STATE OF NEW YORK

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2019-2020 Regular Sessions

IN ASSEMBLY

May 14, 2019

Introduced by M. of A. ABBATE, CRUZ, ROZIC, PHEFFER AMATO, D'URSO, SOLAGES, BRAUNSTEIN, ORTIZ, COLTON, PERRY, BARNWELL, D. ROSENTHAL, DenDEKKER, LENTOL, WEPRIN, M. G. MILLER -- Multi-Sponsored by -- M. of A. HEVESI -- read once and referred to the Committee on Governmental Employees -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the general municipal law, in relation to allowing certain members of the New York city police pension fund to receive a membership date in the New York city police pension fund attributable to service in the titles of police cadet program or police cadet program II in the New York city police department cadet program

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

Section 1. The general municipal law is amended by adding a new section 209-fff to read as follows:

§ 209-fff. Provisions relating to a membership date in the New York city police pension fund attributable to service in the titles of police cadet program and police cadet program II in the New York city police department cadet program. 1. Notwithstanding any provision of law to the contrary, upon election, any member of the New York city police pension fund who is subject to article fourteen of the retirement and social security law, and who served in the New York city police department cadet program in the title of police cadet program or police cadet program II prior to April first, two thousand twelve, but did not join the New York city employees' retirement system while serving in either such title, may purchase credit for the period of service in such titles in the New York city police department cadet program by paying into the New York city police pension fund all member contributions plus interest, at a rate of five percent per annum, which would have been payable to the New York city employees' retirement system under any provision of law had such member joined the New York city employees' retirement

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

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system on the earliest date that he or she was appointed to the title of police cadet program or police cadet program II in the New York city police department cadet program, provided such payment is made within five years after the effective date of this section.

2. Any member of the New York city police pension fund who acquires service credit pursuant to this section shall be entitled to all rights, benefits and privileges to which he or she would have been entitled had his or her membership in the New York city police pension fund begun upon the earliest date that he or she was appointed to the title of police cadet program or police cadet program II in the New York city police department cadet program, but in no event shall the service credit acquired pursuant to this section be deemed to be service in the police force or any other type of service counted or creditable as service in the police force under section 13-218 of the administrative code of the city of New York, section five hundred thirteen of the retirement and social security law or any other provision of law for purposes of eligibility for benefits and to determine the amount of benefits under the New York city police pension fund.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: The attached draft legislation would amend the General Municipal Law by adding a new Section 209-fff to allow New York City Police Pension Fund (POLICE) members subject to Article 14 of the RSSL (Tier 3, Tier 3 Revised, and Tier 3 Enhanced) to purchase prior service as a cadet in the New York Police Department (NYPD) and use the appointment date as a cadet to determine the initial date of POLICE membership for plan or tier eligibility provided such purchase of service is made within five years of the effective date.

Effective Date: Upon enactment.

BACKGROUND: Currently, the purchase of prior NYPD cadet service performed while not a member of the New York City Employees' Retirement System (NYCERS) does not provide a retroactive date of membership in POLICE nor would it provide additional service retirement benefits.

IMPACT ON BENEFITS: Under the proposed legislation, if enacted, purchased NYPD cadet service performed while not a member of NYCERS would entitle members with a cadet service date before July 1, 2009 to be deemed Tier 2 member with all the rights and privileges of such Tier, and such service would be included in the calculation of benefits as non-qualifying service credit.

Also, under the proposed legislation, if enacted, purchased NYPD cadet service would entitle members with cadet service between July 1, 2009 and April 1, 2012 who joined POLICE after April 1, 2012 as a Tier 3 Revised or Enhanced member to be deemed an original Tier 3 member with all the rights and privileges of a member who joined such Tier prior to April 1, 2012.

Since eligibility for POLICE benefits are based on tier or plan, including cadet service towards tier or plan eligibility would increase and/or accelerate the payability date of the benefits in accordance with applicable earlier tiers or plans.

ADDITIONAL MEMBER CONTRIBUTIONS: For cadets who did not join NYCERS, the member would have to pay member contributions that would have been payable to NYCERS had they joined on their initial cadet appointment date, plus 5% annual interest.

Member contributions for POLICE are determined by tier and plan as follows:

* Tier 2 - contribution rates are based on entry age.

* Tier 3 and Tier 3 Revised - Basic Member Contributions (BMC) of 3%.

* Tier 3 Enhanced - BMC of 3% plus Additional Member Contributions currently equal to 1%.

FINANCIAL IMPACT - PRESENT VALUES: Based on the data provided by POLICE and the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Present Value of Future Benefits (PVFB) by approximately $37.6 million and decrease the Present Value of member contributions of approximately $7.5 million. The net result is an increase in the Present Value of future employer contributions of approximately $45.1 million.

Under the Entry Age Normal cost method used to determine the employer contributions to POLICE, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately $17.0 million and an increase in the Present Value of future employer Normal Cost of $28.1 million.

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. As of June 30, 2017, the remaining working lifetime of the affected cadets is approximately 15 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 15-year period (14 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 $5.6 million each year.

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

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

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

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, 2019 actuarial valuation of POLICE. 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 valuation of POLICE to determine the Preliminary Fiscal Year 2020 employer contributions.

Additional data for the cadets was provided by POLICE. There were 358 affected cadets as of June 30, 2018. These members had an average age of approximately 31.3 years, average service of approximately 7.5 years, and an average salary of approximately $113,500.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the Present Value of future employer contributions 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 POLICE. Additionally, 1.2 years of cadet service was assumed based on the amount of cadet service previously purchased by members of POLICE.

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 2019-36 dated June 15, 2019 was prepared by the Chief Actuary for the New York City Police Pension Fund. This estimate is intended for use only during the 2019 Legislative Session.