STATE OF NEW YORK

3614--B

2023-2024 Regular Sessions

IN SENATE

February 1, 2023

Introduced by Sen. GOUNARDES -- 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 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law and the education law, in relation to member contribution per centum increases

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

Section 1. Paragraphs 1, 2, 3, 4 and 5 of subdivision a of section 517 of the retirement and social security law, as added by chapter 18 of the laws of 2012, are amended to read as follows:

1. members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages**. On April one, two thousand twenty-four, members with wages of fifty thousand dollars per annum or less shall contribute three per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent**;

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**. On April one, two thousand twenty-four, members with wages greater than fifty thousand per annum, but not more than sixty thousand per annum shall contribute three and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price**

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

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index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

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. On April one, two thousand twenty-four, members with wages greater than sixty thousand per annum, but not more than eighty thousand per annum shall contribute four and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

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. On April one, two thousand twenty-four, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

5. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages. On April one, two thousand twenty-four, members with wages greater than one hundred five thousand dollars per annum shall contribute six per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent.

§ 2. Subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph 1 of subdivision a, subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph 2 of subdivision a, paragraphs 1, 2, 3, 4 and 5 of subdivision f and paragraphs 1, 2, 3, 4 and 5 of subdivision g of section 613 of the retirement and social security law, subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph 1 and subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph 2 of subdivision a as amended by chapter 510 of the laws of 2015 and paragraphs 1, 2, 3, 4 and 5 of subdivision f and paragraphs 1, 2, 3, 4 and 5 of subdivision g as added by chapter 18 of the laws of 2012, are amended to read as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages. On April one, two thousand twenty-four, members with wages of fifty thousand dollars per annum or less shall contribute three per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On April one, two thousand twenty-four, members with wages greater than fifty thousand per annum, but not more than of sixty thousand per annum shall contribute three and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On April one, two thousand twenty-four, members with wages greater than sixty thousand per annum, but not more than eighty thousand per annum shall contribute four and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On April one, two thousand twenty-four, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

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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. On April one, two thousand twenty-four, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

5. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages. On April one, two thousand twenty-four, members with wages greater than one hundred five thousand dollars per annum shall contribute six per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent.

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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. On April one, two thousand twenty-four, members with wages greater than fifty thousand per annum, but not more than of sixty thousand per annum shall contribute three and one-half per centum of annual wages, and beginning on April one, two thou-

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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. On April one, two thousand twenty-four, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

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§ 3. Subdivisions a, b, c, d and e of section 1204 of the retirement and social security law, as added by chapter 18 of the laws of 2012, are amended to read as follows:

a. members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages. On April one, two thousand twenty-four, members with wages of fifty thousand dollars per annum or less shall contribute three per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

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. On April one, two thousand twenty-four, members with wages greater than fifty thousand per annum, but not more than of sixty thousand per annum shall contribute three and one-

half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

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. On April one, two thousand twenty-four, members with wages greater than sixty thousand per annum, but not more than eighty thousand per annum shall contribute four and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

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. On April one, two thousand twenty-four, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

e. members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages. On April one, two thousand twenty-four, members with wages greater than one hundred five thousand dollars per annum shall contribute six per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent.

§ 4. Paragraphs (a), (b), (c), (d) and (e) of subdivision 2 of section 182 of the education law, as added by chapter 18 of the laws of 2012, are amended to read as follows:

(a) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages. On April one, two thousand twenty-four, members with wages of fifty thousand dollars per annum or less shall contribute three per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On April one, two thousand twenty-four, members with wages greater than fifty thousand per annum, but not

more than of sixty thousand per annum shall contribute three and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On April one, two thousand twenty-four, members with wages greater than sixty thousand per annum, but not more than eighty thousand per annum shall contribute four and one-half per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On April one, two thousand twenty-four, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

(e) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages. On April one, two thousand twenty-four, members with wages greater than one hundred five thousand dollars per annum shall contribute six per centum of annual wages, and beginning on April one, two thousand twenty-five, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent.

§ 5. Subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph (d) of subdivision 2 of section 392 of the education law, as added by chapter 18 of the laws of 2012, are amended to read as follows:

(i) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages. On July one, two thousand twenty-three, members with wages of fifty thousand dollars per annum or less shall contribute three per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On July one, two thousand twen-

ty-three, members with wages greater than fifty thousand per annum, but not more than of sixty thousand per annum shall contribute three and one-half per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On July one, two thousand twenty-three, members with wages greater than sixty thousand per annum, but not more than eighty thousand per annum shall contribute four and one-half per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On July one, two thousand twenty-three, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

(v) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages. On July one, two thousand twenty-three, members with wages greater than one hundred five thousand dollars per annum shall contribute six per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent.

§ 6. Subparagraphs 1, 2, 3, 4 and 5 of paragraph (d) of subdivision 2 of section 6252 of the education law, as added by chapter 18 of the laws of 2012, are amended to read as follows:

(1) members with wages of forty-five thousand dollars per annum or less shall contribute three per centum of annual wages. On July one, two thousand twenty-three, members with wages of fifty thousand dollars per annum or less shall contribute three per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On July one, two thousand twenty-three, members with wages greater than fifty thousand per annum, but not more than of sixty thousand per annum shall contribute three and one-half per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On July one, two thousand twenty-three, members with wages greater than sixty thousand per annum, but not more than eighty thousand per annum shall contribute four and one-half per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent;

(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. On July one, two thousand twenty-three, members with wages greater than eighty thousand dollars per annum but not more than one hundred five thousand dollars per annum shall contribute five and three-quarters per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent; and

(5) members with wages greater than one hundred thousand per annum shall contribute six per centum of annual wages. On July one, two thousand twenty-three, members with wages greater than one hundred five thousand dollars per annum shall contribute six per centum of annual wages, and beginning on July one, two thousand twenty-four, the wages in this subparagraph shall be increased by the annual inflation, as determined from the increase in the consumer price index in the one year period ending on December thirty-first of the year prior. Said percentage shall then be rounded up to the next higher one-tenth of one percent and shall not exceed three percent.

§ 7. 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.

§ 8. This act shall take effect immediately.

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

This bill would increase the wage ranges to which member contribution rates are applied for Tier 6 members effective April 1, 2024 by $5,000. Beginning on April 1, 2025, the wage ranges would increase each year by the annual inflation rate rounded up to the next tenth of a percent, not to exceed 3%.

The current contribution rates and wage ranges for Tier 6 members are:

3% for wages of $45,000 or less

3.5% for wages greater than $45,000 and less than or equal to $55,000

4.5% for wages greater than $55,000 and less than or equal to $75,000

5.75% for wages greater than $75,000 and less than or equal to $100,000

6.0% for wages greater than $100,000

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 this bill is enacted during the 2023 legislative session, there will be an increase in the present value of future costs of approximately $588 million.

In the NYSLERS, this benefit improvement will be funded by increasing the billing rates charged annually. The annual contribution required of all participating employers in NYSLERS is approximately 0.2% of billable salary, or $26 million to the State of New York and approximately $38 million to the local participating employers. This **permanent annual cost** will vary in subsequent billing cycles with changes in the wage ranges and salary of the affected members.

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 this bill is enacted during the 2023 legislative session, there will be an increase in the present value of future costs of approximately $11.2 million.

In the NYSLPFRS, this benefit improvement will be funded by increasing the billing rates charged annually. The annual contribution required of all participating employers in NYSLERS is less than 0.1% of billable salary, or approximately $225,000 to the State of New York and approximately $890,000 to the local participating employers. This **permanent annual cost** will vary in subsequent billing cycles with changes in the wage ranges and salary of the affected members.

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 January 31, 2023, and intended for use only during the 2023 Legislative Session, is Fiscal Note No. 2023-30, prepared by the Actuary for the New York State and Local Retirement System.

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

This bill would amend various sections of the Retirement and Social Security Law and the Education Law to increase the salary ranges used in determining the employee contribution percentages for Tier 6 members thereby decreasing future required employee contributions. The current

salary ranges would each increase by $5,000 on April 1, 2024. Beginning on April 1, 2025, salary ranges would then be increased annually by the increase in the consumer price index in the one year period ending on December thirty-first of the year prior, not to exceed 3%.

The annual cost to the employers of members of the New York State Teachers' Retirement System for this benefit is estimated to be $30.0 million or 0.16% 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 proposed change to the Tier 6 benefit structure under this bill, this new entrant rate is estimated to increase to 5.60% of pay, an increase of 0.45% 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 2023-12 dated March 9, 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 increase the salary bands used to determine contribution rates 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: Upon enactment.

IMPACT ON MEMBER CONTRIBUTIONS: Currently, Tier 6 members of NYCERS, NYCTRS, and BERS are generally required to make Basic Member Contributions (BMC) ranging from 3% to 6% of annual wages, determined by wages for a prior defined period.

Under the proposed legislation, the salary bands used to determine BMC would be 1) increased by specified amounts as shown in the table below on January 1, 2024, and 2) increased by the prior calendar year's increase in consumer price index (CPI). The increase due to CPI starting on January 1, 2025, and every year thereafter, is not to exceed 3%.

The result of an increase in Tier 6 salary bands would be an overall decrease in employee contribution rates.

Contribution Rate	Current Salary Band	New Salary Band as of January 1, 2024
3.00%	$45,000 or less	$50,000 or less
3.50%	$45,001 up to $55,000	$50,001 up to $60,000
4.50%	$55,001 up to $75,000	$60,001 up to $80,000
5.75%	$75,001 up to $100,000	$80,001 up to $105,000
6.00%	Greater than $100,000	Greater than $105,000

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 $174.8 million for NYCERS, $84.3 million for NYCTRS, and $14.3 million for BERS, resulting in a total increase of approximately $273.4 million for NYCRS.

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	$ 15.4	$ 5.9	$ 1.3	$ 22.6*
2025	$ 17.7	$ 6.6	$ 1.9	$ 26.2
2026	$ 20.3	$ 7.3	$ 2.5	$ 30.1
2027	$ 23.2	$ 8.3	$ 3.1	$ 34.6
2028	$ 26.3	$ 9.3	$ 3.8	$ 39.4

* The increase in the employer contributions for Fiscal Year 2024 is estimated to be $16.0 million for New York City and $6.6 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.

It has been assumed that future increases in the salary bands under this proposed legislation would equal 2.5%, consistent with the long-term CPI inflation rate assumption of 2.5%.

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 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 2023-34 dated April 18, 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.