STATE OF NEW YORK

7698

2023-2024 Regular Sessions

IN ASSEMBLY

June 6, 2023

Introduced by M. of A. PHEFFER AMATO -- read once and referred to the Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to affording certain police/fire members who are members of the fire department pension fund to continue in service past normal retirement age with an additional pension benefit for each year of additional service

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 503-a to read as follows:

§ 503-a. Extra pension service credits. Notwithstanding any provision of law to the contrary, a police/fire member who is a member of the New York city fire department pension fund may continue in service past the date that he or she attains normal retirement age. In such event and upon his or her retirement for any cause whatsoever, there shall be added to his or her annual pension to which he or she shall upon his or her retirement be entitled an additional amount computed at the rate of one-fortieth of his or her final salary for each year of such additional service.

§ 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 503-a to the Retirement and Social Security Law (RSSL) to provide an additional 1/40th of "final salary" benefit, subject to applicable escalation, for each additional year of credited service, or fraction thereof, beyond 22 years of service for Tier 3 Original, Modified, and Enhanced plan members (Tier 3 members) of 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:

* 50% of Final Average Salary (FAS),

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

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* 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:
* Three-Year FAS (FAS 3) for Original Tier 3 Members, and
* Five-Year FAS (FAS 5) for 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
* 1/40th of Final Salary 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:
* Three-Year FAS (FAS 3) for Original Tier 3 Members, and
* Five-Year FAS (FAS 5) for Modified Plan Members.

and where Final Salary is interpreted to mean the pensionable salary for each additional year of credited service, or fraction thereof, exceeding 22 years.

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
* 1/40th of Final Salary 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: 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 $520.2 million.

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.

Fiscal Year	Increase in Employer Contributions ($ Millions)
2024	$34.1
2025	$37.7
2026	$41.5
2027	$45.2
2028	$49.2

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 this group is approximately 19 years and the increase in UAL was therefore

amortized over a 19-year period (18 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 FIRE to determine the Preliminary Fiscal Year 2024 employer contributions.

There are 4,469 active Tier 3 members of FIRE as of June 30, 2022 and they have an average age of approximately 32.9 years, average service of approximately 5.2 years, and an average salary of approximately $106,300.

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 FIRE with the exception of the probability of Tier 3 members working beyond 22 years of service, which was increased to recognize the impact the proposed legislation 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 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 valuation of FIRE 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 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 FIRE hired on or after 7/1/2026.

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

* Cost analyses relating to provisions contained in RSSL Section 500(c).

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 2023-57 dated May 23, 2023 was prepared by the Chief Actuary for the New York City Fire Pension Fund. This estimate is intended for use only during the 2023 Legislative Session.