STATE OF NEW YORK

5900--B

2019-2020 Regular Sessions

IN SENATE

May 16, 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 -- 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 additional member contributions for certain members under the age fifty-seven retirement program

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

Section 1. Paragraph 1 of subdivision f of section 604-d of the retirement and social security law is amended by adding a new subparagraph (iv) to read as follows:

(iv) notwithstanding the provisions of subparagraph (ii) of this paragraph, a participant holding the title of carpenter, supervisor carpenter, ship carpenter, supervisor ship carpenter, rigger, dockbuilder, supervisor dockbuilder and general supervisor dockbuilder who is a participant in the age fifty-seven retirement program and whose age and allowable service are such that he or she could not possibly be able to accumulate at least twenty-five years of service by the time he or she reaches age fifty-seven, shall not be required to make the additional member contribution pursuant to subparagraph (ii) of this paragraph. Any participant in the titles listed in this subparagraph who has made additional member contributions pursuant to subparagraph (ii) of this paragraph prior to the effective date of the chapter of the laws of two thousand nineteen that added this subparagraph shall receive a refund of the employee portion of such contributions plus interest provided that their age and allowable service are such that he or she could not possi-

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

LBD06637-05-0

bly be able to accumulate at least twenty-five years of service by the time he or she reaches age fifty-seven.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend New York Retirement and Social Security Law (RSSL) Section 604-d to exempt from the physically taxing provisions certain Tier 4 carpenter titles, who are participants in the New York City Employees' Retirement System (NYCERS) or the Board of Education Retirement System of the City of New York (BERS) Age 57 Retirement Program (57/5 Plan), and who would not benefit from the early retirement provisions for such physically taxing titles.

The proposed legislation would affect 57/5 Plan participants in the physically taxing titles of carpenter, supervisor carpenter, ship carpenter, supervisor ship carpenter, rigger, dockbuilder, supervisor dockbuilder, and general supervisor dockbuilder (Eligible Carpenter Title) who would be unable to reach the requisite 25 years of credited service in a physically taxing title by age 57, and would therefore be ineligible to take advantage of the early retirement provisions of the physically taxing title, which permits retirement at age 50 (with 25 years of credited service).

Under the proposed legislation, Eligible Carpenter Titles who started in the 57/5 Plan but will not reach 25 years of credited service in a physically taxing title by age 57 would no longer pay physically taxing Additional Member Contributions (AMCs) and would receive an immediate refund of the employee portion (i.e. 50%) of their physically taxing AMCs plus interest. Such Titles would remain responsible for applicable basic member contributions and applicable non-physically taxing AMCs for continued 57/5 Plan participation.

Effective Date: Upon enactment.

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and actuarial assumptions and methods described herein, the enactment of this proposed legislation would result in an increase in the present value of future employer contributions for NYCERS and BERS of approximately $5.6 million.

Under the Entry Age Normal cost method used to determine the employer contributions to NYCERS and BERS, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately $2.3 million and an increase in the present value of future employer Normal Cost of $3.3 million. These results are summarized in the table below:

Change in:	NYCERS	BERS	Total
Actuarial Value of Assets (AVA)	$(5,018)	$(121)	$(5,139)
Accrued Liability (AL)	$(2,826)	$ (61)	$(2,887)
Unfunded Accrued Liability (AL-AVA)	$ 2,192	$ 60	$ 2,252
Present Value of Future Employer Normal Cost	$ 3,262	$ 43	$ 3,305

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: In accordance with Section 13-638.2(k-2) of the Administrative Code of the City of New York (ACCNY), 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 members in Eligible

Carpenter Titles is approximately eight years for NYCERS and five years for BERS.

For the purposes of this Fiscal Note, the increase in UAL was amortized over an eight-year period (seven payments) for NYCERS and over a five-year period (four payments) for BERS under the One-Year Lag Methodology (OYLM) using level dollar payments. When added to the change in Employer Normal Cost, the estimated increase in annual employer contributions is approximately $855,000 for NYCERS and $26,000 for BERS.

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the Present Value of future employer contributions and annual employer contributions would be reflected for the first time in the June 30, 2020 actuarial valuation of NYCERS and BERS. In accordance with the OYLM used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2022.

CENSUS DATA: The estimates presented herein are based on census data used in the Preliminary June 30, 2019 (Lag) actuarial valuation of NYCERS and BERS to determine Preliminary Fiscal Year 2021 employer contributions. The following table summarizes the data for the affected participants:

	NYCERS	BERS	NYCERS & BERS
Count	268	6	274
Average Age	56.0 years	60.2 years	56.1 years
Average Service	13.2 years	15.6 years	13.3 years
Average Salary	$95,600	$64,700	$94,900

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the UAL, Present Value of future employer contributions, and annual employer contributions presented herein have been calculated based on the same 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 and BERS.

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 BERS 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, BERS, 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 2020-28 dated April 17, 2020 was prepared by the Chief Actuary for the New York City Employees' Retirement System and the Board of Education Retirement System of the City of New York. This estimate is intended for use only during the 2020 Legislative Session.