STATE OF NEW YORK

6290

2023-2024 Regular Sessions

IN SENATE

April 11, 2023

Introduced by Sen. SCARCELLA-SPANTON -- 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, in relation to determination of salary base for members of the New York city police pension fund

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

Section 1. Section 443 of the retirement and social security law is amended by adding a new subdivision i to read as follows:

i. Notwithstanding any general, special or local law, charter, administrative code, agreement, resolution or rule or regulation to the contrary, the salary base for members of the New York city police pension fund whose employment with the police department of the city of New York commenced on or after the first of July, two thousand to whom this article otherwise applies shall be determined in the same manner as the salary base for members of the New York city police pension fund whose employment with the police department of the city of New York commenced before the first of July, two thousand.

§ 2. This act shall take effect immediately and shall apply to members of the New York city police pension fund who retire on or after such effective date.

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

SUMMARY OF BILL: This proposed legislation would amend Section 443 of the Retirement and Social Security Law (RSSL) to change the salary base for Tier 2 members of the New York City Police Pension Fund (POLICE) who are hired on or after July 1, 2000.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: Pension benefits are primarily derived from as a percentage of salary base. For Tier 2 POLICE members hired prior to July

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

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1, 2000 (original Tier 2 members), the salary base is equal to the greater of

(1) the pensionable earnings in the final 12 months of service, or

(2) the average pensionable earnings earned in any consecutive three years of service.

For Tier 2 POLICE members hired on or after July 1, 2000, the salary base is equal to the pensionable earnings earned in the final 12 months of service only.

Under the proposed legislation, the salary base shall be determined the same for Tier 2 POLICE members hired on or after July 1, 2000 as it is for Tier 2 members hired prior to July 1, 2000.

Note, pensionable earnings in the final 12 months or the highest three consecutive years, are subject to certain limits.

FINANCIAL IMPACT - PRESENT VALUES: Based on the census data and the actuarial assumptions and methods described herein, the enactment of this proposed legislation would result in an increase in the Present Value of Future Benefits (PVFB) and the present value of future employer contributions of approximately $5.6 million.

Under the Entry Age Normal cost method used to determine the employer contributions to POLICE, there would be an increase in the Unfunded Accrued Liability (UAL) of approximately $3.6 million and an increase in the present value of future employer Normal Cost of approximately $2.0 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: The enactment of this proposed legislation would result in an initial increase in annual employer contributions of approximately $1.2 million which is the result of an increase in the Normal Cost in addition to the UAL payment.

New UAL attributable to benefit changes are generally amortized over the remaining working lifetime of those impacted by the benefit changes. The remaining working lifetime for this group is approximately seven years and the increase in UAL was therefore amortized over a seven-year period (six 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 POLICE to determine the Preliminary Fiscal Year 2024 employer contributions.

There are 12,849 active Tier 2 Police members hired on or after July 1, 2000 as of June 30, 2022 and they have an average age of approximately 42.6 years, average service of approximately 16.8 years, and an average salary of approximately $150,500.

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 POLICE.

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 POLICE 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.

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 2023-18 dated March 30, 2023 was prepared by the Chief Actuary for the New York City Police Pension Fund. This estimate is intended for use only during the 2023 Legislative Session.