STATE OF NEW YORK

6864

2023-2024 Regular Sessions

IN SENATE

May 11, 2023

Introduced by Sen. JACKSON -- 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 and the education law, in relation to the retirement contributions of career public employees

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

Section 1. Subdivision a of section 517 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, the second undesignated paragraph as amended by section 1 of part SS of chapter 56 of the laws of 2022, is amended to read as follows:

a. Members shall contribute three percent of annual wages to the retirement system in which they have membership, provided that such contributions shall not be required for more than thirty years, for general members, or twenty-five years, for police/fire members, except that beginning April first, two thousand thirteen for members who first become members of the New York state and local employees' retirement system on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first) shall be determined by reference to the wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year as follows:

1. members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

2. members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

3. members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

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

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4. members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

5. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first) in which such member has established membership in the New York state and local employees' retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer. Notwithstanding the foregoing, when determining the rate at which each such member who became a member of the New York state and local employees' retirement system on or after April first, two thousand twelve shall contribute for any plan year (April first to March thirty-first) between April first, two thousand twenty-two and April first, two thousand twenty-four, such rate shall be determined by reference to employees annual base wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year. Base wages shall include regular pay, shift differential pay, location pay, and any increased hiring rate pay, but shall not include any overtime payments.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

The head of each retirement system shall promulgate such regulations as may be necessary and appropriate with respect to the deduction of such contribution from members' wages and for the maintenance of any special fund or funds with respect to amounts so contributed.

§ 2. Subdivision a of section 613 of the retirement and social security law, as amended by chapter 10 of the laws of 2000, paragraphs 1 and 2 as amended by chapter 510 of the laws of 2015, the second undesignated paragraph of paragraph 1 and the second undesignated paragraph of paragraph 2 as amended by section 2 of part SS of chapter 56 of the laws of 2022, is amended to read as follows:

a. 1. Except as provided by paragraph two of this subdivision, members shall contribute three percent of annual wages to the retirement system in which they have membership, except that beginning April first, two thousand thirteen for members who first become members of a public retirement system of the state on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first, except for members of the New York city employees' retirement system, New York city teachers' retirement system and New York city board of education retirement system, plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) shall be determined by reference to the wages of such member in the second plan year (April first to March thirty-first, except for members of the New York city employees' retirement system, New York city teachers' retirement system and New York city board of education retirement system, plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) preceding such current plan year as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

(ii) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(iii) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(iv) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(v) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first, except for members of New York city employees' retirement system, New York city teachers' retirement system and New York city board of education retirement system, plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of chapter five hundred ten of the laws of two thousand fifteen) in which such member has established membership in a public retirement system of the state, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer. Notwithstanding the foregoing, when determining the rate at which each such member who became a member of the New York state and local employees' retirement system, New York city employees' retirement system, New York city teachers' retirement system and New York city board of education retirement system, on or after April first, two thousand twelve shall contribute for any plan year (April first to March thirty-first, except for members of the New York city employees' retirement system, New York city teachers' retirement system and New York city board of education retirement system, plan year shall mean January first through December thirty-first commencing with January first next succeeding the effective date of chapter five hundred ten of the laws of two thousand fifteen) between April first, two thousand twenty-two and April first, two thousand twenty-four, such rate shall be determined by reference to employees annual base wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year. Base wages shall include regular pay, shift differential pay, location pay, and any increased hiring rate pay, but shall not include any overtime payments or compensation earned for extracurricular programs or any other pensionable earnings paid in addition to the annual base wages.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

The head of each retirement system shall promulgate such regulations as may be necessary and appropriate with respect to the deduction of such contribution from members' wages and for the maintenance of any special fund or funds with respect to amounts so contributed.

2. A member of the New York city employees' retirement system who is eligible to be a participant in the twenty-five-year and age fifty-five retirement program, as defined by paragraph five of subdivision a of section six hundred four-b of this article shall contribute two percent of annual wages to such system effective on the starting date of the elimination of additional member contributions, as defined in an election made pursuant to paragraph ten of subdivision e of section six hundred four-b of this article, except that beginning April first, two

thousand thirteen for members who first become members of the New York city employees' retirement system on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) shall be determined by reference to the wages of such member in the second plan year (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of the chapter of the laws of two thousand fifteen that amended this paragraph) preceding such current plan year as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

(ii) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(iii) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(iv) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(v) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of chapter five hundred ten of the laws of two thousand fifteen) in which such member has established membership in the New York city employees' retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer. Notwithstanding the foregoing, when determining the rate at which each such member who became a member of, New York city employees' retirement system, on or after April first, two thousand twelve shall contribute for any plan year (April first to March thirty-first, provided, however, that plan year shall mean January first through December thirty-first commencing with the January first next succeeding the effective date of chapter five hundred ten of the laws of two thousand fifteen) between April first, two thousand twenty-two and April first, two thousand twenty-four, such rate shall be determined by reference to employees annual base wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year. Base wages shall include regular pay, shift differential pay, location pay, and any increased hiring rate pay, but shall not include any overtime payments.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

§ 3. Subdivisions f and g of section 613 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, the second undesignated paragraph of subdivision f and the second undesignated paragraph of subdivision g as amended by section 2 of part SS of chapter 56 of the laws of 2022, are amended to read as follows:

f. Anything in subdivision a of this section to the contrary notwithstanding a member employed as a uniformed court officer or peace officer in the unified court system who first joins the New York state and local employees' retirement system on or after January first, two thousand ten shall contribute four percent of annual wages to the New York state and local employees' retirement system, except that beginning April first, two thousand thirteen for members who first become members of the New York state and local employees' retirement system on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first) shall be determined by reference to the wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year as follows:

1. members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

2. members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

3. members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

4. members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

5. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first) in which such member has established membership in the New York state and local employees' retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer. Notwithstanding the foregoing, when determining the rate at which each such member who became a member of the New York state and local employees' retirement system on or after April first, two thousand twelve shall contribute for any plan year (April first to March thirty-first) between April first, two thousand twenty-two and April first, two thousand twenty-four, such rate shall be determined by reference to employees annual base wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year. Base wages shall include regular pay, shift differential pay, location pay, and any increased hiring rate pay, but shall not include any overtime payments.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

The head of the New York state and local employees' retirement system shall promulgate such regulations as may be necessary and appropriate with respect to the deduction of such contribution from members' wages and for the maintenance of any special fund or funds with respect to amounts so contributed.

g. Members who first join the New York state teachers' retirement system on or after January first, two thousand ten shall contribute three and one-half percent of annual wages to the New York state teachers' retirement system, except that beginning April first, two thousand thirteen for members who first become members of the New York state teachers' retirement system on or after April first, two thousand

twelve, the rate at which each such member shall contribute in any current plan year (July first to June thirtieth) shall be determined by reference to the wages of such member in the second plan year (July first to June thirtieth) preceding such current plan year as follows:

1. members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

2. members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

3. members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

4. members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

5. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (July first to June thirtieth) in which such member has established membership in the New York state teachers' retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer. Notwithstanding the foregoing, when determining the contribution rate at which a member of the New York state teachers' retirement system with a date of membership on or after April first, two thousand twelve shall contribute for plan years (July first to June thirtieth) between July first, two thousand twenty-two and July first, two thousand twenty-four, such rate shall be determined by reference to the member's annual base wages in the second plan year (July first to June thirtieth) preceding such current plan year. Annual base wages shall not include compensation earned for extracurricular programs or any other pensionable earnings paid in addition to the annual base wages.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

The head of the New York state teachers' retirement system shall promulgate such regulations as may be necessary and appropriate with respect to the deduction of such contribution from members' wages and for the maintenance of any special fund or funds with respect to amounts so contributed.

§ 4. Section 1204 of the retirement and social security law, as amended by chapter 18 of the laws of 2012, the second undesignated paragraph as amended by section 3 of part SS of chapter 56 of the laws of 2022, is amended to read as follows:

§ 1204. Member contributions. Members who are subject to the provisions of this article shall contribute three percent of annual wages to the retirement system in which they have membership, except that beginning April first, two thousand thirteen for members who first become members of the New York state and local police and fire retirement system on or after April first, two thousand twelve, the rate at which each such member shall contribute in any current plan year (April first to March thirty-first) shall be determined by reference to the wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year as follows:

a. members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

b. members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

c. members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

d. members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

e. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (April first to March thirty-first) in which such member has established membership in the New York state and local police and fire retirement system, such member shall contribute a percentage of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer. Notwithstanding the foregoing, when determining the rate at which each such member who became a member of the New York state and local police and fire retirement system on or after April first, two thousand twelve shall contribute for any plan year (April first to March thirty-first) between April first, two thousand twenty-two and April first, two thousand twenty-four, such rate shall be determined by reference to employees annual base wages of such member in the second plan year (April first to March thirty-first) preceding such current plan year. Base wages shall include regular pay, shift differential pay, location pay, and any increased hiring rate pay, but shall not include any overtime payments. Effective April first, two thousand twelve, all members subject to the provisions of this article shall not be required to make member contributions on annual wages excluded from the calculation of final average salary pursuant to section twelve hundred three of this article. Nothing in this section, however, shall be construed or deemed to allow members to receive a refund of any member contributions on such wages paid prior to April first, two thousand twelve.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

Members who are enrolled in a retirement plan that limits the amount of creditable service a member can accrue shall not be required to make contributions pursuant to this section after accruing the maximum amount of service credit allowed by the retirement plan in which they are enrolled. The state comptroller shall promulgate such regulations as may be necessary and appropriate with respect to the deduction of such contribution from members' wages and for the maintenance of any special fund or funds with respect to amounts so contributed. In no way shall the member contributions made pursuant to this section be used to provide for pension increases or annuities of any kind.

§ 5. Subdivision 2 of section 182 of the education law, as amended by chapter 18 of the laws of 2012, is amended to read as follows:

2. Employee contributions. In the case of any electing employee, contributions at the rate of three per centum of his state salary shall be deducted by the state comptroller as the employee contribution, provided however, that such employee contribution shall be made by the state in accordance with subdivision one of this section during such

period as (a) either section seventy-a of the retirement and social security law or section five hundred twenty-eight of this title provides that the contribution of each member of the New York state employees' retirement system or the New York state teachers' retirement system in the employ of the state shall be reduced by at least eight per centum of his compensation, or (b) employee contributions to either such system are no longer required by reason of such system becoming noncontributory for state employees.

Notwithstanding any other law to the contrary, beginning April first, two thousand thirteen any electing employee appointed on or after April first, two thousand twelve, the rate at which each such employee shall contribute in any current plan year (January first to December thirty-first) shall be determined by reference to the wages of such member in the second plan year (January first to December thirty-first) preceding such current plan year as follows:

(a) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

(b) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(c) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(d) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(e) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (January first to December thirty-first) in which such member has established membership in the Education Department Optional Retirement Program, such employee shall contribute a percent of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

§ 6. Paragraph (d) of subdivision 2 of section 392 of the education law, as added by chapter 18 of the laws of 2012, is amended to read as follows:

(d) Notwithstanding any other law to the contrary, beginning April first, two thousand thirteen any electing employee appointed on or after April first, two thousand twelve, the rate at which each such employee shall contribute in any current plan year (January first to December thirty-first) shall be determined by reference to the wages of such member in the second plan year (January first to December thirty-first) preceding such current plan year as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

(ii) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(iii) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(iv) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(v) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (January first to December thirty-first) in which such member has established membership in the State University Optional Retirement Program, such employee shall contribute a percent of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

§ 7. Paragraph (d) of subdivision 2 of section 6252 of the education law, as added by chapter 18 of the laws of 2012, is amended to read as follows:

(d) Notwithstanding any other law to the contrary, beginning April first, two thousand thirteen any electing employee appointed on or after April first, two thousand twelve, the rate at which each such employee shall contribute in any current plan year (January first to December thirty-first) shall be determined by reference to the wages of such member in the second plan year (January first to December thirty-first) preceding such current plan year as follows:

(1) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages;

(2) members with wages greater than forty-five thousand per annum, but not more than fifty-five thousand per annum shall contribute three and one-half per centum of annual wages;

(3) members with wages greater than fifty-five thousand per annum, but not more than seventy-five thousand per annum shall contribute four and one-half per centum of annual wages;

(4) members with wages greater than seventy-five thousand per annum but not more than one hundred thousand per annum shall contribute five and three-quarters per centum of annual wages; and

(5) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages.

Notwithstanding the foregoing, during each of the first three plan years (January first to December thirty-first) in which such member has established membership in the Board of Higher Education Optional Retirement Program, such employee shall contribute a percent of annual wages in accordance with the preceding schedule based upon a projection of annual wages provided by the employer.

Notwithstanding the foregoing, on and after the effective date of this paragraph, the rate of contribution for members with ten or more years of membership shall be three per centum of annual wages.

§ 8. 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.

§ 9. No employee contributions made by a member of a public retirement system prior to the effective date of this act shall be refunded as a result of this act becoming a law.

§ 10. This act shall take effect April 1, 2024.

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

This bill would change the member contribution rate to 3% for Tier 5 uniformed court peace officers (UCPOs) and Tier 6 members of the New

York State and Local Retirement System after ten years of membership. Tier 5 UCPOs currently pay 4% and Tier 6 members currently pay a variable percentage between 3% and 6% depending on annual compensation. There will be no return of member contributions.

Insofar as this bill affects the New York State and Local Employees' Retirement System (NYSLERS), increased costs would be shared by the State of New York and all participating employers in the NYSLERS. If enacted during the 2023 legislative session, there will be an increase in the present value of future costs of approximately $2.49 billion.

In the NYSLERS, this benefit improvement will be funded by increasing Tier 6 billing rates 1.2% of salary and increasing Tier 5 UCPO billing rates 0.4% of salary, resulting in additional annual contributions beginning in the fiscal year ending March 31, 2025, of approximately $109 million to the State of New York and approximately $141 million to local participating employers in NYSLERS. **The annual cost will increase** as Tier 6 salary grows and will vary by employer based upon the plan coverage and salary reported in Tier 6 and Tier 5 UCPO.

Insofar as this bill affects the New York State and Local Police and Fire Retirement System (NYSLPFRS), increased costs would be shared by the State of New York and all participating employers in the NYSLPFRS. If enacted during the 2023 legislative session, there will be an increase in the present value of future costs of approximately $470 million.

In the NYSLPFRS, this benefit improvement will be funded by increasing Tier 6 billing rates 1.6% of salary, resulting in additional annual contributions beginning in the fiscal year ending March 31, 2025, of approximately $7 million to the State of New York and approximately $28 million to local participating employers in NYSLPFRS. **The annual cost will increase** as Tier 6 salary grows and will vary by employer based upon the plan coverage and salary reported in Tier 6.

Summary of relevant resources:

Membership data as of March 31, 2022 was used in measuring the impact of the proposed change, the same data used in the April 1, 2022 actuarial valuation. Distributions and other statistics can be found in the 2022 Report of the Actuary and the 2022 Annual Comprehensive Financial Report.

The actuarial assumptions and methods used are described in the 2020, 2021, and 2022 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes, Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2022 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This fiscal note does not constitute a legal opinion on the viability of the proposed change nor is it intended to serve as a substitute for the professional judgment of an attorney.

This estimate, dated April 17, 2023, and intended for use only during the 2023 Legislative Session, is Fiscal Note No. 2023-113, prepared by the Actuary for the New York State and Local Retirement System.

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

As it relates to the New York State Teachers' Retirement System, this bill would amend Section 613 of the Retirement and Social Security Law to reduce the required employee contribution rate for Tier 5 and 6 members who have attained ten or more years of membership to a flat 3.0%

of salary, payable over their career. Currently, Tier 5 members are required to contribute at a rate of 3.5% of salary, and Tier 6 members are required to contribute between 3.0% and 6.0% of salary, according to a salary-based schedule. No contributions made before the effective date of this bill would be refunded. This change would be effective on April 1, 2024.

The annual cost to the employers of members of the New York State Teachers' Retirement System for this benefit is estimated to be $104.9 million or 0.57% of payroll if this bill is enacted.

The System's "new entrant rate", a hypothetical employer contribution rate that would occur if we started a new Retirement System without any assets, is equal to 5.15% of pay under the current Tier 6 benefit structure. This can be thought of as the long-term expected employer cost of Tier 6, based on current actuarial assumptions. For the reduction to the Tier 6 employee contribution rate proposed under this bill, this new entrant rate would increase to 6.10% of pay, an increase of 0.95% of pay.

Member data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Annual Report. System assets are as reported in the System's financial statements and can also be found in the System's Annual Report. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2023-26 dated April 14, 2023 prepared by the Office of the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2023 Legislative Session. I, Richard A. Young, am the Chief Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

SUMMARY OF BILL: This proposed legislation, as it relates to the New York City Retirement Systems and Pension Funds (NYCRS), would amend Section 613 of the Retirement and Social Security Law (RSSL) to reduce the Basic Member Contribution (BMC) rate to 3% upon attaining 10 years of service for Tier 6 members of the New York City Employees' Retirement System (NYCERS), the New York City Teachers' Retirement System (NYCTRS), and the New York City Board of Education Retirement System (BERS).

Effective Date: April 1, 2024.

IMPACT ON MEMBER CONTRIBUTIONS: Currently, Tier 6 members of NYCERS, NYCTRS, and BERS are required to make BMCs ranging from 3% to 6% depending on the members' applicable annual wages. Under the proposed legislation, if enacted, the required BMCs would be a flat 3% upon attaining 10 years of service, starting on the effective date of the proposed legislation. The required BMCs prior to attaining 10 years of service would remain unchanged.

FINANCIAL IMPACT: Based on the census data and the actuarial assumptions and methods described herein, the enactment of this proposed legislation would result in an initial increase in the present value of future employer contributions of approximately $1.2 billion for NYCERS, $1.6 billion for NYCTRS, and $0.1 billion for BERS, resulting in a total increase of approximately $2.9 billion for NYCRS for the current active members.

The financial impact will increase as the impacted population increases over time. The estimate of the increase in annual employer contributions for Fiscal Years 2024 through 2028 are shown in the table below.

Increase in Employer Contributions
($ Millions)

Fiscal Year	NYCERS	NYCTRS	BERS	TOTAL
2024	$109.2	$107.6	$10.2	$227.0*
2025	$119.8	$116.7	$11.1	$247.6
2026	$130.9	$126.2	$12.0	$269.1
2027	$142.6	$136.1	$13.0	$291.7
2028	$154.8	$146.5	$14.0	$315.3

* The increase in the employer contributions for Fiscal Year 2024 is estimated to be $166.3 million for New York City and $60.7 million for the other obligors of NYCRS.

New Unfunded Accrued Liability (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 impacted Tier 6 members is approximately 16 years for those in NYCERS, 20 years for those in NYCTRS, and 14 years for those in BERS.

The increase in UAL for NYCERS was therefore amortized over a 16-year period (15 payments under the One-Year Lag Methodology) using level dollar payments. Under the same methodology the increase in the UAL for NYCTRS and BERS was amortized over 19 and 13 payments, respectively.

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

The table below contains a summary of the census data for active Tier 6 members in NYCERS, NYCTRS, and BERS as of June 30, 2022.

NYCRS	Active Count	Average Age	Average Service	Average Salary
NYCERS	77,127	41.9	4.2	$76,100
NYCTRS	56,614	37.5	4.6	$77,000
BERS	12,264	46.3	3.7	$53,100

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, NYCTRS, and BERS.

New entrants were projected to replace the members expected to leave the active population to maintain a steady-state population. New entrant demographics were developed based on data for recent new hires and actuarial judgement.

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 valuations of NYCERS, NYCTRS, and BERS 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, demograph-

ics of the impacted population, and other 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 to implement the proposed legislation.

* Pension costs for future members of NYCERS, NYCTRS, and BERS hired on or after 7/1/2026.

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 2023-45 dated May 9, 2023 was prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Teachers' Retirement System, and the New York City Board of Education Retirement System. This estimate is intended for use only during the 2023 Legislative Session.