

# STATE OF NEW YORK

4523

2017-2018 Regular Sessions

## IN ASSEMBLY

February 2, 2017

Introduced by M. of A. FITZPATRICK, RAIA, FRIEND, OAKS, HAWLEY, McLAUGHLIN, LALOR, BLANKENBUSH, DiPIETRO -- Multi-Sponsored by -- M. of A. CROUCH, JOHNS, LAWRENCE, PAULIN, STEC, WALTER -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to establishing a defined contribution plan

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The retirement and social security law is amended by adding  
2 a new section 618 to read as follows:

3 § 618. Defined contribution plan. 1. The defined contribution plan is  
4 hereby established. The comptroller shall adopt rules and regulations  
5 regarding the standards and requirements of the defined contribution  
6 plan established pursuant to this section, including selection of finan-  
7 cial organizations for investment purposes.

8 2. a. Notwithstanding any other provision of law, the defined  
9 contribution plan shall be established for all non-civil service  
10 appointed employees and elected officials employed by the state of New  
11 York or any public employer which has elected to participate in the New  
12 York state and local employees' retirement system.

13 b. The comptroller shall enter into written agreements with one or  
14 more financial organizations to administer the defined contribution plan  
15 for members and to invest funds held pursuant to such plan.

16 c. The rules and regulations promulgated by the comptroller shall  
17 establish standards for the selection of financial organizations,  
18 authorized to do business in this state, to participate in such plans,  
19 including, but not limited to, the following criteria: (i) rates of  
20 commission, brokerage and other fees, administrative expenses and  
21 related service charges imposed by the financial organization; (ii)  
22 variety of types of investment opportunities offered by the financial  
23 organization and/or among the financial organizations selected and the

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

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1 ability to transfer among such opportunities; (iii) the stability of the  
2 financial organization as evidenced by experience, reputation, assets  
3 and holdings, ability to guarantee specific rates of return; (iv) abili-  
4 ty to comply with reporting requirements to the comptroller and to  
5 participants in such a plan; and (v) such other factors which would be  
6 considered by a prudent investor in such a plan.

7 d. The president of the state civil service commission, subject to the  
8 rules and regulations of the comptroller, shall provide assistance to  
9 any public employer as is appropriate to the provisions of this section.

10 3. A public employer shall contribute three percent of such affected  
11 employee's annual salary towards such defined contribution plan. All  
12 non-civil service appointed employees and elected officials are required  
13 to contribute three percent of their salary towards the defined contrib-  
14 ution plan. Such employees may contribute up to one hundred percent,  
15 not to exceed sixteen thousand five hundred dollars of his or her salary  
16 towards the defined contribution plan.

17 4. The term "financial organization" shall mean an organization  
18 authorized to do business in the state of New York and (a) which is an  
19 authorized fiduciary to act as a trustee pursuant to the provisions of  
20 an act of congress entitled "Employee Retirement Income Security Act of  
21 1974" as such provisions may be amended from time to time, or an insur-  
22 ance company; and (b) (i) is licensed or chartered by the department of  
23 financial services; (ii) is chartered by an agency of the federal  
24 government; (iii) is subject to the jurisdiction and regulation of the  
25 securities and exchange commission of the federal government; or (iv) is  
26 any other entity otherwise authorized to act in this state as a trustee  
27 pursuant to the provisions of an act of congress entitled "Employee  
28 Retirement Income Security Act of 1974" as such provisions may be  
29 amended from time to time.

30 5. The current retirement plans for non-civil service appointed  
31 employees and elected officials shall be frozen as of the effective date  
32 of this section. Non-civil service appointed employees and elected offi-  
33 cial's shall no longer contribute to their current retirement plan,  
34 however, such persons shall receive the benefits they have accrued up to  
35 the effective date of this section upon retirement. The membership of a  
36 non-civil service appointed employee or elected official in any state  
37 retirement system shall remain open if he or she becomes a member of the  
38 defined contribution plan.

39 § 2. This act shall take effect on the first of the fiscal year next  
40 succeeding the date on which it shall have become a law. Effective imme-  
41 diately, the addition, amendment and/or repeal of any rule or regulation  
42 necessary for the implementation of this act on its effective date are  
43 authorized and directed to be made and completed on or before such  
44 effective date.

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

This bill would change the retirement plan coverage for certain exist-  
ing and future elected officials and non-civil service appointees who  
are employed by the State of New York or any public employer which  
participates in the New York State and Local Employees' Retirement  
System (NYS&LERS). Affected employees and their employers would be  
required to contribute 3% of annual compensation to a defined contribu-  
tion plan. The Comptroller shall select one or more financial organiza-  
tions to administer the plan and to invest the funds held pursuant to  
such plan. Pursuant to Chapter 18 of the Laws of 2012, participation is  
currently optional in a defined contribution plan for non-union employ-  
ees hired on or after July 1, 2013 whose salary is \$75,000 or higher.

This legislation would freeze the benefit accruals of current members in the NYS&LERS as of the effective date. If this becomes law, this bill is likely to face a constitutional challenge based upon the guarantee that a member's benefits may not be diminished.

If this bill is enacted, relatively few members would be affected, and there would be a small administrative cost to the System.

Summary of relevant resources:

The membership data used in measuring the impact of the proposed change was the same as that used in the March 31, 2016 actuarial valuation. Distributions and other statistics can be found in the 2016 Report of the Actuary and the 2016 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2015 and 2016 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2016 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This estimate, dated January 19, 2017, and intended for use only during the 2017 Legislative Session, is Fiscal Note No. 2017-27, prepared by the Actuary for the New York State and Local Retirement System.