STATE OF NEW YORK

5902--E

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 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Civil Service and Pensions in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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 a 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:

a. [~~A~~] **Effective on the first day of September, two thousand twenty, a** cost-of-living adjustment shall be payable on the basis provided for in this section to: (i) all pensioners who have attained age [~~sixty-two~~] **fifty-five** and have been retired for five years; (ii) [~~all pensioners who have attained age fifty-five and have been retired for ten years; (iii)~~] all disability pensioners regardless of age who have been retired for five years; and [~~(iv)~~] **(iii)** all recipients of an accidental death benefit regardless of age who have been receiving such benefit for five years.

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

LBD07921-08-0

§ 2. Subdivision a 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:

a. [~~A~~] **Effective on the first day of September, two thousand twenty, a** cost-of-living adjustment shall be payable on the basis provided for in this section to: (i) all pensioners who have attained age [~~sixty-two~~] **fifty-five** and have been retired for five years; **and** (ii) [~~all pensioners who have attained age fifty-five and have been retired for ten years; and (iii)~~] all disability pensioners regardless of age who have been retired for five years.

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

a. [~~A~~] **Effective on the first day of September, two thousand twenty, a** cost-of-living adjustment shall be payable on the basis provided for in this section to: (i) all pensioners who have attained age [~~sixty-two~~] **fifty-five** and have been retired for five years; (ii) [~~all pensioners who have attained age fifty-five and have been retired for ten years; (iii)~~] all disability pensioners regardless of age who have been retired for five years; and [~~(iv)~~] **(iii)** all recipients of an accidental death benefit regardless of age who have been receiving such benefit for five years.

§ 4. Subdivision a of section 13-696 of the administrative code of the city of New York, as amended by chapter 288 of the laws of 2001, is amended to read as follows:

a. [~~A~~] **Effective on the first day of September, two thousand twenty, a** cost-of-living adjustment shall be payable to retired members of the New York city employees' retirement system, the New York city teachers' retirement system, the New York city police pension fund, the New York city fire department pension fund, the New York city board of education retirement system or the relief and pension fund of the department of street cleaning provided for in subchapter one of this chapter on the basis provided for in this section to: (i) all retired members who have attained age [~~sixty-two~~] **fifty-five** and have been retired for five years; (ii) [~~all retired members who have attained age fifty-five and have been retired for ten years; (iii)~~] all members who retired for disability regardless of age who have been retired for five years; and [~~(iv)~~] **(iii)** all recipients of an accidental death benefit regardless of age who have been receiving such benefit for five years.

§ 5. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend Section 13-696 of the Administrative Code of the City of New York (ACCNY) to reduce the age of eligibility for the Cost-of-Living Adjustment (COLA) from 62 to 55 for service and vested retirees who have been retired for five years from 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 Retirement Systems and Pension Funds (NYCRS).

Effective Date: Upon enactment.

BACKGROUND: Currently, COLA is payable to service and vested retirees who have:

(1) attained age 62 and have been retired for five years or

(2) attained age 55 and have been retired for ten years.

Under this proposed legislation, if enacted, the COLA would be payable to such retirees who have attained age 55 and have been retired for five years.

The COLA for disability retirement and death is payable after having been retired for five years and is not affected by the proposed legislation.

FINANCIAL IMPACT - SUMMARY: The estimated financial impact to NYCRS for reducing the age of eligibility for COLA from 62 to 55 for service and vested retirees who have been retired for five years as described above is an increase in Present Value of Future Benefits (PVFB) of $194.9 million and an increase in the annual employer contributions of $115.3 million. A breakdown of the financial impact by System is shown in the table below.

NYCRS	Additional Present Value of Future Benefits ($ Millions)	Estimated First Year Annual Employer Contributions* ($ Millions)
NYCERS	$ 72.8	$ 47.4
NYCTRS	51.0	28.0
BERS	0.9	0.6
POLICE	64.3	36.6
FIRE	**5.9**	**2.7**
Total	$194.9	$115.3

* Employer contributions after the first year are estimated to be $11 - $12 million per year.

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 are generally amortized over the remaining working lifetime of those impacted by the benefit changes.

For the purposes of this Fiscal Note it has been assumed that increases in UAL attributable to current retirees would be recognized immediately and that increases in UAL attributable to active members would be amortized over periods ranging from 12 to 15 years depending on NYCRS (11 to 14 payments, respectively, under the One-Year Lag Methodology (OYLM)).

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the PVFB and annual employer contributions would be reflected for the first time in the June 30, 2019 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 2021.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2019 (Lag) actuarial valuations of NYCRS to determine the Preliminary Fiscal Year 2021 employer contributions.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the PVFB and annual employer contributions presented herein have been calculated based on the same actuarial assumptions and methods in effect for the June 30, 2019 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2021 employer contributions of NYCRS.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the realization of the actuarial assumptions used, as well as certain demographic characteristics of NYCRS and other exogenous factors such as investment, 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 meth-

ods used, and therefore different actuarial methods could produce different results. Quantifying these risks is beyond the scope of this Fiscal Note.

Not measured in this Fiscal Note are the following:

* The initial, additional administrative costs to implement the proposed legislation.

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

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 2020-38 dated May 15, 2020 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 2020 Legislative Session.