STATE OF NEW YORK

6663

2021-2022 Regular Sessions

IN ASSEMBLY

March 23, 2021

Introduced by M. of A. ABBATE -- (at request of the New York State Teachers' Retirement System) -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to the maximum amount certain members of the New York state teachers' retirement system may borrow against retirement contributions and to making technical corrections thereto

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

Section 1. Subdivision a of section 517-b of the retirement and social security law, as added by chapter 919 of the laws of 1990, is amended to read as follows:

a. **1.** A member of a teachers' retirement system in active service who has credit for at least one year of member service may borrow, no more than once during each twelve-month period, an amount not exceeding seventy-five percent of the total contributions made pursuant to section five hundred seventeen of this article (including interest credited at the rate set forth in subdivision c of section five hundred seventeen compounded annually) and not less than one thousand dollars.

2. A member of the New York state teachers' retirement system who first joins such system on or after July first, two thousand twenty-two in active service and who has credit for at least one year of member service may borrow, no more than once during each twelve-month period, an amount, not less than one thousand dollars and which would not cause the balance owed pursuant to this section, including any amounts borrowed then outstanding to exceed (i) fifty percent of the member's total contributions made pursuant to section five hundred seventeen of this article (including interest credited at the rate set forth in subdivision c of this section compounded annually); or (ii) fifty thousand dollars, whichever is less.

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

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§ 2. Subdivision a of section 613-a of the retirement and social security law, as added by chapter 919 of the laws of 1990, is amended to read as follows:

a. 1. A member of a teachers' retirement system in active service who has credit for at least one year of member service may borrow, no more than once during each twelve-month period, an amount not exceeding seventy-five percent of the total contributions made pursuant to section six hundred thirteen of this article (including interest credited at the rate set forth in subdivision c of section six hundred thirteen compounded annually) and not less than one thousand dollars.

2. A member of the New York state teachers' retirement system who first joins such system on or after July first, two thousand twenty-two in active service and who has credit for at least one year of member service may borrow, no more than once during each twelve-month period, an amount, not less than one thousand dollars and which would not cause the balance owed pursuant to this section, including any amounts borrowed then outstanding, to exceed (i) fifty percent of the member's total contributions made pursuant to section six hundred thirteen of this article (including interest credited at the rate set forth in subdivision c of this section compounded annually); or (ii) fifty thousand dollars, whichever is less.

§ 3. Paragraph 2 of subdivision b of section 613-b of the retirement and social security law, as added by chapter 303 of the laws of 2017, is amended to read as follows:

2. A member of the New York state and local employees' retirement system who first joins such system on or after January first, two thousand eighteen in active service who has credit for at least one year of member service may borrow, no more than once during each twelve month period, an amount, not less than one thousand dollars and which would not cause the balance owed pursuant to this section, including any amounts borrowed then outstanding, to exceed (i) fifty percent of the member's total contributions made pursuant to section [~~five~~] six hundred [~~seventeen~~] thirteen of this [~~chapter~~] article (including interest credited at the rate set forth in subdivision c of such section [~~five~~] six hundred [~~seventeen~~] thirteen compounded annually); or (ii) fifty thousand dollars, whichever is less.

§ 4. Paragraph 2 of subdivision a of section 1207 of the retirement and social security law, as added by chapter 303 of the laws of 2017, is amended to read as follows:

2. A member who first joins such system on or after January first, two thousand eighteen in active service who has credit for at least one year of member service may borrow, no more than once during each twelve month period, an amount, not less than one thousand dollars and which would not cause the balance owed pursuant to this section, including any amounts borrowed then outstanding, to exceed (i) fifty percent of the member's total contributions made pursuant to section [~~five~~] twelve hundred [~~seventeen~~] four of this [~~chapter~~] article (including interest credited at the rate set forth in subdivision c of [~~such~~] this section [~~five hundred seventeen~~] compounded annually); or (ii) fifty thousand dollars, whichever is less.

§ 5. This act shall take effect immediately; provided, however, that sections three and four of this act shall be deemed to have been in full force and effect on and after September 12, 2017.

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

This bill would amend Section 517-b and Section 613-a of the Retirement and Social Security Law to limit the amount of a loan that can be

taken by members of the New York State Teachers' Retirement System who first join such system on or after July 1, 2022. The loan amount, including the balances of any outstanding loans, may not exceed fifty percent of the members' total contributions made including interest or fifty thousand dollars, whichever is less. Members who joined prior to July 1, 2022 will continue to have the current limit of seventy-five percent of their total member contributions plus interest. Additionally, a member must have one year of service to be eligible to take a loan, the loan amount may not be less than one thousand dollars and such member may borrow no more than once in a twelve-month period.

It is estimated that there will be no annual cost to the employers of members of the New York State Teachers' Retirement System if this bill is enacted, and in fact this bill would reduce the likelihood of members hired on or after July 1, 2022 from defaulting on large loan balances at retirement, thereby helping to protect the main purpose of the retirement fund - to provide monthly pensions.

Member data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Comprehensive Annual Financial Report (CAFR). System assets are as reported in the System's financial statements and can also be found in the CAFR. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2021-2 dated October 14, 2020 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2021 Legislative Session. I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.