STATE OF NEW YORK

8855

IN SENATE

March 21, 2024

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 administrative code of the city of New York and the education law, in relation to the transfer of board of education employees to the teachers' retirement system of the city of New York

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

Section 1. Subdivision 7 of section 13-501 of the administrative code of the city of New York is amended by adding a new paragraph (c) to read as follows:

(c) "Teacher" shall also mean all those serving as board of education employees in a title represented by the united federation of teachers who file an application for membership in the retirement association on a form supplied by the retirement board.

§ 2. The education law is amended by adding a new section 2575-f to read as follows:

§ 2575-f. Transfer of employees represented by the united federation of teachers to the New York city teachers' retirement system. Any employee represented by the united federation of teachers who is a member of the New York city board of education retirement system shall have the right to transfer their membership to the teachers' retirement system of the City of New York. To affect such a transfer, a member must give notice to the New York city board of education retirement system, within one year of such member becoming eligible for membership in the said teachers' retirement system, of such member's intention to transfer to the said teachers' retirement system. Membership in the united federation of teachers is not required to be covered under this section. Upon receipt of such notice, the New York city board of education system shall transfer to such teachers' retirement system the reserve on such members' benefits in the manner provided by subdivisions c and d of section forty-three of the retirement and social security law and notwithstanding subdivision l of such section. The former system shall also transfer to the latter system the member's contributions, which shall become such member's contributions in the latter system. A person

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

LBD14964-02-4

so transferring shall be deemed to have been a member of the system to which such member has transferred during the entire period of membership service credited to such member in the system from which such member has transferred. Such transferee shall be entitled to all the rights, privileges and benefits of the system to which they have transferred.

§ 3. This act shall take effect immediately.

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

SUMMARY: This proposed legislation would allow current and future full time or part time New York City Department of Education employees serving in New York City Board of Education Retirement System (BERS) eligible titles represented by the United Federation of Teachers (UFT) to join or transfer into the New York City Teachers' Retirement System (TRS) by filing a notice with BERS within one year of becoming eligible for such TRS membership.

EXPECTED INCREASE (DECREASE) IN EMPLOYER CONTRIBUTIONS
by Fiscal Year for the first 25 years ($ in Millions)

Year	NYC
2025	2.3
2026	2.3
2027	2.3
2028	2.4
2029	2.4
2030	2.4
2031	2.4
2032	2.4
2033	2.4
2034	2.4
2035	2.3
2036	2.3
2037	2.3
2038	1.1
2039	1.1
2040	1.0
2041	1.0
2042	1.0
2043	0.9
2044	0.9
2045	0.9
2046	0.8
2047	0.8
2048	0.8
2049	0.8

The Employer Contribution impact shown above reflects the cost of expected benefit increases using TRS assumptions only. Not shown is any impact due to valuing impacted BERS members using TRS assumptions. The potential impact of assumption changes is discussed further below. The Employer Contribution impact beyond Fiscal Year 2049 is not shown. Projected contributions include future new hires that may be impacted.

INITIAL INCREASE (DECREASE) IN ACTUARIAL LIABILITIES
as of June 30, 2023 ($ in Millions)

Present Value (PV)	Impacted Group
PV of Benefits:	18.3
PV of Employee Contributions:	(2.4)
PV of Employer Contributions:	20.8
Unfunded Accrued Liabilities:	9.0

AMORTIZATION OF UNFUNDED ACCRUED LIABILITY

	Impacted Group
Number of Payments:	13
Fiscal Year of Last Payment:	2037
Amortization Payment:	1.1 M

Unfunded Accrued Liability increases were amortized over the expected remaining working lifetime of those impacted by the benefit changes using level dollar payments.

IMPACT ON CONTRIBUTIONS AND FUNDING: Employer contributions are actuarially determined to fund expected benefit payments over the future working lifetime of the members, with any gain or loss resulting from actual experience differing from expectations recognized separately.

Applying TRS assumptions to members currently in BERS would change the funding pattern for these members, immediately increasing the employer contributions, and over time, gains and losses would ultimately offset any changes in the required contributions. Reevaluating actuarial assumptions (e.g., salary scale, mortality, etc.) may be warranted if there is a significant change in the demographics of the underlying population. The first-year impact of valuing these BERS members using current TRS assumptions, assuming no change in benefits, is an additional net increase in the employer contributions of $19.6 million.

In addition, the transfer of reserves based on the accrued liability for members who switch between systems is dependent on the actuarial assumptions utilized. The calculation of reserves based on BERS assumptions would be less than the reserves calculated based on TRS assumptions. The net impact will ultimately be reconciled through actuarial gains and losses but may vary by system. The accrued liability and expected reserve transfer from BERS to TRS due to the proposed legislation is approximately $730 million.

CENSUS DATA: The estimates presented herein are based on preliminary census data collected as of June 30, 2023. The census data for the impacted population is summarized below.

	BERS
Active Members	
- Number Count:	5,533
- Average Age:	47
- Average Service:	8.6
- Average Salary:	80,300

IMPACT ON MEMBER BENEFITS: Employees in the impacted titles would generally, except as provided below, be eligible for the same respective plans in TRS in which they are eligible to participate in BERS.

Under the proposed legislation, if a member elects to join or transfer to TRS, members may be entitled to additional benefits. Among those, the following differences were valued for purposes of this Fiscal Note:

* Unreduced Retirement with 30 years of service for Tier 4 members
* Provisions for additional member contributions
* Greater Accidental Disability Retirement benefits
* Loans Factors applied to outstanding balances at retirement
* Early Deferred Vested Retirement commencement

Additional differences may apply but were not valued for the purposes of this Fiscal Note.

ASSUMPTIONS AND METHODS: The estimates presented herein have been calculated based on the Revised 2021 Actuarial Assumptions and Methods of TRS. In addition:

* New entrants were assumed to replace exiting members so that total payroll increases by 3% each year for impacted groups. New entrant demographics were developed based on data for recent new hires and actuarial judgement.

To determine the impact of the elective nature of the proposed legislation, a subgroup of members in UFT represented titles was developed based on who is assumed to benefit actuarially by comparing the net present value of future employer costs of each member's benefit under their current plan and under the comparable TRS plan.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the actuarial assumptions, methods, and models used, demographics 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. Quantifying these risks is beyond the scope of this Fiscal Note.

This Fiscal Note is intended to measure pension-related impacts and does not include other potential costs (e.g., administrative and Other Postemployment Benefits).

In addition, this Fiscal Note does not measure the impact of the significant transfer of member contributions and reserves from BERS to TRS.

STATEMENT OF ACTUARIAL OPINION: Marek Tyszkiewicz and Gregory Zelikovsky are members of the Society of Actuaries and the American Academy of Actuaries. We are members of NYCERS but do not believe it impairs our objectivity and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our 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 2024-32 dated March 20, 2024 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 2024 Legislative Session.