

# STATE OF NEW YORK

8401

## IN SENATE

February 23, 2022

Introduced by Sen. GOUNARDES -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the retirement and social security law, in relation to the calculation of final average salary for certain members of the New York state and local police and fire retirement system

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

1 Section 1. Section 1209 of the retirement and social security law, as  
2 added by chapter 18 of the laws of 2012, is amended to read as follows:

3 § 1209. Final average salary. a. For members who first become members  
4 of the New York state and local police and fire retirement system on or  
5 after April first, two thousand twelve, a member's final average salary  
6 shall be equal to one-fifth of the highest total wages earned by such  
7 member during any continuous period of employment for which the member  
8 was credited with five years of service credit; provided, however, if  
9 the wages earned during any year of credited service included in the  
10 period used to determine final average salary exceeds the average of the  
11 wages of the previous four years of credited service by more than ten  
12 percent, the amount in excess of ten percent shall be excluded from the  
13 computation of final average salary. Wages in excess of the annual sala-  
14 ry paid to the governor pursuant to section three of article four of the  
15 state constitution shall be excluded from the computation of final aver-  
16 age salary for members who first become members of the New York state  
17 and local police and fire retirement system on or after April first, two  
18 thousand twelve.

19 b. Notwithstanding subdivision a of this section, members who first  
20 become members of the New York state and local police and fire retire-  
21 ment system on or after April first, two thousand twelve, and who retire  
22 from an employer which, prior to April first, two thousand twelve,  
23 elected by the adoption, filing and approval of a resolution in the  
24 manner provided by section three hundred thirty of this chapter to  
25 provide that final average salary shall mean the regular compensation  
26 earned from such participating employer by a member during the twelve  
27 months of actual service immediately preceding the date of such member's

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

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1 retirement pursuant to subdivision f of section four hundred forty-three  
 2 of this chapter, shall continue to have his or her final average salary  
 3 computed with such twelve month final average salary unless such member  
 4 would otherwise be entitled to a greater benefit under subdivision a of  
 5 this section, in which case such greater benefit shall be payable.

6 § 2. This act shall take effect immediately.

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

This bill would change the calculation of final average salary (FAS) for Tier 6 members of the New York State and Local Police and Fire Retirement System (NYSLPFRS), provided the employer previously elected to provide the one-year FAS benefit to members of tiers 2 and 5 under Retirement and Social Security Law Section 443-f. Currently, a Tier 6 member's FAS is defined as the average wages earned over five consecutive years, with wages earned during any year limited to the average of the prior four years, wages increased by 10%. If this bill is enacted, a Tier 6 member's FAS will be defined as the earnings reported over the 12 months preceding the date of retirement. Wages exceeding the annual salary paid to the governor will continue to be excluded.

If this bill is enacted during the 2022 legislative session, we anticipate that there will be an increase of approximately \$3.1 million in the annual contributions of the affected employers for the fiscal year ending March 31, 2023. In future years, this cost will vary as the billing rates and salary of the affected members change. As a percentage of payroll, we anticipate that the annual contributions of the affected employers for the fiscal year ending March 31, 2023 will increase as follows:

Plan	Rate Increase
Age-55	1.50%
25-Year	1.80%
25-Year w/ Additional 60ths	2.00%
20-Year	2.20%
20-Year w/ Additional 60ths	2.30%

In addition to the annual contributions discussed above, there will be an immediate past service cost of approximately \$15.2 million, which would be shared by the State of New York and all the participating employers in the NYSLPFRS, including those participating employers whose employees do not benefit from this proposal. This estimate is based on the assumption that payment will be made on February 1, 2023.

These estimated costs are based on 1,532 affected members employed by various participating employers in NYSLPFRS, with annual salary of approximately \$122 million as of March 31, 2021.

Summary of relevant resources:

Membership data as of March 31, 2021 was used in measuring the impact of the proposed change, the same data used in the April 1, 2021 actuarial valuation. Distributions and other statistics can be found in the 2021 Report of the Actuary and the 2021 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2020 and 2021 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes, Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2021 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This fiscal note does not constitute a legal opinion on the viability of the proposed change nor is it intended to serve as a substitute for the professional judgment of an attorney.

This estimate, dated February 18, 2022, and intended for use only during the 2022 Legislative Session, is Fiscal Note No. 2022-54, prepared by the Actuary for the New York State and Local Retirement System.