STATE OF NEW YORK

6135--B

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 -- 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

AN ACT to amend the administrative code of the city of New York, in relation to increasing benefits payable by the correction officers' variable supplements fund to beneficiaries

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

Section 1. Section 13-194 of the administrative code of the city of New York is amended by adding a new subdivision 12 to read as follows:

12. In addition to the payments set forth in paragraphs (c) and (d) of subdivision four of this section, there shall be paid to each beneficiary on or about the December fifteenth next succeeding his or her date of retirement, an amount equal to the variable supplements payments, subject to the provisions of items (i) and (ii) of subparagraph one of paragraph (e) of subdivision four of this section, that he or she would have received, had he or she retired on the date of his or her earliest eligibility for service retirement, in the period measured from (1) the later of (i) such earliest eligibility date and (ii) January first, two thousand eighteen and (2) his or her date of retirement.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This bill provides certain New York City Employees' Retirement System (NYCERS) Correction officers a lump sum benefit upon retirement, commonly referred to as a Deferred Retirement Option Plan (DROP), equal to the amount of Correction Officer Variable Supplements Fund (COVSF) payments such officer would have received if he or she had

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

LBD04286-06-0

retired at the later of their respective earliest service retirement eligibility date or January 1, 2019.

Effective Date: Upon enactment.

BACKGROUND: Correction officers who participate in NYCERS and who retire with immediate payability of a service retirement at their earliest service retirement eligibility date (e.g. after 20 or 25 years of credited service) are entitled to receive supplemental non-pension COVSF benefits in the amount of $12,000 per calendar year. Correction officers who continue to work beyond their earliest service retirement eligibility date are ineligible to receive COVSF payments until retirement, even though they would be eligible to retire from service and receive COVSF benefits.

IMPACT ON BENEFITS: This bill would provide to NYCERS correction officers who continue to work beyond their earliest service retirement eligibility date a lump sum DROP payment consisting of the annual COVSF payment each year beyond the later of their earliest service retirement date or January 1, 2019 (i.e. the COVSF payments the retiree would have received if he or she had retired at his or her earliest service retirement eligibility date or January 1, 2019, whichever is later) without any adjustment for interest.

The DROP does not apply to deaths or to disability retirement, even if those events occur after the earliest service retirement eligibility date.

FINANCIAL IMPACT - PRESENT VALUES: Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Present Value of Future Benefits (PVFB) by approximately $102.8 million.

Under the Entry Age Normal cost method used to determine the employer contributions to NYCERS, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately $56.1 million and an increase in the Present Value of future employer Normal Cost of $46.7 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 NYCERS correction officers is approximately 12 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 12-year period (11 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 $11.7 million each year.

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. 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, 2018 (Lag) actuarial valuation of NYCERS to determine the Preliminary Fiscal Year 2020 employer contributions updated to reflect the change in demographics as of June 30, 2019.

The 10,054 NYCERS Correction officers as of June 30, 2019 had an average age of approximately 39.2 years, and average service of approximately 8.9 years.

As of June 30, 2018, there were 10,330 NYCERS Correction officers with an average age of approximately 39.0 years, and average service of approximately 8.8 years.

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 realization of the actuarial assumptions used, as well as certain demographic characteristics of the Plan 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 methods 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 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.

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 2020-02 dated February 6, 2020 was prepared by the Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2020 Legislative Session.