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IN SENATE

May 10, 2018

- Introduced by Sen. GOLDEN -- 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
- AN ACT to amend the retirement and social security law, in relation to automotive 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:

1 2 3 4	Section 1. Subparagraph (ii) of paragraph 2 of subdivision d of section 604-g 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
5 6	plan member, such vested benefit shall become payable [on the earliest date on which such discontinued member could have retired for service if
0 7	such discontinuance had not occurred] as follows:
8	(A) at the later of age sixty-two or the age at discontinuance, if the
0 9	member had completed at least ten years of credited service; or
10	(B) at the later of age sixty-three or the age at discontinuance, if
11	the member had completed at least eight, but fewer than ten years of
12^{11}	credited service; or
13^{12}	(C) at the later of age sixty-four or the age of discontinuance, if
14^{13}	the member had completed at least six, but fewer than eight years of
15	credited service; or
16	(D) at the later of age sixty-five or the age of discontinuance, if
17	the member had completed at least five, but fewer than six years of
18	credited service;
19	or, in the case of a participant who is a New York city revised plan
20	member, such vested benefit shall become payable at age sixty-three.
21	§ 2. Subdivision e of section 604-g of the retirement and social secu-
22	rity law is amended by adding a new paragraph 13 to read as follows:
23	13. In addition to the deferred vested benefit calculated pursuant to
24	subdivision d of this section, a participant who is eligible for such
25	benefit shall receive a life annuity (calculated in accordance with the
26	method set forth in subdivision i of section six hundred thirteen-b of
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EXPLANATION--Matter in <u>italics</u> (underscored) is new; matter in brackets [-] is old law to be omitted.

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1	this article) which is actuarially equivalent to the difference between
2	(i) the contributions required by paragraph one of this subdivision and
3	(ii) the additional member contributions required by subdivision d of
4	section six hundred four-c of this article, as added by chapter ninety-
5	six of the laws of nineteen ninety-five, together with the interest
6	credited on such contributions.
7	§ 3. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend Section 604-g of the Retirement and Social Security Law (RSSL) to provide early payability, and an annuity based on the accumulation of certain Additional Members Contributions (AMCs), to certain vested members in the New York City Employees' Retirement System (NYCERS) Automotive 25-Year/Age 50 Plan (Auto 25-Year Plan).

Effective Date: Upon enactment.

BACKGROUND: Currently, Tier 4 and Tier 6 vested members in the Auto 25-Year Plan receive at payability a benefit of 2% of Final Average Salary (FAS) multiplied by the number of years of credited service. Tier 4 members' FAS is based on a three-year average salary (FAS3), and Tier 6 members' FAS is based on a five-year average salary (FAS5). Tier 4 vested Plan members reach payability at what would have been the later of reaching their 25th year of credited service or age 50, while Tier 6 vested Plan members reach payability at age 63. The proposed legislation would enable Tier 4 Auto 25-Year Plan members to retire with a vested benefit earlier and at given ages and set years of credited service. Tier 6 Auto 25-Year Plan members would remain eligible for a vested benefit, with 10 years of service credit, at age 63.

The proposed legislation would further provide to both Tier 4 and 6 Auto 25-Year Plan vested members an additional annuity benefit equal to the difference between the 4.83% of salary AMCs payable in the Auto 25-Year Plan, and the AMCs required in the Tier 4 55/25 Retirement Plan (generally 1.85% of salary for service rendered after December 2, 2001).

IMPACT ON PAYABILITY: For Tier 4 Auto 25-Year Plan members, the vested benefit would, rather than be payable at the later of age 50 or what would have been their 25th year of credited service, become payable as follows:

* At later of age 62 or age of discontinuance with at least 10 years of credited service

* At later of age 63 or age of discontinuance with 8 but less than 10 years of credited service

* At later of age 64 or age of discontinuance with 6 but less than 8 years of credited service

* At later of age 65 or age of discontinuance with 5 but less than 6 years of credited service

Tier 6 vested payability remains at age 63 (with 10 years of credited service).

ADDITIONAL MEMBER CONTRIBUTIONS: Current members of the Auto 25-Year Plan are required to make, in addition to the applicable Tier 4 Basic Member Contributions (BMCs) of 3% of salary and the Tier 6 BMCs ranging from 3% to 6% of salary depending on defined salary ranges, AMCs equal to 4.83% of compensation for all service as a Plan participant on and after the starting date of the Plan until 30 years of credited service. AMCs are currently not refundable unless a Plan member ceases to hold the title of an eligible automotive members and has less than five years of credited service.

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The proposed legislation would provide a life annuity to Tier 4 and 6 vested Plan members based on the difference between the AMCs paid by Auto-25 Year Plan Members (4.83% of salary) and those in the Tier 4 55/25 Plan (ranging from 1.85% to 4.35% of salary depending on dates of the service rendered), calculated pursuant to the method set out in loan provisions in 613-b(i) (i.e. the actuarially equivalent of a life annuity using the interest rate on 30-year US treasury bonds as of January first of the calendar year of retirement and the mortality tables for payment options under RSSL section 610). The annuity would not be available to Auto-25 Year Plan service retirees.

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 \$23.1 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 \$12.7 million and an increase in the APV of future employer Normal Cost of \$10.4 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 Auto 25-Year Plan members is approximately 13 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 13-year period (12 payments under the One-Year Lag Methodology) using level dollar payments. This payment plus the increase in the Normal Cost results in an increase in annual employer contributions of approximately \$3.0 million each year.

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 APVB and annual employer contributions 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.

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

The 1,414 NYCERS Auto 25-Year Plan members as of June 30, 2017 had an average age of approximately 45.2 years, average service of approximately 8.7 years, and an average salary of approximately \$97,100.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the UAL, APVB, 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 these assumptions and methods are subject to change as this valuation is not considered final until the end of Fiscal Year 2019.

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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 2018-43 dated June 20, 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.