STATE OF NEW YORK

9256--A

IN SENATE

May 12, 2022

Introduced by Sen. PERSAUD -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- 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 additional pension benefits for police/fire members

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

Section 1. The retirement and social security law is amended by adding a new section 505-a to read as follows:

§ 505-a. Additional pension benefit for police/fire members. Police/fire members shall, upon retirement, receive for each additional year of service or fraction thereof beyond normal retirement age, in addition to the benefits provided in subdivision a of section five hundred five of this article, or subdivision c of section five hundred seven of this article, a pension of one-sixtieth of average annual earnings from the date of eligibility for normal service retirement to the actual date of retirement. Such pension shall be subject to annual escalation pursuant to section five hundred ten of this article.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would add a new Section 505-a to the Retirement and Social Security Law (RSSL) to provide an additional benefit of 1/60th of average annual earnings, subject to applicable escalation, for each additional year of credited service, or fraction thereof, beyond 22 years of service for normal service retirement and Accident Disability Retirement (ADR) benefits for Tier 3 Original, Revised/Modified, and Enhanced plan members (Tier 3 members) of the New York City Police Pension Fund (POLICE) and the New York City Fire Pension Fund (FIRE).

Effective Date: Upon enactment.

IMPACT ON BENEFITS: Currently, upon reaching 22 or more years of credited service, the Tier 3 normal service retirement and non-Enhanced ADR benefit is equal to:

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

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* 50% of Final Average Salary (FAS),
* Reduced by 50% of the Primary Social Security benefit (determined under RSSL Section 511), plus
* Annual escalation as provided in RSSL Section 510.

where FAS is defined as:
* 3-Year FAS (FAS 3) for Original Tier 3 Members, and
* 5-Year FAS (FAS 5) for Revised/Modified Plan Members.

The current Enhanced ADR benefit is equal to:
* 75% of FAS 5 subject to Cost-of-Living Adjustment (COLA) pursuant to Administrative Code of the City of New York (ACCNY) Section 13-696.

Under the proposed legislation, if enacted, the retirement benefit for Tier 3 members who retire for service or non-Enhanced ADR after the effective date of the proposed legislation with 22 or more years of credited service would be equal to:
* 50% of FAS for the first 22 years of credited service, plus
* 1/60th of average annual earnings for each additional year of credited service, or fraction thereof, exceeding 22 years (if any),
* Reduced by 50% of the Primary Social Security benefit (determined under RSSL Section 511), plus
* Annual escalation as provided in RSSL Section 510.

where FAS is defined as:
* 3-Year FAS (FAS 3) for Original Tier 3 Members, and
* 5-Year FAS (FAS 5) for Revised/Modified Plan Members.

Under the proposed legislation, if enacted, the Enhanced ADR benefit for Tier 3 members who retire with 22 or more years of credited service after the effective date of the proposed legislation would be equal to:
* 75% of FAS 5 subject to COLA pursuant to ACCNY Section 13-696, plus
* 1/60th of average annual earnings for each additional year of credited service, or fraction thereof, exceeding 22 years (if any), subject to annual escalation as provided in RSSL Section 510.

FINANCIAL IMPACT - SUMMARY: The estimated financial impact of providing an additional 1/60th of average annual earnings for service beyond 22 years of service as described above is an increase in Present Value of Future Benefits (PVFB), and an increase in the Present Value of future employer contributions.

In the initial year, the Present Value of future employer contributions would increase by approximately $1,020.3 million for POLICE and $289.8 million for FIRE, for a total increase of approximately $1,310.1 million.

The financial impact will increase as the impacted populations (Tier 3 members of POLICE and FIRE) increase over time. The estimate of the increase in annual employer contributions for Fiscal Years 2023 through 2027 based on the applicable actuarial assumptions and methods noted herein, are shown in the table below.

Increase in Employer Contributions ($ Millions)

Fiscal Year	POLICE	FIRE	TOTAL
2023	$67.4	$18.0	$85.4
2024	$72.4	$19.8	$92.2
2025	$77.5	$21.9	$99.4
2026	$82.6	$23.8	$106.4
2027	$89.5	$26.0	$115.5

In accordance with ACCNY Section 13-638.2(k-2), new Unfunded Accrued Liability (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 POLICE Tier 3 members is approximately 18 years and FIRE Tier 3 members is approximately 20 years.

For the purposes of this Fiscal Note, the increase in the UAL for POLICE was amortized over an 18-year period (17 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments and the UAL for FIRE was amortized over a 20-year period (19 payments under the OYLM) using level dollar payments.

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 Final June 30, 2021 actuarial valuations of POLICE and FIRE. 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 valuations of POLICE and FIRE to determine the Preliminary Fiscal Year 2023 employer contributions.

There are 17,963 active Tier 3 members of POLICE as of June 30, 2021 and they have an average age of approximately 31.8 years, average service of approximately 5.3 years, and an average salary of approximately $97,600.

There are 3,973 active Tier 3 members of FIRE as of June 30, 2021 and they have an average age of approximately 32.4 years, average service of approximately 4.9 years, and an average salary of approximately $99,200.

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 Preliminary June 30, 2021 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2023 employer contributions of POLICE and FIRE with the exception of the probability of Tier 3 Police and Fire members working beyond 22 years of service, which was increased to recognize the impact the proposed legislation, if enacted, would have on retirement behavior.

New entrants were projected to replace the members expected to leave the active population to maintain a steady-state population. New entrant demographics and future salary increases are consistent with those used in projections for the New York City Office of Management and Budget in April 2022 (Preliminary Projections).

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 POLICE and 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 POLICE, FIRE, and other New York City agencies to implement the proposed legislation.
* Pension costs for:
* Future members of POLICE and FIRE hired on or after 7/1/2025.

* Current and future members of New York City Employees' Retirement System who currently have the same benefit formula as POLICE and FIRE Tier 3 members and who may obtain the same benefit improvement.

* 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 2022-46 dated May 9, 2022 was prepared by the Interim Chief Actuary for the New York City Police Pension Fund and the New York City Fire Pension Fund. This estimate is intended for use only during the 2022 Legislative Session.