STATE OF NEW YORK

7873--A

2021-2022 Regular Sessions

IN ASSEMBLY

May 28, 2021

Introduced by M. of A. ABBATE -- read once and referred to the Committee on Governmental Employees -- recommitted to the Committee on Governmental Employees in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law, in relation to automotive members of the New York city employees' retirement system

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

Section 1. Subparagraph (ii) of paragraph 2 of subdivision d of section 604-g of the retirement and social security law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

(ii) In the case of a participant who is not a New York city revised plan member, such vested benefit shall become payable [~~on the earliest date on which such discontinued member could have retired for service if such discontinuance had not occurred~~] as follows:

(A) at the later of age sixty-two or the age at discontinuance, if the member had completed at least ten years of credited service; or

(B) at the later of age sixty-three or the age at discontinuance, if the member had completed at least eight, but fewer than ten years of credited service; or

(C) at the later of age sixty-four or the age of discontinuance, if the member had completed at least six, but fewer than eight years of credited service; or

(D) at the later of age sixty-five or the age of discontinuance, if the member had completed at least five, but fewer than six years of credited service;

or, in the case of a participant who is a New York city revised plan member, such vested benefit shall become payable at age sixty-three.

§ 2. Subdivision e of section 604-g of the retirement and social security law is amended by adding a new paragraph 13 to read as follows:

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

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13. In addition to the deferred vested benefit calculated pursuant to subdivision d of this section, a participant who is eligible for such benefit shall receive a life annuity (calculated in accordance with the method set forth in subdivision i of section six hundred thirteen-b of this article) which is actuarially equivalent to the difference between (i) the contributions required by paragraph one of this subdivision and (ii) the additional member contributions required by subdivision d of section six hundred four-c of this article, as added by chapter ninety-six of the laws of nineteen ninety-five, together with the interest credited on such contributions.

§ 3. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend Section 604-g of the Retirement and Social Security Law (RSSL) to provide early payability, and an annuity based on the accumulation of certain Additional Members Contributions (AMCs), to certain vested members in the New York City Employees' Retirement System (NYCERS) Automotive 25-Year/Age 50 Plan (Auto 25-Year Plan).

Effective Date: Upon enactment.

IMPACT ON PAYABILITY: Currently, Tier 4 vested members in the Auto 25-Year Plan can begin collecting their pension:

* At the later of age 50 or what would have been their 25th year of credited service

The proposed legislation would instead enable Tier 4 Auto 25-Year Plan vested members to begin collecting their pension as follows:

* At age 62 with at least 10 years of credited service
* At age 63 with at least eight years of credited service
* At age 64 with at least six years of credited service
* At age 65 or older with at least five years of credited service

Tier 6 Auto 25-Year Plan members would remain eligible for a vested benefit:

* At age 63 or older with at least 10 years of credited service.

IMPACT ON BENEFITS: The proposed legislation would further provide to both Tier 4 and 6 Auto 25-Year Plan vested members an annuity benefit at payability equal to the difference between the following:

* AMCs required in the Auto 25-Year Plan (4.83% of salary), and
* AMCs required in the Tier 4 55/25 Retirement Plan (ranging from 1.85% to 4.35% of salary depending on dates of the service rendered).

The difference in the AMC balances above are to be annuitized pursuant to the method set out in loan provisions contained in RSSL Section 613-b(i) (i.e., the actuarially equivalent of a life annuity using the interest rate on 30-year US treasury bonds as of January first of the calendar year of retirement and the mortality tables for payment options under RSSL Section 610).

Note:

* This annuity would only be available to vested members and not to Auto-25 Year Plan service retirees (i.e., retirees with 25 or more years of credited service).

* For the purposes of determining the costs enumerated in this Fiscal Note, it has been assumed that Tier 4 vested members who would have been eligible for earlier payability (i.e., at the later of age 50 or what would have been 25 years of service) under current provisions of law, would still be eligible for such earlier payability, given Constitutional protections, notwithstanding the bill's omission of such eligibility.

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 $31.0 million. The increase in PVFB is estimated to be $25.5 million for New York City and $5.5 million for the other obligors of NYCERS.

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 $18.0 million and an increase in the Present Value of future employer Normal Cost of $13.0 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: In accordance with Section 13-638.2(k-2) of the Administrative Code of the City of New York (ACCNY), new 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 Auto 25-Year Plan members is approximately 14 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 14-year period (13 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 $3.9 million each year. The increase in annual employer contributions is estimated to be $3.2 million for New York City and $0.7 million for the other obligors of NYCERS.

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, 2021 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 2023.

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

The 1,712 NYCERS Auto 25-Year Plan members as of June 30, 2021 include 1,675 active members and 37 non-active members. The active members had an average age of approximately 45.4 years, average service of approximately 9.3 years, and an average salary of approximately $113,100.

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, 2021 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2023 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 NYCERS 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, 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 2022-02 dated March 14, 2022 was prepared by the Interim Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2022 Legislative Session.