STATE OF NEW YORK

7958

2021-2022 Regular Sessions

IN ASSEMBLY

June 3, 2021

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

AN ACT to amend the administrative code of the city of New York, in relation to the rate of interest used in the actuarial valuation of liabilities for the purpose of calculating contributions to the New York city employees' retirement system, the New York city teachers' retirement system, the police pension fund, subchapter two, the fire department pension fund, subchapter two and the board of education retirement system of such city by public employers and other obligors required to make employer contributions to such retirement systems, the crediting of special interest and additional interest to members of such retirement systems, and the allowance of supplementary interest on the funds of such retirement systems

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

Section 1. Paragraph 2 of subdivision b of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 76 of the laws of 2019, is amended to read as follows:

(2) With respect to each retirement system, such rate of interest shall be as hereinafter set forth in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	7%	July 1, 2011 to June 30, [~~2021~~] **2023**
NYCTRS	7%	July 1, 2011 to

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

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		June 30, [~~2021~~] **2023**
PPF	7%	July 1, 2011 to June 30, [~~2021~~] **2023**
FPF	7%	July 1, 2011 to June 30, [~~2021~~] **2023**
BERS	7%	July 1, 2011 to June 30, [~~2021~~] **2023**

§ 2. Paragraph 2 of subdivision f of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 76 of the laws of 2019, is amended to read as follows:

(2) Such special interest shall be allowed at the rates and for the periods set forth below in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
NYCTRS	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
PPF	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
FPF	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
BERS	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**

§ 3. Paragraph 2 of subdivision g of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 76 of the laws of 2019, is amended to read as follows:

(2) Such additional interest shall be included at the rates and for the periods set forth below in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
NYCTRS	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
PPF	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
FPF	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**
BERS	1 1/4%	July 1, 2011 to June 30, [~~2021~~] **2023**

§ 4. Paragraph 2 of subdivision i of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 76 of the laws of 2019, is amended to read as follows:

(2) Such supplementary interest shall be allowed at the rates and for the periods set forth below in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	0%	July 1, 2011 to June 30, [~~2021~~] **2023**
NYCTRS	0%	July 1, 2011 to June 30, [~~2021~~] **2023**
PPF	0%	July 1, 2011 to June 30, [~~2021~~] **2023**
FPF	0%	July 1, 2011 to June 30, [~~2021~~] **2023**
BERS	0%	July 1, 2011 to June 30, [~~2021~~] **2023**

§ 5. This act shall take effect July 1, 2021, except that if it shall have become a law subsequent to such date, this act shall take effect immediately and be deemed to have been in full force and effect on and after July 1, 2021.

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

SUMMARY OF BILL: The enactment of this proposed legislation (see Appendix) would amend Administrative Code of the City of New York (ACCNY) Section 13-638.2 to continue for Fiscal Years 2022 and 2023 the following rates of interest that expire on July 1, 2021 for the five actuarially-funded New York City Retirement Systems and Pension Funds (NYCRS):

* The 8.25% per annum rate used to credit interest on Tier 1 and Tier 2 member account balances (the sum of the 7.00% regular interest rate and the 1.25% special interest rate) and Increased-Take-Home-Pay (ITHP) Reserves (the sum of the 7.00% regular interest rate and the 1.25% additional interest rate), and

* The 7.00% per annum Actuarial Interest Rate (AIR) assumption used to compute employer contributions.

Effective Date: July 1, 2021.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: The Actuary has proposed a set of changes, including changes to the AIR, for use in the June 30, 2019 (Lag) actuarial valuations of the NYCRS to determine the Final Fiscal Year 2021 Employer Contributions (2021 A&M) and future employer contribution estimates. This proposed Interest Rate Extender Legislation does not conform to the Actuary's recommendations regarding actuarial updates and therefore the costs presented in this Fiscal Note represent the difference between the Actuary's determination of the Fiscal Year 2021 employer contributions which use the 2021 A&M including the updated AIR rates, and Fiscal Year 2021 employer contributions with a continuation of the current AIR in the proposed Interest Rate Extender Legislation without other 2021 A&M changes.

The 2021 A&M changes are part of a comprehensive package of updated actuarial assumptions and methods, which were presented to each of the Boards of Trustees of the NYCRS in January of 2021 and represent the Actuary's current recommendation. The package was based on the Actuary's periodic review of actuarial experience of the NYCRS, historical data related to economic trends and forecasts of the NYCRS' investment advisers, and includes updates in expected future mortality improvements and other changes to appropriately fund the NYCRS from an actuarial standpoint.

The New York City Office of Management and Budget (OMB) has implemented the 2021 A&M and altered the contributions to the NYCRS, and therefore the continuation of the AIR assumption of 7.00% per annum, without the other 2021 A&M changes, would result in an increase in the current schedule of employer contributions as shown in the table below, both in total for the NYCRS and for New York City only:

Fiscal Year	NYCRS	New York City
2021	$503.1 million	$430.0 million
2022	$383.4 million	$303.5 million
2023	$111.1 million	$ 65.1 million

The continuation for Fiscal Years 2022 and 2023 of the same 8.25% per annum rate that was used for Fiscal Year 2021 to credit interest on Tier 1 and Tier 2 member contributions and ITHP Reserves would not change the amount or timing of expected employer contributions.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the actuarial assumptions and methods used and are subject to change based on the realization of potential investment, demographic, 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.

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 2021-36 dated May 27, 2021 was prepared by the Chief Actuary for the New York City Retirement Systems and Pension Funds. This estimate is intended for use only during the 2021 Legislative Session.