

# STATE OF NEW YORK

5435--A

2019-2020 Regular Sessions

## IN SENATE

May 1, 2019

Introduced by Sen. GOUNARDES -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- 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 retirement benefits for general members in the uniformed correction force of the New York city department of correction

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

1 Section 1. Subdivision d of section 504 of the retirement and social  
2 security law, as amended by chapter 18 of the laws of 2012, is amended  
3 to read as follows:

4 d. The early service retirement benefit for general members in the  
5 uniformed correction force of the New York city department of  
6 correction, who are not entitled to an early service retirement benefit  
7 pursuant to subdivision c of section five hundred four-a of this article  
8 or subdivision c of section five hundred four-b of this article or  
9 subdivision c of section five hundred four-d of this article, or for  
10 general members in the uniformed personnel in institutions under the  
11 jurisdiction of the department of corrections and community supervision,  
12 as defined in subdivision i of section eighty-nine of this chapter,  
13 shall be a pension equal to one-fiftieth of final average salary times  
14 years of credited service at the completion of twenty-five years of  
15 service, [~~but not in excess of fifty percent of final average salary~~]  
16 plus one-sixtieth of final average salary times years of credited  
17 service in excess of twenty-five, provided, however, that the provisions  
18 of this section shall not apply to a New York city uniformed  
19 correction/sanitation revised plan member.

20 § 2. This act shall take effect immediately.

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

LBD04299-06-0

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

SUMMARY OF BILL: This proposed legislation would amend Retirement and Social Security Law (RSSL) Section 504 by modifying the service retirement benefit calculation formula for uniformed employees of the New York City Department of Correction (Correction) who are members of the New York City Employees' Retirement System (NYCERS) and are subject to the Early Service Retirement Benefit Plan for General Members pursuant to RSSL Section 504 (CO-25 Plan). The CO-25 Plan is limited to Tier 3 Correction members who joined NYCERS prior to December 19, 1990 (CO-25 Plan Members).

Effective Date: Upon enactment.

IMPACT ON BENEFITS: Currently, upon reaching 25 or more years of credited service, CO-25 Plan Members are entitled to a service retirement pension benefit equal to:

- \* 50% of Final Average Salary (FAS).

Under the proposed legislation, if enacted, the service retirement benefit for CO-25 Plan Members who retire for service under RSSL Section 504(d) after the effective date of the proposed legislation with 25 or more years of credited service would be equal to:

- \* 50% of FAS for the first 25 years of credited service, plus

- \* 1/60th of FAS for each additional year of credited service, or fraction thereof, exceeding 25 years (if any).

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and actuarial assumptions and methods herein, the enactment of this proposed legislation would increase the Present Value of Future Benefits (PVFB) by approximately \$7.3 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 \$7.2 million and an increase in the Present Value of future employer Normal Cost of \$0.1 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: In accordance with Section 13-638.2(k-2) of the Administrative Code of the City of New York (ACCNYS), new 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, 2019, the remaining working lifetime of the CO-25 Plan Members is approximately 3 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 3-year period (2 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments. This payment plus the increase in the Normal Cost results in an increase in annual employer contributions of approximately \$4.1 million each year.

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. 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, 2019 (Lag) actuarial valuation of NYCERS to determine the Preliminary Fiscal Year 2021 employer contributions.

The 55 NYCERS CO-25 Plan Members as of June 30, 2019 had an average age of approximately 56.7 years, average service of approximately 29.8 years, and an average salary of approximately \$139,900.

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, 2019 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2021 employer contributions of NYCERS with the exception of the probability of a CO-25 Plan Member working beyond 25 years of service, which was increased to recognize the impact the proposed legislation, if enacted, would have on retirement behavior.

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 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 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 2020-22 dated April 1, 2020 was prepared by the Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2020 Legislative Session.