STATE OF NEW YORK

6140--B

2017-2018 Regular Sessions

IN SENATE

May 11, 2017

Introduced by Sens. GOLDEN, BAILEY, SANDERS -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Civil Service and Pensions in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law, in relation to allowable service credit for participants in the twenty-five year and age fifty-five retirement program for New York city transit authority members

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

Section 1. Paragraph 6 of subdivision a of section 604-b of the retirement and social security law, as added by chapter 529 of the laws of 1994, is amended to read as follows:

6. **(i)** "Allowable service in the transit authority" shall mean credited service which was rendered as a member of the New York city transit authority[~~.~~]**; and**

(ii) "Allowable service" shall mean credited service which was rendered as a member of the New York city transit authority and all service rendered prior to service in the New York city transit authority which qualifies as "city-service" as that term is defined in section 13-101 of the administrative code of the city of New York.

§ 2. Paragraph 7 of subdivision a of section 604-b of the retirement and social security law, as added by chapter 529 of the laws of 1994, is amended to read as follows:

7. "Minimum period" shall mean the minimum period of twenty-five years of allowable service [~~in the transit authority~~] that is required in order for a participant in the twenty-five-year and age fifty-five

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

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retirement program to be eligible for early service retirement pursuant to paragraph one of subdivision c of this section.

§ 3. Subparagraph (i) of paragraph 1 of subdivision c of section 604-b of the retirement and social security law, as added by chapter 529 of the laws of 1994, is amended to read as follows:

(i) who has completed twenty-five or more years of allowable service [~~in the transit authority~~]; and

§ 4. Subparagraph (ii) of paragraph 1 of subdivision d of section 604-b of the retirement and social security law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

(ii) in the case of a participant who is not a New York city revised plan member, prior to such discontinuance, completed five but less than twenty-five years of allowable service [~~in the transit authority~~] or, in the case of a participant who is a New York city revised plan member, has completed ten but less than twenty-five years of allowable service [~~in the transit authority~~] prior to such discontinuance; and

§ 5. Subparagraph (ii) of paragraph 2 of subdivision d of section 604-b of the retirement and social security law, as added by chapter 352 of the laws of 1997, is amended to read as follows:

(ii) prior to such discontinuance completed twenty-five years of allowable service [~~in the transit authority~~]; and

§ 6. Clause (A) of subparagraph (ii) of paragraph 8 of subdivision e of section 604-b of the retirement and social security law, as added by chapter 529 of the laws of 1994, is amended to read as follows:

(A) Should a participant in the twenty-five-year and age fifty-five retirement program who has rendered less than twenty-five-years of allowable service [~~in the transit authority~~] cease to hold a position as a New York city transit authority member for any reason whatsoever, his or her accumulated additional member contributions made pursuant to this subdivision (together with any interest thereon paid to the retirement system) [~~maybe~~] **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.

§ 7. This act shall take effect immediately.

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

SUMMARY OF BILL: The proposed legislation would amend provisions of Retirement and Social Security Law (RSSL) Section 604-b to expand the definition of Allowable Service in the Transit Authority (Allowable Service) for certain employees of the New York City Transit Authority (NYCTA) who are members of the New York City Employees' Retirement System (NYCERS) and participate in the Tier 4 and 6 Transit Twenty-Five-Year and Age Fifty-Five Retirement Program (Transit 55/25 Program) to include eligible City-Service rendered prior to employment with the NYCTA.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: Currently, Allowable Service, which is used in the Transit 55/25 Program to determine eligibility for and calculation of benefits, only includes qualifying service while employed by the NYCTA (i.e. Allowable Service in the Transit Authority). The proposed legislation would expand the definition of Allowable Service to include prior City-Service as defined in Administrative Code of the City of New York (ACCNY) Section 13-101, which includes eligible City or State service or any service with any agency or court thereof. The expanded Allowable Service definition would apply to the minimum period needed to receive an unreduced service retirement, the service retirement benefit calculation, the service requirement for vesting, and the service provisions affecting withdrawal from the Transit 55/25 Program.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Actuarial Present Value (APV) of Benefits (APVB) by approximately $136.4 million and decrease the APV of future member contributions by approximately $2.1 million. The net result is an increase in the APV of future employer contributions of approximately $138.5 million.

Under the Entry Age Normal cost method used to determine the employer contributions to NYCERS, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately $164.0 million and a decrease in the APV of future employer Normal Cost of $25.5 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: In accordance with ACCNY Section 13-638.2(k-2), new UAL 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 July 30, 2017, the remaining working lifetime of the NYCTA members that would be impacted by the proposed legislation is approximately 11 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over an 11-year period (10 payments under the One-Year Lag Methodology) using level dollar payments. This payment offset by the decrease in the Normal Cost results in an increase in annual employer contributions of approximately $22.3 million.

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 this proposed legislation on Other Postemployment Benefit (OPEB) costs.

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the APV of future employer contributions and annual employer contributions would be reflected for the first time in the June 30, 2018 actuarial valuation of NYCERS. In accordance with the One-Year Lag Methodology (OYLM) used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2020.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2017 (Lag) actuarial valuation of NYCERS used to determine the Preliminary Fiscal Year 2019 employer contributions.

This data was supplemented by additional service data provided by NYCERS for NYCTA employees who would benefit under the proposed legislation. These 2,778 members had an average age of approximately 49.9 years, average service of approximately 13.0 years, and an average salary of approximately $84,700. The average increase in service due to the proposed legislation was approximately 3.9 years. Note that the census data does not include current NYCTA employees who are former members of other pension systems, if any, who have not yet transferred their credited service to NYCERS.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the UAL, APV of future employer contributions, and annual employer contributions presented herein have been calculated based on the actuarial assumptions and methods in effect for the June 30, 2017 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2019 employer contributions of NYCERS. Please note that these assumptions and methods are subject to change as this valuation is not considered final until the end of Fiscal Year 2019.

STATEMENT OF ACTUARIAL OPINION: I, Sherry S. Chan, am the Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am a Fellow of the Society of Actuaries, an Enrolled Actuary under the Employee Retirement Income and Security Act of 1974 (ERISA), a Member of the American Academy of Actuaries, and a Fellow of the Conference of Consulting Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of my knowledge, the results contained herein have been prepared in accordance with generally accepted actuarial principles and procedures and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

FISCAL NOTE IDENTIFICATION: This Fiscal Note 2018-40 dated June 14, 2018 was prepared by the Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2018 Legislative Session.