STATE OF NEW YORK

6823--A

2017-2018 Regular Sessions

IN SENATE

June 21, 2017

Introduced by Sens. LANZA, GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Rules -- 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 administrative code of the city of New York, in relation to extending the benefits of the variable supplements fund for transit police 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. Paragraph (c) of subdivision 1 of section 13-191 of the administrative code of the city of New York, as amended by chapter 577 of the laws of 1992, is amended to read as follows:

(c) "Beneficiary". Any person who receives a retirement allowance by reason of having retired, on or after [~~July first, nineteen hundred eighty-seven~~] **October first, nineteen hundred sixty-eight** for service (with credit for twenty or more years of service toward the minimum period) as a transit police officer; provided, that no person who held a rank or position as a transit police superior officer, as defined in subdivision eighty-four of section 13-101 of this title who, on or after May first, nineteen hundred ninety-two, subsequently became a transit police officer shall be considered a beneficiary unless such person (1) subsequently performed at least three years of service as a transit police officer or (2) returned to service, from the position of sergeant, as a transit police officer during the eighteen month probationary period, or such other probationary period as may be applicable or (3) returned to service as a transit police officer during the three year period specified in paragraph (e) of subdivision one of section seventy-five of the civil service law, or (4) returned to service as a

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

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transit police officer as the result of a hearing conducted pursuant to applicable law.

§ 2. Paragraph (b) of subdivision 1 of section 13-192 of the administrative code of the city of New York, as amended by chapter 720 of the laws of 1994, is amended to read as follows:

(b) "Beneficiary". Any person who receives a retirement allowance by reason of having retired, on or after [~~July first, nineteen hundred eighty-seven,~~] October first, nineteen hundred sixty-eight, for service (with credit for twenty or more years of service toward the minimum period) as a transit police member and as a transit police superior officer; provided, however, that where a person who held or holds a rank or position as a transit police superior officer, subsequently and on or after May first, nineteen hundred ninety-two became or becomes a transit police officer, and while a transit police officer, retired or retires for service under such circumstances that he or she would have qualified as a beneficiary under the provisions of paragraph (c) of subdivision one of section 13-191 of this title (other than the proviso thereof), but did not or does not qualify as a beneficiary under such paragraph (c) because he or she was or is disqualified by the terms of such proviso, such retiree shall nevertheless be deemed to be a beneficiary under the provisions of this section.

§ 3. This act shall take effect December 1, 2018.

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

This proposed legislation would amend Administrative Code of the City of New York (ACCNY) Sections 13-191 and 13-192, both enacted by Chapter 844 of the Laws of 1987, to extend the eligibility provisions providing for the payment of Transit Police Officers' and Transit Police Superior Officers' Variable Supplements Funds (VSF) benefits to certain retirees.

Specifically, this proposed legislation would provide for payments to former New York City Employees' Retirement System (NYCERS) members who are retired for service from the New York City Transit Police (TP) between October 1, 1968 and June 30, 1987 (Prior Retirees) with 20 or more years of service. These benefits would be paid from the following VSFs (referred to hereafter as the Impacted VSFs):

* Transit Police Officers' Variable Supplements Fund (TPOVSF), and

* Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF).

Effective Date: December 1, 2018.

IMPACT ON BENEFITS - VSF PAYMENTS: Each of the Impacted VSFs currently provides supplemental non-pension benefits to former NYCERS members who retired for service on or after July 1, 1987 as TP with 20 or more years of service.

The amount of VSF benefits paid is currently $12,000 per Calendar Year.

These VSF benefits are payable on an annual basis around December 15th to eligible former NYCERS members for their lifetimes. There are no optional forms of payment. Upon the death of the NYCERS retiree, VSF payments cease.

If the proposed legislation were to be enacted, all Prior Retirees would become immediately eligible for VSF benefits on the December 15th subsequent to the Effective Date and for each year thereafter.

For purposes of the fiscal note, the Actuary has assumed that benefits payable under this proposed legislation are prospective only (i.e. there would be no retroactive payments for VSF benefits due before the Effective Date for such Prior Retirees).

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUE OF BENEFITS: Based on the census data and the actuarial assumptions and methods noted herein, the enactment of the proposed legislation would increase the Actuarial Present Value (APV) of Benefits (APVB) of the Impacted VSFs by approximately $34.9 million as of June 30, 2017.

There are no active TP members of NYCERS and therefore no mechanism in place for funding the TP VSFs since the VSFs' funding allocation method normally would be based on the ratio of active TP members salaries to salaries of all active members in NYCERS. As a consequence, a transfer from NYCERS to the Impacted VSFs would be necessary to fund the additional VSF benefit obligations.

FINANCIAL IMPACT - EMPLOYER CONTRIBUTIONS: In accordance with the ACCNY Section 13.638.2(k-2), new Unfunded Accrued Liability (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.

For this proposed legislation, since all those who would be impacted are retired and have no remaining working lifetime, the entire increase in APVB of $34.9 million would be recognized in the first year.

CONTRIBUTION TIMING: For purposes of this Fiscal Note, it is assumed that the changes in the APVB, and UAL would be reflected for the first time in the June 30, 2017 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 2019.

OTHER COSTS: Not measured in this Fiscal Note is the impact on administrative costs.

CENSUS DATA: The census data used for estimates of APVB and employer contributions presented herein include 2,068 TP retirees and beneficiaries who were included in the June 30, 2017 actuarial valuation of NYCERS, where 1,510 of the TP retirees do not receive VSF benefits. Of the 1,510 retirees, 457 retired between October 1, 1968 and June 30, 1987 and would become eligible to receive VSF benefits under the proposed legislation.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional employer contributions presented herein have been calculated based on the same 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 these assumptions and methods are subject to change as this valuation is not considered final until the end of the 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 2018-14 dated April 17, 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.