STATE OF NEW YORK

5835

2019-2020 Regular Sessions

IN SENATE

May 15, 2019

Introduced by Sen. BRESLIN -- 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, the education law and the administrative code of the city of New York, in relation to providing cost-of-living adjustments

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

Section 1. Subdivision c of section 78-a of the retirement and social security law, as added by chapter 125 of the laws of 2000, is amended to read as follows:

c. Said cost-of-living adjustment shall be computed on a base benefit amount not to exceed eighteen thousand dollars of the annual retirement allowance defined in subdivision b of this section. **Effective on the first day of September, two thousand twenty, said cost-of-living adjustment shall be computed on a base benefit amount not to exceed twenty-one thousand dollars of the annual retirement allowance defined in subdivision b of this section.**

§ 2. Subdivision c of section 378-a of the retirement and social security law, as added by chapter 125 of the laws of 2000, is amended to read as follows:

c. Said cost-of-living adjustment shall be computed on a base benefit amount not to exceed eighteen thousand dollars of the annual retirement allowance defined in subdivision b of this section. **Effective on the first day of September, two thousand twenty, said cost-of-living adjustment shall be computed on a base benefit amount not to exceed twenty-one thousand dollars of the annual retirement allowance defined in subdivision b of this section.**

§ 3. Subdivision c of section 532-a of the education law, as added by chapter 125 of the laws of 2000, is amended to read as follows:

c. Said cost-of-living adjustment shall be computed on a base benefit amount not to exceed eighteen thousand dollars of the annual retirement

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

LBD03565-02-9

allowance defined in subdivision b of this section. **Effective on the first day of September, two thousand twenty, said cost-of-living adjustment shall be computed on a base benefit amount not to exceed twenty-one thousand dollars of the annual retirement allowance defined in subdivision b of this section.**

§ 4. Subdivision c of section 13-696 of the administrative code of the city of New York, as added by chapter 125 of the laws of 2000, is amended to read as follows:

c. Said cost-of-living adjustment shall be computed on a base benefit amount not to exceed eighteen thousand dollars of the annual fixed retirement allowance defined in subdivision b of this section. **Effective on the first day of September, two thousand twenty, said cost-of-living adjustment shall be computed on a base benefit amount not to exceed twenty-one thousand dollars of the annual retirement allowance defined in subdivision b of this section.**

§ 5. This act shall take effect immediately.

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

This bill would amend subdivision c of Section 532-a of the Education Law to prospectively apply the cost-of-living adjustment (COLA) percentage to a base benefit amount not to exceed $21,000 of the annual retirement allowance. The current cap on the annual base benefit amount is $18,000. This benefit improvement would be effective in September 2020.

The annual cost to the employers of members of the New York State Teachers' Retirement System for this benefit is estimated to be $85.8 million or .50% of payroll if this bill is enacted.

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.

The source of this estimate is Fiscal Note 2019-13 dated January 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:

This bill would provide an increase in the defined benefit cost-of-living adjustment (COLA) for New York public retirement systems. Starting with a payment in September 2020 the annual cost of living adjustment will be computed on a base benefit amount not to exceed $21,000.

Insofar as this bill affects the New York State and Local Employees' Retirement System, pursuant to Section 25 of the Retirement and Social Security Law, the increased costs would be borne entirely by the State of New York and would require an itemized appropriation sufficient to pay the cost of the provision. If this bill were enacted, the increase in the present value of benefits would be approximately $1.07 billion.

Insofar as this bill affects the New York State and Local Police and Fire Retirement System (PFRS), the increased costs would be shared by the State of New York and the participating employers in the PFRS. If this bill were enacted, the increase in the present value of benefits would be approximately $143 million. The estimated first year cost would

be approximately $3.5 million to the State of New York and approximately $13.7 million to the participating employers in the 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 9, 2019, and intended for use only during the 2019 Legislative Session, is Fiscal Note No. 2019-10, prepared by the Actuary for the New York State and Local Retirement System.

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

SUMMARY OF BILL: This proposed legislation would amend the City of New York's (City) Cost of Living Adjustment (COLA) provision in 13-696(c) to raise the base retirement allowance benefit cap amount, used for the COLA calculation, from $18,000 to $21,000.

This proposed legislation would impact the New York City Employees' Retirement System (NYCERS), the New York City Teachers' Retirement System (NYCTRS), the New York City Board of Education Retirement System (BERS), the New York City Police Pension Fund (POLICE), and the New York City Fire Pension Fund (FIRE), collectively known as the New York City Pension Funds and Retirement Systems (NYCRS).

Effective Date: Upon enactment and applicable to the September 2020 COLA.

IMPACT ON BENEFITS: Certain NYCRS retirees and beneficiaries are eligible to receive a COLA pursuant to the Administrative Code of the City of New York (ACCNY) Section 13-696(a) (i.e. age 62 and retired for 5 years; age 55 and retired for 10 years; disabled retirees who are retired for 5 years; and accidental death benefit recipients who have been receiving the benefit for 5 years).

Currently, COLA is 50% of the Consumer Price Index, rounded to the next higher 0.1%, but not to exceed 3% and not less then 1%, applied to the first $18,000 of the maximum retirement allowance as adjusted with prior COLAs.

Spouses paid under a lifetime optional benefit receive 50% of the COLA that would have been payable to the retiree.

Under the proposed legislation, if enacted, the COLA percentage would be applied to the first $21,000 of the maximum retirement allowance.

FINANCIAL IMPACT: The estimated financial impact of increasing the base retirement allowance benefit cap amount, used for the COLA calculation as described above is an increase in the Present Value of Future Benefits (PVFB) of $1.2 billion and an increase in the annual employer contributions of $839.6 million. A breakdown of the financial impact by NYCRS is shown in the table below.

System/Fund	Additional Present Value of Future Benefits($ Millions)	Estimated First Year Annual Employer Contributions ($Millions)
NYCERS	$489.1	$399.0
NYCTRS	343.2	237.3
BERS	25.9	14.1
POLICE	229.5	189.3
FIRE	**75.8**	**59.9**
Total	$1,163.5	$839.6

In accordance with ACCNY Section 13-638.2(k-2), new Unfunded Accrued Liability (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. For purposes of this Fiscal Note it has been assumed that increases in the UAL attributable to current retirees would be recognized immediately and that increases in the UAL attributable to active members would be amortized over periods ranging from 12 to 15 years depending on the System (11 to 14 payments under the One-Year Lag Methodology (OYLM)).

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

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

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, 2018 actuarial valuations of NYCRS. In accordance with the OYLM used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2020.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2018 (Lag) actuarial valuations of NYCRS to determine the Preliminary Fiscal Year 2020 employer contributions.

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 NYCRS.

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 2019-10 dated April 23, 2019 was prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund, and the New York City Fire Pension Fund. This estimate is intended for use only during the 2019 Legislative Session.