STATE OF NEW YORK

8260--A

2019-2020 Regular Sessions

IN ASSEMBLY

June 11, 2019

Introduced by M. of A. SANTABARBARA -- 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 education law, the retirement and social security law and the administrative code of the city of New York, in relation to permitting members of the New York state and New York city teachers' retirement systems to claim retirement credit for certain federal teaching service

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

Section 1. Subdivision 2 of section 509 of the education law is amended by adding a new paragraph d to read as follows:

d. Notwithstanding any other provision of law, a member shall be entitled to obtain credit for up to ten years of service other than military service rendered in the employ of the federal government, including service in the Peace Corps, VISTA, or Head Start, which would constitute service as a teacher, had it been performed within New York state for an employer subject to the provisions of this article. The crediting of service pursuant to this paragraph shall be in accordance with rules and regulations as shall be adopted by the retirement board, provided that such rules and regulations shall be substantially equivalent to the rules and regulations otherwise applicable for the crediting of service pursuant to this section. Provided, however, no such credit shall be allowed for any service for which the person is receiving a benefit or will be entitled to receive a benefit at any future time from some other public or private retirement system or plan in this state, in any other state or from the federal government.

§ 2. Section 446 of the retirement and social security law is amended by adding a new subdivision k to read as follows:

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

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k. Notwithstanding any other provision of law, a member of a teachers' retirement system subject to the provisions of this article shall be entitled to obtain credit for up to ten years of service other than military service rendered in the employ of the federal government, including service in the Peace Corps, VISTA, or Head Start, which would constitute service as a teacher, had it been performed within New York state for an employer subject to the provisions of this article. The crediting of service pursuant to this subdivision shall be in accordance with rules and regulations as shall be adopted by the retirement board of such retirement system, provided that such rules and regulations shall be substantially equivalent to the rules and regulations otherwise applicable for the crediting of service pursuant to this section. Provided, however, no such credit shall be allowed for any service for which the person is receiving a benefit or will be entitled to receive a benefit at any future time from some other public or private retirement system or plan in this state, in any other state or from the federal government.

§ 3. Section 513 of the retirement and social security law is amended by adding a new subdivision i to read as follows:

i. Notwithstanding any other provision of law, a member of a teachers' retirement system subject to the provisions of this article shall be entitled to obtain credit for up to ten years of service other than military service rendered in the employ of the federal government, including service in the Peace Corps, VISTA, or Head Start, which would constitute service as a teacher, had it been performed within New York state for an employer subject to the provisions of this article, provided such member makes the payments required pursuant to the provisions of section five hundred seventeen of this article. The crediting of service pursuant to this subdivision shall be in accordance with rules and regulations as shall be adopted by the retirement board of such retirement system, provided that such rules and regulations shall be substantially equivalent to the rules and regulations otherwise applicable for the crediting of service pursuant to this section. Provided, however, no such credit shall be allowed for any service for which the person is receiving a benefit or will be entitled to receive a benefit at any future time from some other public or private retirement system or plan in this state, in any other state or from the federal government.

§ 4. Section 609 of the retirement and social security law is amended by adding a new subdivision i to read as follows:

i. Notwithstanding any other provision of law, a member of a teachers' retirement system subject to the provisions of this article shall be entitled to obtain credit for up to ten years of service other than military service rendered in the employ of the federal government, including service in the Peace Corps, VISTA, or Head Start, which would constitute service as a teacher, had it been performed within New York state for an employer subject to the provisions of this article, provided such member makes the payments required pursuant to the provisions of section six hundred thirteen of this article and paragraph two of subdivision b of this section. The crediting of service pursuant to this subdivision shall be in accordance with rules and regulations as shall be adopted by the retirement board of such retirement system, provided that such rules and regulations shall be substantially equivalent to the rules and regulations otherwise applicable for the crediting of service pursuant to this section. Provided, however, no such credit shall be allowed for any service for which the person is receiv-

ing a benefit or will be entitled to receive a benefit at any future time from some other public or private retirement system or plan in this state, in any other state or from the federal government.

§ 5. Subparagraph (d) of paragraph 3 of subdivision a of section 13-505 of the administrative code of the city of New York is amended to read as follows:

(d) Credit for such prior service up to a maximum of fifteen years shall be given only if application and payment therefor is made by the contributor within the first four years subsequent to membership in the New York city teachers' retirement system or before December thirty-first, [~~nineteen hundred sixty-nine~~] two thousand nineteen, whichever is later.

§ 6. Subdivision a of section 13-505 of the administrative code of the city of New York is amended by adding a new paragraph 10 to read as follows:

10. Notwithstanding any other provision of law, a member shall be entitled to obtain credit for up to ten years of service other than military service rendered in the employ of the federal government, including service in the Peace Corps, VISTA, or Head Start, which would constitute service as a teacher, had it been performed within New York state for an employer subject to the provisions of this chapter. The crediting of service pursuant to this paragraph shall be in accordance with rules and regulations as shall be adopted by the retirement board, provided that such rules and regulations shall be substantially equivalent to the rules and regulations otherwise applicable for the crediting of service pursuant to this section. Provided, however, no such credit shall be allowed for any service for which the person is receiving a benefit or will be entitled to receive a benefit at any future time from some other public or private retirement system or plan in this state, in any other state or from the federal government.

§ 7. This act shall take effect June 30, 2019.

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

This bill would amend section 509 of the Education Law and sections 446, 513, and 609 of the Retirement and Social Security Law to permit members of the New York State Teachers' Retirement System (NYSTRS) to claim service credit for up to ten years of federal teaching service (including Vista, Head Start, and the Peace Corps). Payments for such credit must be made by those members subject to Article 14 of the Retirement and Social Security Law in accordance with section 517 of such law and by those members subject to Article 15 of the Retirement and Social Security Law in accordance with section 613 and paragraph 2 of subdivision b of section 609 of such law.

It is not possible to determine the number of eligible current and future members, or the number of years of teaching service credit each such member may purchase under this bill. Therefore, it is not possible to estimate the annual increase in the employers' cost for this bill. Whatever increase in liabilities that arises for service credited under this bill would be included in the cost that would be shared and spread through the employer contribution rate.

It is estimated that the increase in liabilities for each member who purchases service credit under this bill is as follows:

Increase in liabilities
(as a percentage of the member's salary per year of service credited)

Tier	1-4	5	6

Increase in liabilities	13.6%	11.1%	10.7%
Member Contribution offset	3.0%*	3.5%	6.0%
Net cost to participating employers (to be shared and spread)	10.6%	7.6%	4.7%

*Members of Tier 1 and 2 do not pay member contributions

Member data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Comprehensive Annual Financial Report (CAFR). System assets are as reported in the System's financial statements, and can also be found in the CAFR. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: future plan experience that differs significantly from that predicted by the actuarial assumptions, changes in the actuarial assumptions or methods, and changes in plan provisions or applicable law.

The source of this estimate is Fiscal Note 2019-27 dated May 24, 2019 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2019 Legislative Session. I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

SUMMARY OF BILL: This proposed legislation would amend Retirement and Social Security Law (RSSL) Sections 446, 513 and 609 and Administrative Code of the City of New York (ACCNY) Section 13-505 to allow active members of the New York City Teachers' Retirement System (NYCTRS) to claim service credit for up to ten years of non-military federal service (including service in the Peace Corps, VISTA, and Head Start) which would otherwise constitute service as a teacher had it been performed in New York State. No service credit will be permitted for any federal service for which the member is receiving, or will be entitled to receive, a benefit from any other public or private retirement system.

Rules and regulations regarding the purchase of such service, including the method to assess the amount required of the member for such purchase, will be determined by the TRS Board of Trustees. For purposes of this Fiscal Note, it has been assumed that members would be eligible to purchase federal teaching service immediately upon joining the plan, without any age or service requirements.

The proposed legislation also extends the deadline to purchase Tier I Outside Teaching Service as specified in ACCNY Section 13-505 from the later of December 31, 1969 and the member's 4th anniversary to the later of December 31, 2019 and the member's 4th anniversary.

Effective Date: June 30, 2019.

FINANCIAL IMPACT - OVERVIEW: There is no data available to estimate the number of years of federal teaching service that members would claim under the proposed legislation. Therefore, the estimated financial impact has been calculated on a per individual basis equal to the increase in the Present Value of Future Benefits (PVFB) for an average member who would purchase a single year of credited service.

With respect to an individual member, the additional cost of this proposed legislation could vary greatly depending on the number of years

of federal teaching service purchased and the member's length of service, age, salary history, and the Plan in which the member participates.

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the PVFB by approximately $16,300, on average for each year of service credited. This increase would be offset by the amount required to be paid by the member to purchase such service.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: Enactment of this proposed legislation would increase employer contributions, where such amount would depend on the number of years of eligible federal teaching service credited as well as other characteristics including the age, years of service, and salary history of the member purchasing the service.

As there is no data currently available to estimate the number of members who might purchase federal teaching service, the financial impact would be recognized at the time of event. Consequently, changes in employer contributions have been estimated assuming that increase in the PVFB will be financed over a time period comparable to that used for actuarial losses under the Entry Age Normal cost method. Using this approach, the additional PVFB would be amortized over a closed 15-year period (14 payments under the One-Year Lag Methodology) using level dollar payments.

Based on the Actuary's actuarial assumptions and methods in effect as of June 30, 2018, the enactment of this proposed legislation is estimated to increase annual employer contributions by approximately $1,900 for each year of service credited. This increase would be offset by the amount required to be paid by the member to purchase such service. With respect to the timing, increases in employer contributions would depend upon when members elect to purchase the service. Generally, increased employer contributions will first occur the second fiscal year following processing and payment of the buyback application.

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.

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

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2018 (Lag) actuarial valuation of TRS to determine the Preliminary Fiscal Year 2020 employer contributions. There were 121,764 active members with an average of 43.9 years and average service of 11.6 years.

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 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 2019-31 dated June 7, 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.