# STATE OF NEW YORK

6135--A

2017-2018 Regular Sessions

# IN SENATE

May 11, 2017

Introduced by Sen. GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- 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 disability retirement of certain New York city correction members

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

Section 1. Paragraph 1 of subdivision b of section 507-a of the retirement and social security law, as added by chapter 452 of the laws of 1983, is amended to read as follows:

1. Have at least ten years of total service credit, **except that a member in the uniformed personnel of the New York city department of correction may file an application without regard to length of service,** and

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would modify the eligibility requirements of Retirement and Social Security Law (RSSL) Section 507-a for certain New York City Department of Correction (Correction) members of the New York City Employees' Retirement System (NYCERS).

For purposes of this Fiscal Note, Covered Participants refers to NYCERS Correction members, with the exception of Correction Revised Plan Members who are ineligible for Section 507-a disability benefits pursuant to section 507-a(e), who joined NYCERS from July 27, 1976 through March 31, 2012 and are subject to RSSL Article 14.

Under the proposed legislation, Covered Participant with less than 10 years of credited service would be entitled to 507-a disability benefits

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

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without having the burden to show that a disability resulted from a work-related accident.

Effective Date: Upon enactment.

IMPACT ON COVERAGE: If enacted, the proposed legislation would eliminate the minimum service eligibility requirements for Covered Participants to qualify for benefits available under RSSL Section 507-a.

IMPACT ON BENEFITS: Currently, Covered Participants who are determined to be disabled by the NYCERS' Medical Board, and have accumulated at least 10 years of service credit, are eligible for an immediate ordinary disability retirement (ODR) allowance equal to the greater of:

1) 1/3 of Final Average Salary (FAS), or

2) 1/60 of FAS multiplied by credited service.

If such member is also eligible for Service Retirement, the ODR benefit cannot be less than the retirement allowance for Service Retirement.

Under the proposed legislation, if enacted, the ODR benefit under RSSL Section 507-a would in effect become available to disabled Covered Participants, subject to approval under the applicable statutes and procedures established by NYCERS, irrespective of service credit accumulation.

For purposes of this Fiscal Note, the Actuary has assumed that the proposed Section 507-a benefit would only be available to eligible Covered Participants prospectively on and after the Effective Date.

FINANCIAL IMPACT - OVERVIEW: The ultimate cost of this proposed legislation would be any additional benefits paid to NYCERS participants compared with current law.

The amount and timing of the financial impact of the proposed legislation would depend on the number, salaries, ages, and lengths of service of Covered Participants who become eligible for 507-a benefits and the actuarial assumptions and methods employed by the Actuary for such purposes.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES: Based on the anticipated group of Covered Participants and based on the actuarial assumptions and methods herein, the enactment of this proposed legislation would increase the Actuarial Present Value (APV) of Benefits (APVB) for NYCERS by approximately $3.9 million as of June 30, 2017.

Under the Entry Age Normal cost method used to determine employer contribution to NYCERS, there would be an increase in the APV of future employer normal cost of $13.9 million offset by a decrease in the Unfunded Accrued Liability (UAL) of approximately $10.0 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: In accordance with Administrative Code of the City of New York (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, the remaining working lifetime of the Covered Participants is approximately 17 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 17-year period (16 payments under the One-Year Lag Methodology) using level dollar payments. The payment plus the increase in the Normal Cost results in an increase in annual employer contributions of approximately $335,000 per year.

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

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

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

CONTRIBUTION TIMING: For 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 active census data used in the Preliminary June 30, 2017 (Lag) actuarial valuation of NYCERS to determine the Preliminary Fiscal Year 2019 employer contributions, including 9,403 Tier 3 and 6 Corrections members with salaries of approximately $810.8 million.

Only 5,074 Covered Participants with salaries of approximately $341.0 million have less than 10 years of credited service as of June 30, 2017. Therefore, the effect of the proposed legislation would be limited to a subset of these 5,074 members who may become disabled before reaching 10 years of credited service.

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 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 Fiscal Year 2019.

The census data used in the June 30, 2017 (Lag) actuarial valuation of NYCERS did not contain any Enhanced Plan members, but the election period was still open as of June 30, 2017. Based on information provided by NYCERS, all Tier 6 Correction members are assumed to elect to participate in the Enhanced Plan for the purpose of this Fiscal Note.

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 2018-35 dated June 11, 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.