STATE OF NEW YORK

6405

2021-2022 Regular Sessions

IN SENATE

April 27, 2021

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 determination of salary base for members of the city of New York fire department pension fund

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

Section 1. Section 443 of the retirement and social security law is amended by adding a new subdivision h to read as follows:

h. Notwithstanding any general, special or local law, charter, administrative code, agreement, resolution or rule or regulation to the contrary, the salary base for members of the city of New York fire department pension fund whose employment with the fire department of the city of New York commenced on or after the first of July, two thousand to whom this article otherwise applies shall be determined in the same manner as the salary base for members of the city of New York fire department pension fund whose employment with the fire department of the city of New York commenced before the first of July, two thousand.

§ 2. This act shall take effect immediately and shall apply to members of the city of New York fire department pension fund who retire on and after such effective date.

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

SUMMARY OF BILL: This proposed legislation would amend Section 443 of the Retirement and Social Security Law (RSSL) to change the salary base for Tier 2 members of the New York City Fire Pension Fund (FIRE) who are hired on or after July 1, 2000 to a salary base used for such members who joined prior to July 1, 2000.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: Currently, Tier 2 FIRE plan benefits are primarily derived from a salary base. For Tier 2 FIRE members hired prior to July

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

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1, 2000 (original Tier 2 members), the salary base is equal to the greater of

(1) the pensionable earnings in the final 12 months of service, or

(2) the average pensionable earnings earned in any consecutive three years of service.

Pensionable earnings in the final 12 months of service may not exceed 120% of the previous 12 months' pensionable earnings. If the salary base is based on the highest three consecutive years, no single year's pensionable earnings may exceed 120% of the average of the two previous years' pensionable earnings.

For Tier 2 Fire members hired on or after July 1, 2000 (new Tier 2 members), the salary base is equal to the pensionable earnings earned in the final 12 months of service only.

Under the proposed legislation, if enacted, the salary base shall be determined the same for Tier 2 Fire members hired on or after July 1, 2000 as it is for Tier 2 members hired prior to July 1, 2000.

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) and the Present Value of future employer contributions by approximately $5.0 million.

Under the Entry Age Normal cost method used to determine the employer contributions to FIRE, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately $1.5 million and an increase in the Present Value of future employer Normal Cost of $3.5 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, 2020, the remaining working lifetime of the Tier 2 members hired on or after July 1, 2000 is approximately 12 years.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 12-year period (11 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 $650,000 each year.

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the Present Value of future employer contributions and annual employer contributions would be reflected for the first time in the June 30, 2020 actuarial valuation of FIRE. In accordance with the OYLM used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2022.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2020 (Lag) actuarial valuation of FIRE to determine the Preliminary Fiscal Year 2022 employer contributions.

There are 5,148 active Tier 2 Fire members hired on or after July 1, 2000 as of June 30, 2020 and they have an average age of approximately 42.2 years, average service of approximately 16.4 years, and an average salary of approximately $135,000.

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, 2019 (Lag) actuarial valuations

used to determine the Preliminary Fiscal Year 2021 employer contributions of FIRE.

The Actuary is proposing a set of changes for use beginning with the June 30, 2019 (Lag) actuarial valuations of FIRE to determine the Final Fiscal Year 2021 Employer Contributions (2021 A&M). If the 2021 A&M is enacted it is estimated that it would produce increases in the PVFB and annual employer contributions that are approximately 3% larger than the results shown above.

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 FIRE 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 FIRE and other New York City agencies to implement the proposed legislation.

* Pension costs for Tier 2 members of New York City Police Pension Fund hired on or after July 1, 2000 who currently have the same benefit formula as the FIRE Tier 2 members hired on or after July 1, 2000 and who may obtain the same benefit improvement through parity via collective bargaining or similar legislation.

* The impact of this proposed legislation on Other Postemployment Benefit (OPEB) costs.

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 2021-24 dated April 23, 2021 was prepared by the Chief Actuary for the New York City Fire Pension Fund. This estimate is intended for use only during the 2021 Legislative Session.