STATE OF NEW YORK

7229

2019-2020 Regular Sessions

IN ASSEMBLY

April 15, 2019

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

AN ACT relating to granting Tier I status to Cynthia Falletta in the Teachers' Retirement System of the City of New York with a membership date of June 1, 1972

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

Section 1. Notwithstanding any inconsistent provision of law, Cynthia Falletta, a member of the Teachers' Retirement System of the City of New York (TRSNYC) with Tier IV status, who was employed by the City University of New York from June 1, 1972 until April 8, 1976 and from June 22, 1976 to October 28, 1976, and was a member of the Board of Education Retirement System from December 12, 1990 until February 28, 1994 at which point she became a member of the Teachers' Retirement System of the City of New York, and who for reasons not ascribable to her own negligence was retroactively enrolled as a Tier IV member, shall, upon submission of an application filed with the Board of Trustees of TRSNYC on or before the thirty-first day of December next succeeding the date on which this act shall have become a law, be reclassified as a Tier I member with June 1, 1972 as her date of membership and shall be entitled to every right, benefit and privilege which would have been available to her in accordance with Tier I status, and the City of New York shall be responsible for all costs to provide the Tier I benefit to Cynthia Falletta, provided, however that Cynthia Falletta shall be responsible for contributing the required member contributions for Tier I membership.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would permit Cynthia Falletta, a retired Tier 4 member of the New York City Teachers' Retirement System (TRS), to elect, by filing an application with the Board of

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

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Trustees of TRS within the end of the calendar year in which the proposed legislation is passed, to be reclassified as a Tier 1 member and have her retirement allowance recalculated and paid under Tier 1 (Plan A) benefit calculation provisions.

Effective Date: Upon enactment.

BACKGROUND: Ms. Falletta retired as a Tier 4 TRS member on October 18, 2012. She currently receives an annual retirement allowance of $48,459.

If the proposed legislation is passed, Ms. Falletta would be reclassified as Tier 1 retired member and her retirement allowance would be recalculated as if she had joined a public retirement system within the state upon her commencement of part-time employment as a college assistant with the City University of New York in 1972. The additional cost, less any required member contributions paid by Ms. Falletta, to fund the increased retirement allowance associated with the proposed legislation would fall upon the City of New York.

Because Tier 1 TRS members are generally permitted to take an actuarial reduction of their retirement allowance to account for deficits in member contributions, for purposes of this fiscal note, it is assumed that Ms. Falletta would not pay any owed member contributions resulting from the reclassification. Based on this assumption and application of other Tier 1 benefit calculation provisions, it is estimated that Ms. Falletta's annual retirement allowance would increase to $65,038. This annual increase would apply prospectively as well as retroactively, adjusted for any COLA, less any payments previously made, as of Ms. Falletta's October 18, 2012 date of retirement.

FINANCIAL IMPACT - PRESENT VALUES: The estimated financial impact of this proposal has been calculated based on the difference between the present value of (1) the Tier 1 benefits Ms. Falletta would receive if this proposed legislation were enacted (retroactive to her October 18, 2012 retirement date) and (2) the Tier 4 benefits that are currently and have been paid to Ms. Falletta.

Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Present Value of Future Benefits (PVFB) and the Unfunded Accrued Liability (UAL) by approximately $300,000.

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.

For purposes of this Fiscal Note, since Ms. Falletta is retired and collecting a pension, and therefore has no remaining working lifetime, the entire increase in UAL (or PVFB) would be recognized immediately.

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

* The initial, additional administrative costs of TRS and other New York City agencies to implement the proposed legislation.

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 TRS. 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 2021.

CENSUS DATA: As of June 30, 2018, Ms. Falletta was approximately age 69, and receiving a pension of $48,459 per year under the maximum payment option.

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 TRS.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the actuarial assumptions and methods used and are subject to change based on the realization of potential investment, demographic, 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.

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 2019-05 dated April 11, 2019 was prepared by the Chief Actuary for the New York City Teachers' Retirement System. This estimate is intended for use only during the 2019 Legislative Session.