STATE OF NEW YORK

8021--A

2017-2018 Regular Sessions

IN ASSEMBLY

May 25, 2017

Introduced by M. of A. ABBATE -- read once and referred to the Committee on Governmental Employees -- recommitted to the Committee on Governmental Employees in accordance with Assembly Rule 3, sec. 2 -- 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 member contributions to 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 2 of subdivision a of section 613 of the retirement and social security law, as amended by chapter 510 of the laws of 2015, is amended to read as follows:

2. A member of the New York city employees' retirement system who is eligible to be a participant in the twenty-five-year and age fifty-five retirement program, as defined by paragraph five of subdivision a of section six hundred four-b of this article shall contribute two percent of annual wages to such system effective on the starting date of the elimination of additional member contributions, as defined in an election made pursuant to paragraph ten of subdivision e of section six hundred four-b of this article, except [~~that~~] beginning April first, two thousand thirteen **and ending on the December thirty-first next succeeding the effective date of the chapter of the laws of two thousand eighteen that amended this paragraph** for members who first become members of the New York city employees' retirement system on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of [~~the~~] chapter **five hundred ten** of the laws of two thousand fifteen that amended this paragraph) shall be determined by reference to the wages of such member in the second plan year (April first to March

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

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thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of [~~the~~] chapter **five hundred ten** of the laws of two thousand fifteen that amended this paragraph) preceding such current plan year as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

(ii) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(iii) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(iv) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(v) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of [~~the~~] chapter **five hundred ten** of the laws of two thousand fifteen that amended this paragraph) in which such member has established membership in the New York city employees' retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend paragraph 2 of subdivision a of Section 613 of the Retirement and Social Security Law (RSSL) to prospectively modify the member contribution rate for Tier 6 New York City Transit Authority (NYCTA) members who participate in the New York City Employees' Retirement System (NYCERS) Transit 25-Year/Age 55 Retirement Plan from the current graded schedule of 3% to 6% of the members' wages to a flat 2% of wages after the December 31st of the year in which the law is enacted.

Effective Date: Upon enactment.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: With respect to NYCERS and based on the actuarial assumptions and methods herein, if the proposed legislation were enacted, the Actuarial Present Value (APV) of Benefits (APVB) would decrease due to a reduction in the amount of refunds of member contributions upon termination of employment and decrease the Actuarial Present Value of member contributions.

Under the Entry Age Normal (EAN) cost method used to determine employer contributions to NYCERS, there would be an increase in the Actuarial Present Value of Future Employer Normal Cost and an increase in the Unfunded Accrued Liability (UAL).

FINANCIAL IMPACT - CHANGES IN PROJECTED ACTUARIAL PRESENT VALUE OF FUTURE EMPLOYER CONTRIBUTIONS AND PROJECTED 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 June 30, 2017, if this proposed legislation is enacted, the remaining working lifetime of the Tier 6 25/55 NYCTA Plan participant is approximately 18 years.

For this proposed legislation the change in UAL was amortized over an 18-year period (17 payments under the One-Year Lag Methodology) using level dollar payments.

The following Table 1 presents an estimate of the increases in the APV of future employer contributions and in employer contributions to NYCERS for Fiscal Years 2019 through 2023 due to the reduction of the member contribution rate for Tier 6 members who participate in the Transit 25-Year/Age 55 retirement plan based on the applicable actuarial assumptions and methods noted herein:

TABLE 1
INCREASE IN APV OF FUTURE EMPLOYER CONTRIBUTIONS
AND EMPLOYER CONTRIBUTIONS
($ Millions)

Fiscal Year	Increase in APV of Future Employer Contributions	Increase in Employer Contributions
2019	$320.5	$25.2
2020	425.0	32.7
2021	509.5	39.6
2022	590.0	46.5
2023	665.1	53.3

CONTRIBUTION TIMING: For purposes of this Fiscal Note, it is assumed that the changes in the APVB, APV of member contributions, UAL and APV of future employer contributions would be reflected for the first time in the June 30, 2017 actuarial valuation of NYCERS. In th 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.

CENSUS DATA: Census data used for the calculations presented herein is as of June 30, 2017, including 9,822 Tier 6 25/55 NYCTA members with cumulative salaries of approximately $678.6 million.

OTHER COSTS: Not measured in this Fiscal Note are the following:

* The initial, additional administrative costs of NYCERS to implement the proposed legislation.

* The impact of this proposed legislation on Other Postemployment Benefit (OPEB) costs.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in APVB, APV of member contributions, UAL, APV of future employer contributions and 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.

New entrants were projected to replace the members expected to leave the active population to maintain a steady-state population. New entrant ages, salaries, and future salary increases are consistent with those used in projections for the New York City Office of Management and Budget in April 2018.

The following Table 2 presents the total number of active Tier 6 25/55 NYCTA Plan participant used in the projections, assuming a level work force, and the cumulative number (i.e. net of withdrawals) of such participants as of each June 30 from 2017 through 2021.

TABLE 2

June 30	Tier 1, 2 & 4	Tier 6	Total
2017	26,747	9,822	36,569
2018	24,191	12,378	36,569
2019	22,152	14,417	36,569
2020	20,266	16,303	36,569
2021	18,551	18,018	36,569

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 2018-18 dated April 24, 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.