# STATE OF NEW YORK

2094

2019-2020 Regular Sessions

# IN SENATE

January 22, 2019

Introduced by Sen. AKSHAR -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the retirement and social security law, in relation to the calculation of past service credit for members in the title of deputy sheriff transferring between the New York state and local employees' retirement system to the New York state and local police and fire retirement system

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

Section 1. Section 43 of the retirement and social security law is amended by adding a new subdivision m to read as follows:

**m. 1. Notwithstanding any other law, rule or regulation to the contrary, any member in the title of deputy sheriff transferring from the New York state and local employees' retirement system to the New York state and local police and fire retirement system after the effective date of this subdivision and any member previously in the title of deputy sheriff having made such transfer shall be entitled to a determination of the amount of service credit that is eligible on a twenty year or twenty-five year retirement plan if, within one year of the date on which he or she first became a member of the New York state and local police and fire retirement system or within one year of the effective date of this subdivision, such member elects to do so. If the member subsequently transfers back to the New York state and local employees' retirement system, the full amount of service credit earned while in the title of deputy sheriff shall be transferred back to the New York state and local employees' retirement system.**

**2. The calculation of the amount of such service credit for a member will be determined by multiplying the eligible service credited in the New York state and local employees' retirement system plan by a salary multiplier, reflecting the rate of salary in the New York state and local employees' retirement system plan relative to the rate of salary**

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

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in the New York state and local police and fire retirement system plan, and a billing rate multiplier, reflecting the actuarial long-term average billing rate in the New York state and local employees' retirement system plan relative to the actuarial long-term average billing rate in the New York state and local police and fire retirement system plan. The determination of the salary multiplier and billing rate multiplier will be determined by the actuary of the New York state and local employees' retirement system and the New York state and local police and fire retirement system. The amount of such service credited to the member in the New York state and local police and fire retirement system plan shall not exceed the amount of service credited to the member in the New York state and local employees' retirement system plan.

§ 2. Section 343 of the retirement and social security law is amended by adding a new subdivision i to read as follows:

i. 1. Notwithstanding any other law, rule or regulation to the contrary, any member in the title of deputy sheriff transferring from the New York state and local employees' retirement system to the New York state and local police and fire retirement system after the effective date of this subdivision and any member previously in the title of deputy sheriff having made such transfer shall be entitled to a determination of the amount of service credit that is eligible on a twenty year or twenty-five year retirement plan if, within one year of the date on which he or she first became a member of the New York state and local police and fire retirement system or within one year of the effective date of this subdivision, such member elects to do so. If the member subsequently transfers back to the New York state and local employees' retirement system, the full amount of service credit earned while in the title of deputy sheriff shall be transferred back to New York state and local employees' retirement system.

2. The calculation of the amount of such service credit for a member will be determined by multiplying the eligible service credited in the New York state and local employees' retirement system plan by a salary multiplier, reflecting the rate of salary in the New York state and local employees' retirement system plan relative to the rate of salary in the New York state and local police and fire retirement system plan, and a billing rate multiplier, reflecting the actuarial long-term average billing rate in the New York state and local employees' retirement system plan relative to the actuarial long-term average billing rate in the New York state and local police and fire retirement system plan. The determination of the salary multiplier and billing rate multiplier will be determined by the actuary of the New York state and local employees' retirement system and the New York state and local police and fire retirement system. The amount of such service credited to the member in the New York state and local police and fire retirement system plan shall not exceed the amount of service credited to the member in the New York state and local employees' retirement system plan.

3. If the member subsequently retires on an age based retirement plan in the New York state and local police and fire retirement system instead of a twenty year or twenty-five year plan, the full amount of service credit earned while in the title of deputy sheriff shall be granted.

4. No member who receives service credit pursuant to this subdivision shall be eligible to receive additional service credit pursuant to subdivision b of section three hundred eighty four-e of this article if his or her employer has elected to provide such service credit.

§ 3. This act shall take effect on the sixtieth day after an internal revenue service ruling stating that the transfer and crediting of deputy sheriff service credit from the New York state and local employees' retirement system into the New York state and local police and fire retirement system special retirement plan by this act is allowable and does not jeopardize such retirement system's tax-qualified status, and shall remain in full force and effect only as long as such transfer is authorized pursuant to the provisions of the internal revenue code; provided, that the state comptroller shall notify the legislative bill drafting commission upon the occurrence of such ruling and upon any change in the provisions of the internal revenue code affecting the provisions of this act in order that the commission may maintain an accurate and timely effective data base of the official text of the laws of the state of New York in furtherance of effecting the provisions of section 44 of the legislative law and section 70-b of the public officers law.

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

This bill will expand the definition of creditable service under 20-year and 25-year plans (special plans) in the New York State and Local Police and Fire Retirement System (PFRS) to include service credit earned in the New York State and Local Employees' Retirement System (ERS) for those individuals previously employed in the title of Deputy Sheriff. To be eligible for the service credit, an individual must be a member of PFRS and elect to transfer the ERS service credit to the PFRS plan within 12 months of first joining PFRS, or within 12 months of the effective date of the bill, whichever is later. The amount of service credit granted in the PFRS special plan will be calculated by The Actuary of the New York State and Local Retirement Systems (NYLSRS), not to exceed the service credited under the ERS plan.

Internal Revenue Service (IRS) plan qualification issues: granting service credit towards retirement in a 20-year plan in the New York State and Local Police and Fire Retirement System (PFRS) for employment that was not rendered in the PFRS could jeopardize the Retirement System's governmental plan status and its exemption from Employees Retirement Income Security Act (ERISA). This development could result in the loss of qualified status, which would mean the loss of tax benefits. This result would substantially impair the System's value to our more than one million participants.

This legislation will not become effective until NYLSRS obtains a favorable ruling from the IRS stating that these provisions would not harm the qualification status of the System. Further, the provisions of this legislation will only continue in full force and effect while so authorized by the IRS. It is estimated that the costs to obtain an initial ruling would be $28,000 for the services of the IRS, and $800 per hour for legal consultants.

In addition to the costs to obtain a ruling from the IRS stated above, if this bill is enacted, there will be an administrative cost to implement the provisions of this legislation.

All costs will be shared and spread by the participating employers in PFRS.

Summary of relevant resources:

The membership data used in measuring the impact of the proposed change was the same as that used in the March 31, 2018 actuarial valuation. Distributions and other statistics can be found in the 2018 Report of the Actuary and the 2018 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2015, 2016, 2017 and 2018 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes, Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2018 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This fiscal note does not constitute a legal opinion on the viability of the proposed change nor is it intended to serve as a substitute for the professional judgment of an attorney.

This estimate, dated January 10, 2019, and intended for use only during the 2019 Legislative Session, is Fiscal Note No. 2019-23, prepared by the Actuary for the New York State and Local Retirement System.