

# STATE OF NEW YORK

5900--A

2019-2020 Regular Sessions

## IN SENATE

May 16, 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 additional member contributions for certain members under the age fifty-seven retirement program

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

1 Section 1. Paragraph 1 of subdivision f of section 604-d of the  
2 retirement and social security law is amended by adding a new subpara-  
3 graph (iv) to read as follows:

4 (iv) notwithstanding the provisions of subparagraph (ii) of this para-  
5 graph, a participant holding the title of carpenter, supervisor carpen-  
6 ter, ship carpenter, supervisor ship carpenter, rigger, dockbuilder,  
7 supervisor dockbuilder and general supervisor dockbuilder who is a  
8 participant in the age fifty-seven retirement program and whose age and  
9 allowable service are such that he or she could not possibly be able to  
10 accumulate at least twenty-five years of service by the time he or she  
11 reaches age fifty-seven, shall not be required to make the additional  
12 member contribution pursuant to subparagraph (ii) of this paragraph.  
13 Any participant in the titles listed in this subparagraph who has made  
14 additional member contributions pursuant to subparagraph (ii) of this  
15 paragraph prior to the effective date of the chapter of the laws of two  
16 thousand nineteen that added this subparagraph shall receive a refund of  
17 the employee portion of such contributions plus interest provided that  
18 their age and allowable service are such that he or she could not possi-  
19 bly be able to accumulate at least twenty-five years of service by the  
20 time he or she reaches age fifty-seven.

21 § 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend New York Retirement and Social Security Law (RSSL) Section 604-d to exempt from the physically taxing provisions certain Tier 4 carpenter titles, who

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

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are participants in the New York City Employees' Retirement System (NYCERS) or the Board of Education Retirement System of the City of New York (BERS) Age 57 Retirement Program (57/5 Plan), and who would not benefit from the early retirement provisions for such physically taxing titles.

The proposed legislation would affect 57/5 Plan participants in the physically taxing titles of carpenter, supervisor carpenter, ship carpenter, supervisor ship carpenter, rigger, dockbuilder, supervisor dockbuilder, and general supervisor dockbuilder (Eligible Carpenter Title) who would be unable to reach the requisite 25 years of credited service in a physically taxing title by age 57, and would therefore be ineligible to take advantage of the early retirement provisions of the physically taxing title, which permits retirement at age 50 (with 25 years of credited service).

Under the proposed legislation, Eligible Carpenter Titles who started in the 57/5 Plan but will not reach 25 years of credited service in a physically taxing title by age 57 would no longer pay physically taxing Additional Member Contributions (AMCs) and would receive an immediate refund of the employee portion (i.e. 50%) of their physically taxing AMCs plus interest. Such Titles would remain responsible for applicable basic member contributions and applicable non-physically taxing AMCs for continued 57/5 Plan participation.

Effective Date: Upon enactment.

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and actuarial assumptions and methods described herein, the enactment of this proposed legislation would decrease the Present Value of Future Benefits (PVFB) by approximately \$1.9 million, decrease the Present Value of future member contributions by approximately \$3.8 million, and decrease the Actuarial Value of Assets (AVA) by approximately \$2.5 million for NYCERS and BERS. The net result is an increase in the APV of future employer contributions of approximately \$4.4 million.

Under the Entry Age Normal cost method used to determine the employer contributions to NYCERS and BERS, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately \$0.3 million and an increase in the APV of future employer Normal Cost of \$4.1 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, 2018, the remaining working lifetime of the members in Eligible Carpenter Titles is approximately nine years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a nine-year period (eight payments under the One-Year Lag Methodology (OYLM)) using level dollar payments. A breakdown of the financial impact by System (in \$ thousands) is shown in the table below.

	NYCERS	BERS	Total
Actuarial Value of Asset (AVA)	\$(2,502)	\$(57)	\$(2,559)
Accrued Liability (AL)	\$(2,168)	\$(68)	\$(2,236)
Unfunded Accrued Liability (AL-AVA)	\$334	\$(11)	\$323
Present Value of Future Employer Normal Cost	\$4,015	\$99	\$4,114
Employer Contributions	\$604	\$12	\$616

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

- \* The initial, additional administrative costs of NYCERS, BERS, 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 NYCERS and BERS. 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 census data used in the Preliminary June 30, 2018 (Lag) actuarial valuation of NYCERS and BERS to determine Preliminary Fiscal Year 2020 employer contributions. The following table summarizes the data for the affected participants:

	NYCERS	BERS	NYCERS & BERS
Count	294	9	303
Average Age	55.3 years	56.1 years	55.3 years
Average Service	12.7 years	14.5 years	12.8 years
Average Salary	\$102,300	\$75,000	\$101,500

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the UAL, Present Value of future employer contributions, and annual employer contributions presented herein have been calculated based on the same 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 and BERS.

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 2019-25 dated May 28, 2019 was prepared by the Chief Actuary for the New York City Employees' Retirement System and the Board of Education Retirement System of the City of New York. This estimate is intended for use only during the 2019 Legislative Session.