STATE OF NEW YORK

9810

IN ASSEMBLY

April 19, 2022

Introduced by M. of A. ABBATE -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to service retirement benefits for members of the New York city police pension fund

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

Section 1. Section 505 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

§ 505. Service retirement benefits; police/fire members, New York city uniformed correction/sanitation revised plan members and investigator revised plan members. a. The normal service retirement benefit for police/fire members, New York city uniformed correction/sanitation revised plan members and investigator revised plan members at normal retirement age shall be a pension equal to fifty percent of final average salary, less fifty percent of the primary social security retirement benefit commencing at age sixty-two, as provided in section five hundred eleven of this article*, except that for members of the New York city police pension fund, the normal service retirement benefit shall not be reduced by the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article*.

b. The early service retirement benefit for police/fire members, New York city uniformed correction/sanitation revised plan members and investigator revised plan members shall be a pension equal to two and one-tenths percent of final average salary times years of credited service at the completion of twenty years of service or upon attainment of age sixty-two, increased by one-third of one percent of final average salary for each month of service in excess of twenty years, but not in excess of fifty percent of final average salary, less fifty percent of the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article, provided, however, that New York city police/fire revised plan members,

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

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New York city uniformed correction/sanitation revised plan members and investigator revised plan members shall not be eligible to retire for service prior to the attainment of twenty years of credited service**, and provided further that for members of the New York city police pension fund, the early service retirement benefit shall not be reduced by the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article**.

c. A police/fire member, a New York city uniformed correction/sanitation revised plan member or an investigator revised plan member who retires with twenty-two years of credited service or less may become eligible for annual escalation of the service retirement benefit if he elects to have the payment of his benefit commence on the date he would have completed twenty-two years and one month or more of service. In such event, the service retirement benefit shall equal two percent of final average salary for each year of credited service, less fifty percent of the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article**, except that for members of the New York city police pension fund, the service retirement benefit shall not be reduced by the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article**.

§ 2. Section 511 of the retirement and social security law is amended by adding a new subdivision h to read as follows:

h. This section shall not apply to members of the New York city police pension fund who receive a service retirement benefit pursuant to section five hundred five of this article or a deferred vested benefit pursuant to section five hundred sixteen of this article.

§ 3. Subdivision c of section 516 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

c. The deferred vested benefit of police/fire members, New York city police/fire revised plan members, New York city uniformed correction/sanitation revised plan members or investigator revised plan members shall be a pension commencing at early retirement age equal to two and one-tenths percent of final average salary times years of credited service, less fifty percent of the primary social security retirement benefit commencing at age sixty-two, as provided in section five hundred eleven of this article**, except that for members of the New York city police pension fund, the service retirement benefit shall not be reduced by the primary social security retirement benefit commencing at age sixty-two as provided in section five hundred eleven of this article**. A police/fire member, a New York city police/fire revised plan member, a New York city uniformed correction/sanitation revised plan member or investigator revised plan member may elect to receive his vested benefit commencing at early retirement age or age fifty-five. If the vested benefit commences before early retirement age, the benefit shall be reduced by one-fifteenth for each year, if any, that the member's early retirement age is in excess of age sixty, and by one-thirtieth for each additional year by which the vested benefit commences prior to early retirement age. If such vested benefit is deferred until after such member's normal retirement age, the benefit shall be computed and subject to annual escalation in the same manner as provided for an early retirement benefit pursuant to subdivision c of section five hundred five of this article.

§ 4. This act shall take effect on the sixtieth day after it shall have become a law.

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

SUMMARY OF BILL: This proposed legislation would amend Sections 505, 511, and 516 of the Retirement and Social Security Law (RSSL) to eliminate the offset equal to 50% of the primary social security benefit in the service, early service, and vested retirement benefits for Tier 3 original, revised, and enhanced plan members of the New York City Police Pension Fund (POLICE).

Effective Date: Sixty days after enactment.

IMPACT ON BENEFITS: Currently, the Tier 3 normal service retirement, early service retirement, and vested retirement benefits are subject to an offset equal to 50% of the primary social security benefit as defined in RSSL Section 511 beginning at age 62.

Under the proposed legislation, if enacted, the offset for such benefits would be eliminated resulting in an increase in benefits.

FINANCIAL IMPACT - SUMMARY: The financial impact will increase as the impacted populations of Tier 3 members of POLICE increases over time. The estimated financial impact of removing the social security offset as described above results in an increase in Present Value of Future Benefits (PVFB) and an increase in the annual employer contributions of POLICE. The estimate of these increases for Fiscal Years 2023 through 2027 based on the applicable actuarial assumptions and methods noted herein, are shown in the table below.

Fiscal Year	Increase in Present Value of Future Benefits ($ Millions)	Increase in Employer Contributions ($ Millions)
2023	$548.6	$40.1
2024	$622.4	$43.8
2025	$706.5	$47.6
2026	$793.6	$51.5
2027	$894.1	$55.8

In accordance with Section 13-638.2(k-2) of the Administrative Code of the City of New York (ACCNY), 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. As of June 30, 2021, the remaining working lifetime of POLICE members subject to Article 14 is approximately 18 years.

For the purposes of this Fiscal Note, the increase in the UAL for POLICE was amortized over an 18-year period (17 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments.

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 Final June 30, 2021 actuarial valuation of POLICE. In accordance with the OYLM used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2023.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2021 (Lag) actuarial valuation of POLICE to determine the Preliminary Fiscal Year 2023 employer contributions.

The 17,963 active POLICE Tier 3 members as of June 30, 2021 had an average age of approximately 31.8 years, average service of approximately 5.3 years, and an average salary of approximately $97,600.

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the PVFB and annual employer contributions presented herein have been calculated based on the actuarial assumptions and methods in effect for the June 30, 2021 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2023 employer contributions of POLICE.

New entrants were projected to replace the members expected to leave the active population to maintain a steady-state population. New entrant demographics and future salary increases are consistent with those that will be used in projections for the New York City Office of Management and Budget in April 2022 (Preliminary Projections).

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 POLICE 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 POLICE and other New York City agencies to implement the proposed legislation.
* Pension costs for future members of POLICE hired on or after 7/1/2025.
* The impact of this proposed legislation on Other Postemployment Benefit (OPEB) costs.
* Cost analyses relating to provisions contained in RSSL Section 500(c).

STATEMENT OF ACTUARIAL OPINION: I, Michael J. Samet, am the Interim Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am a Fellow of the Society of Actuaries and a Member of the American Academy of 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 2022-06 dated March 24, 2022 was prepared by the Interim Chief Actuary for the New York City Police Pension Fund. This estimate is intended for use only during the 2022 Legislative Session.