STATE OF NEW YORK

7563--A

2023-2024 Regular Sessions

IN ASSEMBLY

May 25, 2023

Introduced by M. of A. PHEFFER AMATO -- read once and referred to the Committee on Governmental Employees -- 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 death benefits for active New York city transit authority members

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

Section 1. Section 604-b of the retirement and social security law is amended by adding a new subdivision f to read as follows:

f. Death benefits. Notwithstanding any provision of law to the contrary, where a New York city transit authority member would have been entitled to a service retirement benefit at the time of their death but had not yet filed for such service retirement pursuant to subparagraph (iv) of paragraph one of subdivision c of this section, and where such death occurs on or after the effective date of this subdivision, the beneficiary or beneficiaries of such member may elect to receive, in a lump sum or on an annuitized basis, an amount payable which shall be equal to the pension reserve that would have been established had such member retired on the date of their death.

§ 2. Notwithstanding any other provision of law to the contrary, none of the provisions of this act shall be subject to section 25 of the retirement and social security law.

§ 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-b of the Retirement and Social Security Law to provide an alternative death benefit for Transit Tier 4 and Tier 6 Special Plan members of the New York City Employees' Retirement System (NYCERS).

Effective Date: Upon enactment.

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

LBD10259-04-3

IMPACT ON BENEFITS: Currently, NYCERS Transit members are generally entitled to a lump sum ordinary death benefit equal to a multiple of salary plus the return of member accumulated contributions, if any. These death benefits are generally calculated as three times the final year's salary, and may be subject to salary caps and other reductions.

Under the proposed legislation, the ordinary death benefit for members who are otherwise eligible to receive a service retirement benefit based on the provisions of a Transit Special Plan and die prior to retirement would be the greater of their current death benefit or the value of the pension reserve that would have been established had they retired on the date of their death. The pension reserve is the present value of all payments expected to be made on account of any pension or benefit in lieu of any pension granted under provisions of law and computed upon the basis of adopted mortality tables with regular interest (inclusive of accumulated member contributions, if any). This type of lump sum pension reserve death benefit is sometimes referred to as a Death Gamble, and is afforded, in a similar form, to Tier 1 NYCERS members.

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and the actuarial assumptions and methods described herein, the enactment of this proposed legislation would result in an increase in the Present Value of Future Benefits and the present value of future employer contributions of approximately $32.7 million.

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 $24.5 million and an increase in the present value of future employer Normal Cost of approximately $8.2 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: The enactment of this proposed legislation would result in an initial increase in annual employer contributions of approximately $4.1 million which is the result of an increase in the Normal Cost in addition to the UAL payment.

New UAL attributable to benefit changes are generally amortized over the remaining working lifetime of those impacted by the benefit changes. The remaining working lifetime for this group is approximately 13 years and the increase in UAL was therefore amortized over a 13-year period (12 payments under the One-Year Lag Methodology) using level dollar payments.

CENSUS DATA: The estimates presented herein are based on the census data used in the June 30, 2022 actuarial valuation of NYCERS to determine the Preliminary Fiscal Year 2024 employer contributions.

The 35,623 NYCERS Transit Tier 4 and Tier 6 Special Plan members as of June 30, 2022 had an average age of approximately 48.7 years, average service of approximately 12.1 years, and an average salary of approximately $88,300.

ACTUARIAL ASSUMPTIONS AND METHODS: The estimates presented herein have been calculated based on the actuarial assumptions and methods used for the Preliminary Fiscal Year 2024 employer contributions of NYCERS.

For the purposes of this Fiscal Note, it is assumed that the changes would be reflected for the first time in the June 30, 2022 actuarial valuation of NYCERS used to determine employer contributions for Fiscal Year 2024.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the realization of the actuarial assumptions used, demographics of the impacted population, and other factors such as investment, contribution, and other risks. If actual experience deviates from actu-

arial 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 to implement the proposed legislation.

STATEMENT OF ACTUARIAL OPINION: I, Marek Tyszkiewicz, am the Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. I am a member of NYCERS but do not believe it impairs my objectivity and 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 2023-59 dated May 26, 2023 was prepared by the Chief Actuary for the New York City Employees' Retirement System. This estimate is intended for use only during the 2023 Legislative Session.