STATE OF NEW YORK

5852--A

2019-2020 Regular Sessions

IN SENATE

May 15, 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

AN ACT to amend the retirement and social security law, in relation to disability retirement of certain New York city correction members

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

Section 1. Paragraph 1 of subdivision b of section 507-a of the retirement and social security law, as added by chapter 452 of the laws of 1983, is amended to read as follows:

1. Have at least ten years of total service credit, **except that a member in the uniformed personnel of the New York city department of correction may file an application without regard to length of service,** and

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would modify the eligibility requirements of Retirement and Social Security Law (RSSL) Section 507-a for certain New York City Department of Correction (Correction) members of the New York City Employees' Retirement System (NYCERS).

For the purposes of this Fiscal Note, Covered Participants refers to NYCERS Correction members who are subject to RSSL Article 14 and are not Correction Revised Plan Members.

Under the proposed legislation, Covered Participant with less than 10 years of credited service would be entitled to 507-a disability benefits without having to show the disability resulted from a work-related accident.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: Currently, Covered Participants who are determined to be disabled by the NYCERS' Medical Board, and have accumulated at

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

LBD04310-06-9

least 10 years of service credit, are eligible for an immediate ordinary disability retirement (ODR) allowance pursuant to RSSL Section 507-a equal to the greater of:

1) 1/3 of Final Average Salary (FAS), or

2) 1/60 of FAS multiplied by credited service.

If such member is also eligible for Service Retirement, the ODR benefit cannot be less than the retirement allowance for Service Retirement.

Under the proposed legislation, if enacted, the ODR benefit under RSSL Section 507-a would become available to disabled Covered Participants, subject to approval under the applicable statutes and procedures established by NYCERS, irrespective of service credit accumulation.

The proposed legislation would also eliminate the minimum service eligibility requirements for Covered Participants to qualify for benefits available under RSSL Section 507-a.

For the purposes of this Fiscal Note, the Actuary has assumed that the proposed Section 507-a benefit would only be available to eligible Covered Participants prospectively on and after the Effective Date.

FINANCIAL IMPACT - PRESENT VALUES: The ultimate cost of this proposed legislation would be any additional benefits paid to NYCERS participants compared with current law. The timing of the financial impact of the proposed legislation would depend on the number, salaries, ages, and lengths of service of Covered Participants who become eligible for 507-a benefits and the actuarial assumptions and methods employed by the Actuary for such purposes.

Based on the anticipated Covered Participants 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 $6.3 million.

Under the Entry Age Normal cost method used to determine the employer contributions to NYCERS, there would be a decrease in the Unfunded Accrued Liability (UAL) of approximately $13.1 million, offset by an increase in the Present Value of future employer Normal Cost of $19.4 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, 2018, the remaining working lifetime of the Covered Participants is approximately 17 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 17-year period (16 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 $754,000 per year.

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

* The initial, additional administrative costs of NYCERS 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, 2018 actuarial valuation of NYCERS. 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 valuation of NYCERS to determine the Preliminary Fiscal Year 2020 employer contributions.

There were 5,716 Covered Participants with less than 10 years of credited service as of June 30, 2018 and they had an average age of approximately 33.5 years, average service of approximately 3.1 years, and an average salary of approximately $68,039.

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 NYCERS.

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 2019-38 dated June 17, 2019 was prepared by the Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2019 Legislative Session.