

STATE OF NEW YORK

10075

IN ASSEMBLY

March 6, 2020

Introduced by M. of A. ABBATE -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to service retirement benefits for members of the New York city fire department pension fund, the New York city police pension fund and 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 Section 1. Section 505 of the retirement and social security law, as
2 amended by chapter 18 of the laws of 2012, is amended to read as
3 follows:

4 § 505. Service retirement benefits; police/fire members, New York city
5 uniformed correction/sanitation revised plan members and investigator
6 revised plan members. a. The normal service retirement benefit for
7 police/fire members, New York city uniformed correction/sanitation
8 revised plan members and investigator revised plan members at normal
9 retirement age shall be a pension equal to fifty percent of final aver-
10 age salary, less fifty percent of the primary social security retirement
11 benefit commencing at age sixty-two, as provided in section five hundred
12 eleven of this article, except that for police/fire members of the New
13 York city fire department pension fund or the New York city police
14 pension fund, New York city uniformed correction/sanitation revised plan
15 members or investigator revised plan members of the New York city
16 employees' retirement system, the normal service retirement benefit
17 shall not be reduced by the primary social security retirement benefit
18 commencing at age sixty-two as provided in section five hundred eleven
19 of this article.

20 b. The early service retirement benefit for police/fire members, New
21 York city uniformed correction/sanitation revised plan members and
22 investigator revised plan members shall be a pension equal to two and
23 one-tenths percent of final average salary times years of credited
24 service at the completion of twenty years of service or upon attainment
25 of age sixty-two, increased by one-third of one percent of final average
26 salary for each month of service in excess of twenty years, but not in

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

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1 excess of fifty percent of final average salary, less fifty percent of
2 the primary social security retirement benefit commencing at age sixty-
3 two as provided in section five hundred eleven of this article,
4 provided, however, that New York city police/fire revised plan members,
5 New York city uniformed correction/sanitation revised plan members and
6 investigator revised plan members shall not be eligible to retire for
7 service prior to the attainment of twenty years of credited service, and
8 provided further that for police/fire members of the New York city fire
9 department pension fund or the New York city police pension fund, New
10 York city uniformed correction/sanitation revised plan members or inves-
11 tigator revised plan members of the New York city employees' retirement
12 system, the early service retirement benefit shall not be reduced by the
13 primary social security retirement benefit commencing at age sixty-two
14 as provided in section five hundred eleven of this article.

15 c. A police/fire member, a New York city uniformed
16 correction/sanitation revised plan member or an investigator revised
17 plan member who retires with twenty-two years of credited service or
18 less may become eligible for annual escalation of the service retirement
19 benefit if he elects to have the payment of his benefit commence on the
20 date he would have completed twenty-two years and one month or more of
21 service. In such event, the service retirement benefit shall equal two
22 percent of final average salary for each year of credited service, less
23 fifty percent of the primary social security retirement benefit commenc-
24 ing at age sixty-two as provided in section five hundred eleven of this
25 article, except that for police/fire members of the New York city fire
26 department pension fund or the New York city police pension fund, New
27 York city uniformed correction/sanitation revised plan members or inves-
28 tigator revised plan members of the New York city employees' retirement
29 system, the service retirement benefit shall not be reduced by the
30 primary social security retirement benefit commencing at age sixty-two
31 as provided in section five hundred eleven of this article.

32 § 2. Section 511 of the retirement and social security law is amended
33 by adding a new subdivision h to read as follows:

34 h. This section shall not apply to police/fire members of the New York
35 city fire department pension fund or the New York city police pension
36 fund, New York city uniformed correction/sanitation revised plan members
37 or investigator revised plan members of the New York city employees'
38 retirement system who receive a service retirement benefit pursuant to
39 section five hundred five of this article or a deferred vested benefit
40 pursuant to section five hundred sixteen of this article.

41 § 3. Subdivision c of section 516 of the retirement and social securi-
42 ty law, as amended by chapter 18 of the laws of 2012, is amended to read
43 as follows:

44 c. The deferred vested benefit of police/fire members, New York city
45 police/fire revised plan members, New York city uniformed
46 correction/sanitation revised plan members or investigator revised plan
47 members shall be a pension commencing at early retirement age equal to
48 two and one-tenths percent of final average salary times years of cred-
49 ited service, less fifty percent of the primary social security retire-
50 ment benefit commencing at age sixty-two, as provided in section five
51 hundred eleven of this article, except that for police/fire members of
52 the New York city fire department pension fund or the New York city
53 police pension fund, New York city uniformed correction/sanitation
54 revised plan members or investigator revised plan members of the New
55 York city employees' retirement system, the service retirement benefit
56 shall not be reduced by the primary social security retirement benefit

commencing at age sixty-two as provided in section five hundred eleven of this article. A police/fire member, a New York city police/fire revised plan member, a New York city uniformed correction/sanitation revised plan member or investigator revised plan member may elect to receive his vested benefit commencing at early retirement age or age fifty-five. If the vested benefit commences before early retirement age, the benefit shall be reduced by one-fifteenth for each year, if any, that the member's early retirement age is in excess of age sixty, and by one-thirtieth for each additional year by which the vested benefit commences prior to early retirement age. If such vested benefit is deferred until after such member's normal retirement age, the benefit shall be computed and subject to annual escalation in the same manner as provided for an early retirement benefit pursuant to subdivision c of section five hundred five of this article.

§ 4. This act shall take effect on the sixtieth day after it shall have become a law.

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

SUMMARY OF BILL: This proposed legislation would amend Sections 505, 511, and 516 of the Retirement and Social Security Law (RSSL) to eliminate the offset equal to 50% of the primary social security benefit in the service, early service, and vested retirement benefits for Tier 3 and 6 uniformed members in the original, revised, and enhanced plans (i.e. the 22-Year Plans) of the New York City Employees' Retirement System (NYCERS)(i.e. Correction, Sanitation, and District Attorney Investigators), New York City Police Pension Fund (POLICE), and the New York City Fire Pension Fund (FIRE) who are subject to Article 14 of the RSSL.

Effective Date: Sixty days after enactment.

IMPACT ON BENEFITS: Currently, the RSSL Article 14 normal service retirement, early service retirement, and vested retirement benefits are subject to an offset equal to 50% of the primary social security benefit as defined in RSSL Section 511 beginning at age 62.

Under the proposed legislation, if enacted, the offset for such benefits would be eliminated resulting in an increase in benefits.

FINANCIAL IMPACT - SUMMARY: The financial impact will increase as the impacted populations increases over time. The estimated financial impact of removing the social security offset as described above results in an increase in Present Value of Future Benefits (PVFB) and an increase in the annual employer contributions of NYCERS, POLICE, and FIRE. The estimate of these increases for Fiscal Years 2021 through 2025 based on the applicable actuarial assumptions and methods noted herein, are shown in the table below.

Increase in Present Value of Future Benefits (PVFB)

(\$ Millions)

Fiscal Year	NYCERS	POLICE	FIRE	TOTAL
2021	\$240.0	\$433.7	\$ 56.9	\$ 730.6
2022	\$280.6	\$501.3	\$ 68.3	\$ 850.2
2023	\$328.6	\$578.8	\$ 80.2	\$ 987.6
2024	\$378.0	\$658.6	\$ 93.1	\$1,129.7
2025	\$428.6	\$749.5	\$107.1	\$1,285.2

Increase in Employer Contributions

(\$ Millions)

Fiscal Year	NYCERS	POLICE	FIRE	TOTAL
2021	\$16.9	\$28.4	\$3.0	\$48.3
2022	\$19.0	\$31.9	\$3.7	\$54.6
2023	\$21.6	\$35.9	\$4.3	\$61.8
2024	\$24.1	\$39.7	\$4.9	\$68.7
2025	\$26.2	\$43.6	\$5.6	\$75.4

In accordance with Section 13-638.2(k-2) of the Administrative Code of the City of New York (ACCNY), new Unfunded Accrued Liability (UAL) attributable to benefit changes are to be amortized as determined by the Actuary, but are generally amortized over the remaining working lifetime of those impacted by the benefit changes. As of June 30, 2018, the remaining working lifetime of uniform NYCERS members subject to the Article 14 22-Year Plan is approximately 19 years, POLICE members subject to Article 14 is approximately 19 years, and FIRE members subject to Article 14 is approximately 21 years.

For the purposes of this Fiscal Note, the increase in the UAL for NYCERS was amortized over a 19-year period (18 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments, the UAL for POLICE was amortized over a 19-year period (18 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments, and the UAL for FIRE was amortized over a 21-year period (20 payments under the OYLM) using level dollar payments.

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the PVFB and annual employer contributions would be reflected for the first time in the June 30, 2019 actuarial valuation of NYCERS, POLICE, and FIRE. In accordance with the OYLM used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2021.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2018 (Lag) actuarial valuations of NYCERS, POLICE, and FIRE to determine the Preliminary Fiscal Year 2020 employer contributions updated to reflect the change in demographics as of June 30, 2019, where appropriate.

There are 6,919 active uniform NYCERS members subject to the Article 14 22-Year Plan as of June 30, 2018 and they have an average age of approximately 34.3 years, average service of approximately 3.1 years, and an average salary of approximately \$64,600. As of June 30, 2019, there were 7,771 NYCERS members subject to the Article 14 22-Year Plan.

There are 14,419 active POLICE members subject to Article 14 as of June 30, 2018 and they have an average age of approximately 30.2 years, average service of approximately 3.8 years, and an average salary of approximately \$80,900. Projected headcounts were compared to actual headcount and determined to be reasonable for this analysis.

There are 3,074 active FIRE members subject to Article 14 as of June 30, 2018 and they have an average age of approximately 30.4 years, average service of approximately 2.6 years, and an average salary of approximately \$67,600. Projected headcounts were compared to actual headcount and determined to be reasonable for this analysis.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the PVFB and annual employer contributions presented herein have been calculated based on the actuarial assumptions and methods in effect for the June 30, 2018

(Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2020 employer contributions of NYCERS, POLICE, and FIRE.

New entrants were projected to replace the members expected to leave the active population to maintain a steady-state population. New entrant demographics and future salary increases are consistent with those used in projections for the New York City Office of Management and Budget in April 2019 (Preliminary Projections).

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the realization of the actuarial assumptions used, as well as certain demographic characteristics of NYCERS, POLICE, and FIRE, and other exogenous factors such as investment, contribution, and other risks. If actual experience deviates from actuarial assumptions, the actual costs could differ from those presented herein. Costs are also dependent on the actuarial methods used, and therefore different actuarial methods could produce different results. Quantifying these risks is beyond the scope of this Fiscal Note.

Not measured in this Fiscal Note are the following:

- * The initial, additional administrative costs of NYCERS, POLICE, FIRE, and other New York City agencies to implement the proposed legislation.
- * Pension costs for future members of NYCERS, POLICE, and FIRE hired after 7/1/2023.
- * The impact of this proposed legislation on Other Postemployment Benefit (OPEB) costs.
- * Cost analyses relating to provisions contained in RSSL Section 500(c).

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, 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 2020-09 dated March 2, 2020 was prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Police Pension Fund, and the New York City Fire Pension Fund. This estimate is intended for use only during the 2020 Legislative Session.