DRAFT LBDC

A BUDGET BILL submitted by the Governor
in accordance with Article VII of the Constitution

AN ACT to amend the administrative code of city of New York, in relation to amortization and valuation methods used for contributions to the New York city employees' retirement system, the New York city teachers' retirement system, and the board of education retirement system of such city (Part);

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

PART __

Section 1. Section 13-638.2 of the administrative code of the city of New York is amended by adding two new subdivisions k-3 and k-4 to read as follows:

k-3. For NYCERS, NYCTRS and BERS, all installments of contribution resulting from any unfunded accrued liability established for any such retirement system prior to the establishment of the unfunded accrued liability as of June thirtieth, two thousand twenty-three for such retirement systems pursuant to the provisions of paragraph one of subdivision k-4 of this section which are payable to such retirement system on or after July first, two thousand twenty-four are hereby canceled and shall not be due and payable on or after such July first.

k-4. (1) (i) The actuary for each of such retirement systems, upon the basis of the latest mortality and other tables applicable at the time such actuary performs the calculations, and the valuation rate of interest (as defined in paragraph eleven of subdivision a of this section), shall calculate separately for NYCERS, NYCTRS and BERS, as of June thirtieth, two thousand twenty-three and as of each succeeding June thirtieth, an unfunded accrued liability for each retirement system in accordance with the succeeding subparagraphs of this paragraph.

(ii) The actuary shall calculate, as of the applicable June thirtieth, an amount equal to the sum of (A) the total actuarial present value of all benefits payable by NYCERS, NYCTRS and BERS pursuant to applicable law, as determined by the actuary, and (B) the liability of each retirement system, as determined by the actuary, for amounts which the retirement system may be required by applicable law to pay to any other fund on account of related benefits financed through the retirement system, without a corresponding offset in the liabilities of the retirement system.

(iii) The unfunded accrued liability of each of such retirement systems as of the applicable June thirtieth shall be the amount obtained by deducting from the amount of such total liability of the retirement system on account of benefits, as determined by the actuary pursuant to subparagraph (ii) of this paragraph, the sum of:

(A) the actuarial present value of entry age normal contributions payable to such retirement system, as determined by the actuary as of the applicable June thirtieth in a manner consistent with the entry age actuarial cost method, and with the applicable methodologies set forth for NYCERS in subparagraph (d) of paragraph two of subdivision b of section 13-127 of this title, for the NYCTRS in paragraph five of subdivision b of section 13-527 of this title or for BERS in item (v) of subparagraph four of paragraph (c) of subdivision sixteen of section twenty-five hundred seventy-five of the education law;

(B) the present value of future member contributions of all members of such retirement system, as determined by the actuary as of the applicable June thirtieth;

(C) the total funds on hand of such retirement system for valuation purposes, as determined by the actuary as of the applicable June thirtieth;

(D) the present value of future installments of unfunded accrued liability contributions to be paid to such retirement system as of the applicable June thirtieth;

(E) the present value of the pending normal contribution to such retirement system as of the applicable June thirtieth as determined by the actuary and established in the valuation for the prior year; and

(F) the present value of pending contributions to such retirement system for administrative expenses in accordance with the provisions of subdivision f of section 13-103 of this title for NYCERS, subdivision d of section 13-518 of this title for the NYCTRS or paragraph (e) of subdivision twenty-three of section twenty-five hundred seventy-five of the education law for BERS.

(iv) The actuary, in determining the unfunded accrued liability pursuant to this paragraph, may make any adjustments which such actuary deems appropriate due to the calculation of the unfunded accrued liability as of the second June thirtieth preceding the fiscal year in which the first installment of such unfunded accrued liability becomes payable or creditable.

(2) (i) The unfunded accrued liability calculated by the actuary as of June thirtieth, two thousand twenty-three shall be known as the "2023 UAL" or, with respect to NYCERS as the "NYCERS 2023 UAL", with respect

to NYCTRS as the "NYCTRS 2023 UAL", and with respect to BERS as the "BERS 2023 UAL".

(ii) The 2023 UAL for NYCERS, NYCTRS and BERS shall be amortized in twenty annual installments, as determined by the actuary, with payments commencing with the two thousand twenty-four--two thousand twenty-five fiscal year. The actuary for each of such retirement systems shall determine the schedule of contribution installments such that each installment after the first shall decline, relative to the next preceding installment, by a constant dollar amount equal to five percent of such first installment.

(3) (i) Notwithstanding paragraph three of subdivision k-2 of this section or any other law to the contrary, the unfunded accrued liability calculated pursuant to paragraph one of this subdivision by the actuary as of June thirtieth, two thousand twenty-four, and as of each succeeding June thirtieth, shall be known as a "post-2023 UAL adjustment". With respect to NYCERS, NYCTRS and BERS, such unfunded accrued liability shall be known by the name consisting of the applicable abbreviation for each retirement system, as defined in paragraph three, four or seven of subdivision a of this section, followed by the calendar year as of which the unfunded accrued liability was established, followed by the term "UAL adjustment".

(ii) Notwithstanding paragraph three of subdivision k-2 of this section or any other law to the contrary, each post-2023 UAL adjustment for NYCERS, NYCTRS and BERS, excluding adjustments due to investment gains and losses or enacted changes in benefits as described in subparagraphs (iii) and (iv) respectively of this paragraph, shall be amortized in twenty equal annual installments, as determined by the actuary, with payments or credits commencing with the second fiscal year succeeding the June thirtieth as of which the unfunded accrued liability was established.

(iii) Post-2023 UAL adjustments due to investment gains and losses shall be amortized over twenty installments such that installments one through five increase by a constant dollar amount, installments seventeen through twenty decrease by that same amount, and installments six through sixteen equal installment five, as determined by the actuary. Deferred investment gains and losses established prior to the Post-2023 UAL adjustments will continue to be recognized based on their existing recognition schedule and amortized in twenty equal annual installments, as determined by the actuary, with payments or credits commencing with the second fiscal year succeeding the June thirtieth as of which they are recognized.

(iv) Post-2023 UAL adjustments due to enacted changes in benefits shall be amortized over a number of installments equal to the rounded number of years of the remaining working lifetimes of those covered by the benefit changes. Where the length of the amortization period for an UAL adjustment is not specified in the law, the actuary, in such actuary's discretion, may select an amortization period that is reasonably consistent with past practice for amortizing UAL adjustments attributable to the particular type of changes.

(v) In the event that the total unfunded accrued liability as of June thirtieth for NYCERS, NYCTRS or BERS, as determined by the actuary, is less than or equal to zero based on the market value of assets, results in the total amortization installment being negative while the total unfunded accrued liability is positive, or results in any other mathematical inconsistency as determined by the actuary, the actuary, in their discretion, shall void all previously established remaining amortization installments scheduled for or after the second fiscal year succeeding the June thirtieth as of which the determination was made and shall establish a new amortization schedule of twenty installments that will be applied as charges or credits against the normal contribution of any such retirement system's obligors commencing in that second fiscal year.

§ 2. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after July 1, 2024.

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

SUMMARY: This proposed legislation (see Appendix) would modify existing statutory language to amortize the Unfunded Accrued Liabilities (UAL) for the New York City Employees' Retirement System (NYCERS), the New York City Teachers' Retirement System (TRS), and the New York City Board of Education Retirement System (BERS) on an alternate schedule effective upon enactment and deemed to have been in effect on and after July 1, 2024.

EXPECTED INCREASE (DECREASE) IN EMPLOYER CONTRIBUTIONS

by Fiscal Year for the first 25 years ($ in Millions)

Year	NYCERS	TRS	BERS	TOTAL
2025	48.2	(523.8)	(36.2)	(511.8)
2026	(129.2)	(661.4)	(41.0)	(831.6)
2027	(338.3)	(644.0)	(67.5)	(1,049.8)
2028	(526.5)	(693.8)	(64.3)	(1,284.6)
2029	(682.2)	(582.9)	(31.0)	(1,296.1)
2030	(1,020.3)	(611.7)	(26.4)	(1,658.4)
2031	(1,258.7)	(673.4)	(16.7)	(1,948.8)
2032	(1,477.0)	(924.6)	(9.6)	(2,411.2)

2033	1,162.3	1,526.3	128.5	2,817.1
2034	1,010.7	1,382.9	120.1	2,513.7
2035	1,170.1	1,329.6	72.3	2,572.0
2036	1,075.1	1,253.5	84.2	2,412.8
2037	727.7	880.5	42.1	1,650.3
2038	709.9	722.6	32.2	1,464.7
2039	782.4	674.5	18.3	1,475.2
2040	553.0	250.1	(33.2)	769.9
2041	442.4	278.0	2.0	722.4
2042	331.8	209.4	1.5	542.7
2043	221.2	139.6	1.0	361.8
2044	110.6	69.8	0.5	180.9
2045	0.0	0.0	0.0	0.0
2046	0.0	0.0	0.0	0.0
2047	0.0	0.0	0.0	0.0
2048	0.0	0.0	0.0	0.0
2049	0.0	0.0	0.0	0.0

Allocation of the impact above to New York City and other obligors will vary by year.

IMPACT ON EMPLOYER CONTRIBUTIONS: For NYCERS, TRS, and BERS, the proposed legislation would amend the UAL amortization schedule; change the smoothing method used for investment gains and losses; and allow a reset of the UAL amortization schedule under certain scenarios. While the proposed changes will impact the timing of employer contributions, there is no change to the benefits paid and therefore no ultimate savings or cost.

PRESENT VALUE OF BENEFITS: The Present Value of Benefits is the discounted expected value of benefits paid to current members if all assumptions are met, including future service accrual and pay increases.

INITIAL INCREASE (DECREASE) IN ACTUARIAL PRESENT VALUES

as of June 30, 2023 ($ in Millions)

Present Value (PV)	NYCERS	TRS	BERS
(1) PV of Employer Contributions:	0.0	0.0	0.0
(2) PV of Employee Contributions:	0.0	0.0	0.0
Total PV of Benefits (1) + (2):	0.0	0.0	0.0

IMPACT ON UAL AMORTIZATION: Pursuant to Chapter 3 of the Laws of 2013, an Initial UAL amortization base was established for each of the New York City Retirement Systems and Pension Funds (NYCRS) such that the annual amortization payments would increase by 3% per year consistent with the expected annual increases in total payroll, with the final payment scheduled to occur in Fiscal Year 2032. Subsequent changes in the UAL have their own statutorily defined amortization period, generally amortized using level dollar payments.

The proposed legislation would re-amortize all outstanding UAL balances for NYCERS, TRS, and BERS as of June 30, 2023, adjusted for pending employer contributions, over a 20-year period such that the amortization payments decrease by a constant dollar amount annually. New amortization bases would be added on an annual basis using level dollar amortization. Actuarial gains and losses (currently amortized over 14 payments), assumption and method changes (currently amortized over 19 payments) would be amortized over 20 payments. Future benefit changes would be amortized over the expected future working lifetime of the impacted population.

This legislation also includes provisions that allow the NYCRS Actuary to reset the amortization schedule over a 20-year period when a NYCERS, TRS, or BERS plan becomes overfunded based on the Market Value of Assets (MVA) or if the Actuary observes any anomalies in the amortization schedule, such as a negative net amortization payment being applied to a positive UAL.

IMPACT ON ASSET SMOOTHING: This legislation modifies the approach used to smooth investment gains and losses. The current asset smoothing method phases in the recognition of investment gains and losses over a five-year period producing an Actuarial Value of Assets (AVA) used to determine the UAL and related amortization payments that is different from the Market Value of Assets (MVA).

The proposed legislation would recognize the full investment gain or loss immediately with a five-year phase-in and five-year phase-out of the payments over a twenty-year period in total. This alternate method produces a contribution smoothing effect similar to the current method and eliminates the need to calculate an AVA different from the MVA. The smoothing corridor currently used to constrain the AVA within plus or minus twenty percent of the MVA becomes obsolete under this legislation.

Unrecognized investment gains and losses as of June 30, 2023 will be recognized in future valuations based on their recognition schedule established prior to this legislation, though those deferred gains and losses will be amortized over 20 payments instead of the current 14 payments. This Fiscal Note does not reflect the difference in timing of recognizing currently deferred investment gains and losses, though the net impact of this difference is zero on a present value basis.

COST BASIS: The estimates presented herein are based on census data collected as of June 30, 2023 and the Preliminary June 30, 2023 Actuarial Valuation. The Final June 30, 2023 Actuarial Valuation may reflect subsequent events, such as data corrections or other legislative changes that impact the timing of employer contributions shown in this Fiscal Note.

ASSUMPTIONS AND METHODS: The estimates presented herein, except for those changes described in this Fiscal Note, have been calculated based on the Revised 2021 Actuarial Assumptions and Methods of the impacted NYCRS.

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). This Fiscal Note does not reflect any chapter laws that may have been enacted during the current legislative session.

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 2025-16 dated February 19, 2025 was prepared by the Chief Actuary for the New York City Retirement Systems and Pension Funds and is intended for use only during the 2025 Legislative Session.