions and methods used in the June 30, 2015 valuations of NYCERS, the enactment of this proposed legislation would increase annual employer contributions by approximately $4.3 million per year, consist-

ing of an increase in Normal Cost of $2.4 million and an amortization of the new UAAL of $1.9 million.

The $1.9 million amortization payment was calculated in accordance with ACNY Section 13.638.2(k-2), where the new UAAL estimated to be $16.1 million attributable to benefit charges is 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, 2015, the remaining working lifetime of the members assumed to choose to revoke participation in the 25/50 Auto Plans is approximately 15 years.

Regarding the timing of these increased contributions, if the Effective Date of the proposed legislation is on or before June 30, 2016, then the increase in employer contributions would first be reflected in Fiscal year 2018.

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 impact of the proposed legislation on Other Postemployment Benefit (OPEB) costs.

CENSUS DATA: The census data used for the calculations presented herein is that of the Preliminary June 30, 2015 (Lag) actuarial valuation of NYCERS. Under the One year Lag Methodology (OYLM), this was used to determine the Preliminary Fiscal Year 2017 employer contributions for members who are eligible for and who could potentially benefit from this proposed legislation.

To determine the impact of the elective nature of the proposed legislation, a subgroup of Automotive Workers was developed on the basis of who could potentially benefit actuarially. The net APV of future employer costs (i.e., the APVB less the APV of future member contributions) of each member's benefit was determined under their current plan (i.e., the 25/50 Auto Plan) and under their underlying Basic Plan (i.e., the NYCERS 57/5 Plan, 62/5 Plan or 63/10 Plan). If the net APV of future employer cost under the Basic Plan plus the refund of the 25/50 Auto Plan AMC balances was greater than or equal to the APV of future employer cost under the member's current plan, the member was deemed to benefit actuarially.

Based on this analysis, it was determined that those who would have the option of revoking the 25/50 Auto Plan upon becoming a NYCERS member in the future will not actuarially benefit in the 25/50 Auto Plan. Therefore, it is assumed that these future members who have the option of revoking the 25/50 Auto Plan will choose to not participate in that Plan. The costs presented in this Fiscal Note are borne only from current NYCERS members who are assumed to benefit from, and thus opt to revoke, the 25/50 Auto Plan.

The 1,101 Automotive Workers as of June 30, 2015 assumed to revoke the 25/50 Auto Plan had an average age of approximately 45.4, average service of approximately 8.2 years and an average salary of approximately $89,600.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional employer contributions presented herein have been calculated based on the actuarial assumptions and methods in effect for the Preliminary June 30, 2015 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2017 employer contributions of NYCERS.

Members of the 25/50 Auto Plans who would actuarially benefit from revocation are assumed to revoke participation in their current plan and revert back into the Basic Plan which would have been available to them upon their date of membership.

STATEMENT OF ACTUARIAL OPINION: I, Sherry S. Chan, am the Chief Actuary for, and independent of, the New York City Pension Funds and Retirement Systems. I am an Associate of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

FISCAL NOTE IDENTIFICATION: This Fiscal Note 2016-35 dated June 13, 2016 was prepared by the Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2016 Legislative Session.