STATE OF NEW YORK

6571--B

2017-2018 Regular Sessions

IN SENATE

June 5, 2017

Introduced by Sen. 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 -- 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 increasing lump sum payments

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

Section 1. Paragraph e of subdivision 2 of section 1100 of the retirement and social security law, as added by chapter 523 of the laws of 2013, is amended to read as follows:

e. Any member who files for retirement after being eligible to retire for five years may elect to receive a [~~twenty-five~~] **thirty-five** percent lump sum payment of the actuarial equivalent of his or her retirement allowance at the time of retirement.

§ 2. Notwithstanding any other provision of law to the contrary, none of the provisions of this act shall be subject to section 25 of the retirement and social security law.

§ 3. This act shall take effect immediately.

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

This bill would allow larger lump sum payments to be made under the Partial Lump Sum (PLS) program for certain members of the New York State and Local Police and Fire Retirement System and the New York State and Local Employees' Retirement System. **Currently**, members who are eligible for the PLS program and who file for service retirement after being eligible to retire for 5 or more years may elect to receive a partial lump sum payment of up to 25% of the present value of their actuarially determined retirement allowance (their "reserve") at retirement, and a

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

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smaller annual retirement allowance thereafter. **This proposal** would allow a member who files for service retirement after being eligible to retire for 5 or more years to be eligible to receive a partial lump sum of up to 35% of their reserve in exchange for a reduction in their annual retirement allowance of up to 35% thereafter. For example, a new retiree with an initial annual pension of $100,000 could have a reserve of approximately $1.2 million, and could receive a PLS payment of $420,000 and a reduced annual pension of $65,000.

If this bill is enacted, there would be administrative costs associated with redesigned estimate and option forms. There would not be costs associated with the lump sum payment options since payments would be determined on an actuarially equivalent basis.

However, the ratcheting upward of the maximum lump sum benefit is eroding the original intent of the pension plan, first presented in the March 30, 1920 Report of the Commission on Pensions, namely, that "a satisfactory pension plan must provide as a minimum, a superannuation benefit", which is defined as a **lifetime monthly payment** made to someone who is retired from work.

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, 2017 actuarial valuation. Distributions and other statistics can be found in the 2017 Report of the Actuary and the 2017 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2015, 2016, and 2017 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, 2017 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 4, 2018, and intended for use only during the 2018 Legislative Session, is Fiscal Note No. 2018-27, prepared by the Actuary for the New York State and Local Retirement System.