

# STATE OF NEW YORK

5414--D

2019-2020 Regular Sessions

## IN SENATE

April 30, 2019

Introduced by Sen. GOUNARDES -- 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 -- 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 -- 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 investment of moneys of retirement funds in foreign equity securities

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

1 Section 1. Subdivision 8 of section 177 of the retirement and social  
2 security law, as amended by chapter 594 of the laws of 1993, is amended  
3 to read as follows:  
4 8. The trustees of a fund shall have the power to invest the moneys  
5 thereof in foreign equity securities provided that (a) any such equity  
6 security is registered on a national securities exchange, as provided in  
7 an act of congress of the United States, entitled the "Securities  
8 Exchange Act of 1934", approved June sixth, nineteen hundred thirty-  
9 four, as amended, or otherwise registered pursuant to said act and, if  
10 such equity security is so otherwise registered, price quotations there-  
11 for are furnished through a nationwide automated quotation system  
12 approved by the National Association of Securities Dealers, Inc. or is  
13 registered on a foreign exchange organized and regulated pursuant to the  
14 laws of the jurisdiction of such exchange and (b) the corporation has  
15 averaged at least one billion dollars in annual sales for the three  
16 consecutive years preceding the year in which the investment is made or  
17 has market capitalization of at least one billion dollars at the time

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

LBD11293-07-0

1 the investment is made. Investments in such foreign equities shall be  
2 included together with a fund's investments in other equity securities  
3 for purposes of the percentage limitations set forth in the foregoing  
4 subdivisions of this section, and not more than [~~ten~~] **twenty** per centum  
5 of the assets of any fund shall be invested in the aggregate in such  
6 foreign equities.

7 § 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation, as it relates to the New York City Pension Funds and Retirement Systems (NYCRS), would amend section 177(8) of the Retirement and Social Security Law (RSSL) to increase the current foreign equities investment cap from 10% of the fund's assets in the aggregate to 20% of the fund's assets in the aggregate.

Effective Date: Upon enactment.

FINANCIAL IMPACT - SUMMARY: This legislation, as it relates to any costs in the potential reallocation of current NYCRS investments, is expected to have minimal to no impact on member or employer contributions. The cost of a retirement program is based on the benefits paid plus any expenses to administer the program. The cost is funded by contributions and investment income, the latter of which is driven by the rate of return on the assets. To the extent that this proposed legislation increases or decreases this rate of return, it would decrease or increase the employer contributions, respectively.

CENSUS DATA: The estimates presented herein are based on the census data used in the June 30, 2018 (Lag) actuarial valuations of NYCRS to determine the Preliminary Fiscal Year 2020 employer contributions.

ACTUARIAL ASSUMPTIONS AND METHODS: The estimates 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 NYCRS.

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 the Plan and other exogenous factors such as investment, demographic, contribution, and other risks. If actual experience deviates from actuarial assumptions, the actual costs could differ from those presented herein. As a reference, increasing the current discount rate (i.e. the assumed rate of return on the Plan's assets of 7.0%) by 1.0% would reduce the unfunded liability by approximately \$23.3 billion, while decreasing it by 1.0% would increase the unfunded liability by approximately \$27.8 billion. 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 to each of the retirement systems and other New York City agencies to implement the proposed legislation.

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

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 2020-01 dated January 24, 2020 was prepared by the Chief Actuary for the New York City Retirement Systems and Pension Funds. This estimate is intended for use only during the 2020 Legislative Session.