LAWS OF NEW YORK, 2006

CHAPTER 152

(See FISCAL NOTE at end of Chapter.)

AN ACT to amend the administrative code of the city of New York, in relation to the rate of regular interest used in the actuarial valuation of liabilities for the purpose of calculating contributions to the New York city employees' retirement system, the New York city teachers' retirement system, the police pension fund, subchapter two, the fire department pension fund, subchapter two and the board of education retirement system of such city by public employers and other obligors required to make employer contributions to such retirement systems, the making of contributions to such retirement systems by such public employers and such other obligors, including contributions for administrative expenses, investment expenses and certain cost-of-living adjustments, and the crediting of special interest and additional interest to members of such retirement systems, and the allowance of supplementary interest on the funds of such retirement systems; and to amend the education law, in relation to employer contributions to the board of education retirement system of such city

Became a law July 7, 2006, with the approval of the Governor. Passed on Home Rule request pursuant to Article IX, section 2(b) (2) of the Constitution by a majority vote, three-fifths being present.

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

Section 1. Subdivision f of section 13-103 of the administrative code of the city of New York, as added by chapter 593 of the laws of 1996, is amended to read as follows:

f. Whenever the assets of the retirement system are drawn upon pursuant to the provisions of paragraph one of subdivision c of this section**,** all monies so withdrawn shall be made a charge to be paid by each participating employer otherwise required to make contributions to the retirement system no later than the end of the fiscal year next succeeding the time period during which such assets were drawn upon**, provided, however, that where such charge is for assets so withdrawn in fiscal year two thousand four--two thousand five or in any fiscal year thereafter, such charge shall be paid by each such participating employer no later than the end of the second fiscal year succeeding the time period during which such assets were drawn upon**. The actuary shall calculate and allocate to each such participating employer its share of such charge by multiplying such charge by a fraction, the numerator of which shall consist of the total salaries of the employees of each participating employer as of the June thirtieth succeeding the withdrawal of assets and the denominator of which shall consist of the total salaries of members of the retirement system as of such June thirtieth. All charges to be paid pursuant to this subdivision shall be paid at the regular rate of interest utilized by the actuary in determining employer

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

contributions to the retirement system pursuant to the provisions of paragraph two of subdivision b of section 13-638.2 of the code.

§ 2. Paragraph 2 of subdivision b of section 13-127 of the administrative code of the city of New York is amended by adding a new subparagraph (a-1) to read as follows:

(a-1) Notwithstanding any other provision of law to the contrary, for the purpose of calculating the amount of the normal contribution due from the city to the contingent reserve fund pursuant to subparagraph (c) of this paragraph in fiscal year two thousand five--two thousand six, and in each fiscal year thereafter, both the total liability of the retirement system, as calculated by the actuary in accordance with subparagraph (a) of this paragraph, and the normal rate of contributions, as calculated by the actuary in accordance with subparagraph (b) of this paragraph, shall be determined as of June thirtieth of the second fiscal year preceding the fiscal year in which the normal contribution is payable, provided, however, that (i) the actuary shall use for such calculations the mortality and other tables that are applicable at the time he or she performs such calculations; (ii) the total funds on hand, as determined by the actuary pursuant to sub-item (E) of item (i) of subparagraph (b) of this paragraph, shall be adjusted by adding to such amount the present value of all employer contributions required to be paid into the contingent reserve fund in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary; and (iii) the present value of the prospective future salaries of all members, as computed by the actuary for the purposes of item (ii) of subparagraph (b) of this paragraph, shall be reduced by the present value of the salaries expected to be paid to all members in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary.

§ 3. Subparagraph (c) of paragraph 2 of subdivision b of section 13-127 of the administrative code of the city of New York, as amended by chapter 249 of the laws of 1996, is amended to read as follows:

(c) **(i)** The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the nineteen hundred eighty--nineteen hundred eighty-one fiscal year **and ending with the two thousand four--two thousand five fiscal year**, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of June thirtieth next preceding such fiscal year, by the aggregate annual salaries of the members on such next preceding June thirtieth, and shall be payable in such fiscal year next following such June thirtieth, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(ii) The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the two thousand five--two thousand six fiscal year, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of the second June thirtieth preceding the fiscal year in which the normal contribution is payable, in accordance with the provisions of subparagraphs (a-1) and (b) of this paragraph, by the aggregate amount of the salaries expected to be paid to the members during the fiscal year in which the normal contribution is payable, as determined by the actuary, and such normal contribution shall be payable in the second fiscal year following the June thirtieth as of which the normal rate of contribution is determined, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(iii) In the case of the normal contribution payable in the nineteen hundred eighty--nineteen hundred eighty-one fiscal year and in any subsequent fiscal year, the term "regular interest", as used in this subparagraph, shall mean regular interest as defined by the applicable provisions of subparagraph (ii) or subparagraph (iii) of paragraph (c) or paragraph (d) of subdivision twelve of section 13-101 of this chapter.

§ 4. Subdivision h of section 13-216 of the administrative code of the city of New York, as added by chapter 292 of the laws of 2001, is amended to read as follows:

h. Whenever the assets of the pension fund are drawn upon pursuant to the provisions of paragraph one of subdivision e of this section all monies so withdrawn shall be made a charge to be paid by the employer otherwise required to make contributions to the police pension fund no later than the end of the fiscal year next succeeding the time period during which such assets were drawn upon**, provided, however, that where such charge is for assets so withdrawn in fiscal year two thousand four--two thousand five or in any fiscal year thereafter, such charge shall be paid by such employer no later than the end of the second fiscal year succeeding the time period during which such assets are drawn upon**. The actuary shall calculate such charge to be paid by the employer. All charges to be paid pursuant to this subdivision shall be paid at the regular rate of interest utilized by the actuary in determining employer contributions to the pension fund pursuant to the provisions of paragraph two of subdivision b of section 13-638.2 of this title.

§ 5. Paragraph 2 of subdivision b of section 13-228 of the administrative code of the city of New York is amended by adding a new subparagraph (a-1) to read as follows:

(a-1) Notwithstanding any other provision of law to the contrary, for the purpose of calculating the amount of the normal contribution due from the city to the contingent reserve fund pursuant to subparagraph (c) of this paragraph in fiscal year two thousand five--two thousand six, and in each fiscal year thereafter, both the total liability of the pension fund, as calculated by the actuary in accordance with subparagraph (a) of this paragraph, and the normal rate of contribution, as calculated by the actuary in accordance with subparagraph (b) of this paragraph, shall be determined as of June thirtieth of the second fiscal year preceding the fiscal year in which the normal contribution is payable, provided, however, that (i) the actuary shall use for such calculations the mortality and other tables that are applicable at the time he or she performs such calculations; (ii) the total funds on hand, as determined by the actuary pursuant to sub-item (F) of item (i) of subparagraph (b) of this paragraph, shall be adjusted by adding to such amount the present value of all employer contributions required to be paid into the contingent reserve fund in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary; and (iii) the present value of the prospective future salaries of all members, as computed by the actuary for the purposes of item (ii) of subparagraph (b) of this paragraph, shall be reduced by the present value of the salaries expected to be paid to all members in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary.

§ 6. Subparagraph (c) of paragraph 2 of subdivision b of section 13-228 of the administrative code of the city of New York, as amended by chapter 598 of the laws of 1996, is amended to read as follows:

(c)**(i)** The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the nineteen hundred eighty--nineteen hundred eighty-one fiscal year **and ending with the two thousand four--two thousand five fiscal year**, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of June thirtieth next preceding such fiscal year, by the aggregate annual salaries of the members on such next preceding June thirtieth, and shall be payable in such fiscal year next following such June thirtieth, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(ii) The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the two thousand five--two thousand six fiscal year, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of the second June thirtieth preceding the fiscal year in which the normal contribution is payable, in accordance with the provisions of subparagraphs (a-1) and (b) of this paragraph, by the aggregate amount of the salaries expected to be paid to the members during the fiscal year in which the normal contribution is payable, as determined by the actuary, and such normal contribution shall be payable in the second fiscal year following the June thirtieth as of which the normal rate of contribution is determined, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(iii) In the case of the normal contribution payable in the nineteen hundred eighty--nineteen hundred eighty-one fiscal year and in any subsequent fiscal year, the term "regular interest", as used in this subparagraph (c), shall mean regular interest as defined by the applicable provisions of subparagraph (ii) or subparagraph (iii) of paragraph (c) or paragraph (d) of subdivision eight of section 13-214 of this subchapter.

§ 7. Paragraph 2 of subdivision b of section 13-331 of the administrative code of the city of New York is amended by adding a new subparagraph (a-1) to read as follows:

(a-1) Notwithstanding any other provision of law to the contrary, for the purpose of calculating the amount of the normal contribution due from the city to the contingent reserve fund pursuant to subparagraph (c) of this paragraph in fiscal year two thousand five--two thousand six, and in each fiscal year thereafter, both the total liability of the pension fund, as calculated by the actuary in accordance with subparagraph (a) of this paragraph, and the normal rate of contribution, as calculated by the actuary in accordance with subparagraph (b) of this paragraph, shall be determined as of June thirtieth of the second fiscal year preceding the fiscal year in which the normal contribution is payable, provided, however, that (i) the actuary shall use for such calculations the mortality and other tables that are applicable at the time he or she performs such calculations; (ii) the total funds on hand, as determined by the actuary pursuant to sub-item (G) of item (i) of subparagraph (b) of this paragraph, shall be adjusted by adding to such amount the present value of all employer contributions required to be paid into the contingent reserve fund in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary; and (iii) the present value of the prospective future salaries of all members, as computed by the actuary for the purposes of item (ii) of subparagraph (b) of this paragraph, shall be reduced by the present value of the salaries expected to be paid to all

members in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary.

§ 8. Subparagraph (c) of paragraph 2 of subdivision b of section 13-331 of the administrative code of the city of New York, as amended by chapter 249 of the laws of 1996, is amended to read as follows:

(c)**(i)** The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the nineteen hundred eighty--nineteen hundred eighty-one fiscal year **and ending with the two thousand four--two thousand five fiscal year**, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of June thirtieth next preceding such fiscal year, by the aggregate annual salaries of the members on such next preceding June thirtieth, and shall be payable in such fiscal year next following such June thirtieth, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(ii) The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the two thousand five--two thousand six fiscal year, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of the second June thirtieth preceding the fiscal year in which the normal contribution is payable, in accordance with the provisions of subparagraphs (a-1) and (b) of this paragraph, by the aggregate amount of the salaries expected to be paid to the members during the fiscal year in which the normal contribution is payable, as determined by the actuary, and such normal contribution shall be payable in the second fiscal year following the June thirtieth as of which the normal rate of contribution is determined, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(iii) In the case of the normal contribution payable in the nineteen hundred eighty--nineteen hundred eighty-one fiscal year and in any subsequent fiscal year, the term "regular interest", as used in this subparagraph (c), shall mean regular interest as defined by the applicable provisions of paragraph (f) or paragraph (g) of subdivision eight of section 13-313 of this subchapter.

§ 9. Subdivision d of section 13-518 of the administrative code of the city of New York, as added by chapter 593 of the laws of 1996, is amended to read as follows:

d. In the event that the assets of the retirement system are drawn upon pursuant to the provisions of paragraph one of subdivision b of this section all monies so withdrawn shall be made a charge to be paid by each participating employer otherwise required to make contributions to the retirement system no later than the end of the fiscal year next succeeding the time period during which such assets were drawn upon**, provided, however, that where such charge is for assets so withdrawn in fiscal year two thousand four--two thousand five or in any fiscal year thereafter, such charge shall be paid by each such participating employer no later than the end of the second fiscal year succeeding the time period during which such assets were drawn upon**. The actuary shall calculate and allocate to each such participating employer its share of such charge by multiplying such charge by a fraction, the numerator of which shall consist of the total salaries of the employees of each participating employer as of the June thirtieth succeeding the withdrawal of assets and the denominator of which shall consist of the total salaries of members of the retirement system as of such June thirtieth. All charges to be paid pursuant to this subdivision shall be paid at the regular rate of interest utilized by the actuary in determining employer contributions to the retirement system pursuant to the provisions of paragraph two of subdivision b of section 13-638.2 of the code.

§ 10. Subdivision b of section 13-527 of the administrative code of the city of New York is amended by adding a new paragraph 1-a to read as follows:

(1-a) Notwithstanding any other provision of law to the contrary, for the purpose of calculating the amount of the normal contribution due from the city to the contingent reserve fund pursuant to paragraph four of this subdivision in fiscal year two thousand five--two thousand six, and in each fiscal year thereafter, both the total liability of the retirement system, as calculated by the actuary in accordance with paragraph one of this subdivision, and the normal rate of contribution, as calculated by the actuary in accordance with paragraphs two and three of this subdivision, shall be determined as of June thirtieth of the second fiscal year preceding the fiscal year in which the normal contribution is payable, provided, however, that (a) the actuary shall use for such calculations the mortality and other tables that are applicable at the time he or she performs such calculations; (b) the total funds on hand, as determined by the actuary pursuant to item (v) of subparagraph (a) of paragraph two of this subdivision, shall be adjusted by adding to such amount the present value of all employer contributions required to be paid into the contingent reserve fund in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary; and (c) the present value of the prospective future salaries of all members, as computed by the actuary for the purposes of subparagraph (c) of paragraph two of this subdivision, shall be reduced by the present value of the salaries expected to be paid to all members in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary.

§ 11. Paragraph 4 of subdivision b of section 13-527 of the administrative code of the city of New York, as amended by chapter 249 of the laws of 1996, is amended to read as follows:

(4) **(a)** The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the nineteen hundred eighty--nineteen hundred eighty-one fiscal year **and ending with the two thousand four--two thousand five fiscal year**, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of June thirtieth next preceding such fiscal year, by the aggregate annual salaries of the members on such June thirtieth next preceding such fiscal year in which such amount is due and shall be payable in such fiscal year next following such June thirtieth, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(b) The amount of the normal contribution due from the city to the contingent reserve fund in each city fiscal year, commencing with the two thousand five--two thousand six fiscal year, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of the second June thirtieth preceding the fiscal year in which the normal contribution is payable, in accordance with the provisions of paragraphs one-a, two and three of this subdivision, by the aggregate amount of the salaries expected to be paid to the members during the fiscal year in which the normal contribution is payable, as determined by the actuary, and such normal contribution shall be payable in the second fiscal year following the June thirtieth as of which the normal rate of contribution is determined, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(c) In the case of the normal contribution payable in the nineteen hundred eighty--nineteen hundred eighty-one fiscal year and in any subsequent fiscal year, the term "regular interest" as used in this paragraph four shall mean regular interest as defined by the applicable provisions of subparagraph (ii) or subparagraph (iii) of paragraph (c) or paragraph (d) of subdivision twenty-two of section 13-501 of this chapter.

§ 12. Paragraph 2 of subdivision b of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 133 of the laws of 2005, is amended to read as follows:

(2) With respect to each retirement system, such rate of interest shall be as hereinafter set forth in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	8%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
NYCTRS	8%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
PPF	8%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
FPF	8%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
BERS	8%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**

§ 13. Paragraph 2 of subdivision f of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 133 of the laws of 2005, is amended to read as follows:

(2) Such special interest shall be allowed at the rates and for the periods set forth below in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
NYCTRS	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
PPF	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
FPF	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
BERS	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**

§ 14. Paragraph 2 of subdivision g of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 133 of the laws of 2005, is amended to read as follows:

(2) Such additional interest shall be included at the rates and for the periods set forth below in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
NYCTRS	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
PPF	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
FPF	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
BERS	1 1/4%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**

§ 15. Paragraph 2 of subdivision i of section 13-638.2 of the administrative code of the city of New York, as amended by chapter 133 of the laws of 2005, is amended to read as follows:

(2) Such supplementary interest shall be allowed at the rates and for the periods set forth below in this paragraph:

Retirement System	Rate of interest per centum per annum, compounded annually	First day and last day of fiscal year or series of fiscal years for which rate is effective
NYCERS	1%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
NYCTRS	1%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
PPF	1%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
FPF	1%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**
BERS	1%	July 1, [~~1999~~] **2004** to June 30, [~~2006~~] **2009**

§ 16. Subdivisions i and j of section 13-696 of the administrative code of the city of New York, subdivision i as amended and subdivision j as added by chapter 278 of the laws of 2002, are amended to read as follows:

i. Notwithstanding any other provision of law, and subject to the provisions of [~~subdivision~~] **subdivisions** j **and k** of this section, the cost-of-living adjustment payable by an actuarially funded retirement system pursuant to this section shall be funded by obligors responsible for supplementation (as defined in subdivision b of section 13-694 of this article) through the normal contribution, provided, however, that the additional employer costs attributable to the increase in benefits provided by this section shall be phased in over a period of five fiscal years; the actuary for each such retirement system, in calculating the normal contribution for each obligor in each of the following fiscal years, shall include in the calculation of the final amount of the normal contribution for each obligor the following percentage of the increase in the normal contribution for each such fiscal year that is attributable to the increase in benefits provided by this section: (a) twenty percent in fiscal year two thousand--two thousand one, (b) forty percent in fiscal year two thousand one--two thousand two, (c) sixty percent in fiscal year two thousand two--two thousand three, (d) eighty percent in fiscal year two thousand three--two thousand four, and (e) in fiscal year two thousand four--two thousand five and in each fiscal year thereafter, the full amount of the increase in the normal contribution that is attributable to the increase in benefits provided by this section shall be included in the calculation of the final amount of the normal contribution for each such obligor.

j. Notwithstanding the provisions of subdivision i of this section, or any other provision of law to the contrary, **and subject to the provisions of subdivision k of this section,** the method of funding the cost-of-living adjustment payable by an actuarially funded retirement system pursuant to this section set forth in subdivision i of this section shall be modified retroactively in accordance with the provisions of this subdivision, commencing with fiscal year two thousand--two thousand one. Such cost-of-living adjustment payable by an actuarially funded retirement system shall be funded by obligors responsible for supplementation (as defined in subdivision b of section 13-694 of this article) through the normal contribution, provided, however, that the additional actuarial present value of benefits provided by this section, as determined by the actuary, shall be phased in over a period of ten fiscal years in accordance with the following percentages:

Fiscal Year	Percentage
2000-2001	10%
2001-2002	20%
2002-2003	30%
2003-2004	40%
2004-2005	50%
2005-2006	60%
2006-2007	70%
2007-2008	80%
2008-2009	90%

In fiscal year two thousand nine--two thousand ten and in each fiscal year thereafter, the actuary for each such retirement system shall include in the calculation of the final amount of the normal contribution the full amount of the increase in the actuarial present value of benefits, as determined by the actuary, that is attributable to the increase in benefits provided by this section, provided further that the amount of the normal contribution that would otherwise be payable for fiscal year two thousand two--two thousand three shall be reduced by an amount equal to the difference between (a) the total amount of the increase in the normal contribution for fiscal years two thousand--two thousand one and two thousand one--two thousand two, which was attributable to the increase in benefits provided by this section, as calculated by the actuary in accordance with the provisions of subdivision i of this section, and which was paid for such fiscal years, and (b) the total amount of the increase in the normal contribution for fiscal years two thousand--two thousand one and two thousand one--two thousand two, which was attributable to the increase in benefits provided by this section, as calculated by the actuary in accordance with the provisions of this subdivision, and which would have been paid for such fiscal years if the act which added this subdivision had been in effect at the time such normal contribution was made for such fiscal years. In no event, however, shall the normal contribution be less than that amount necessary, as determined by the actuary, to provide for the funding requirements of the group life insurance fund.

§ 17. Section 13-696 of the administrative code of the city of New York is amended by adding a new subdivision k to read as follows:

k. (1) Notwithstanding the provisions of subdivision i or j of this section, or any other provision of law to the contrary, the cost-of-living adjustment payable by an actuarially funded retirement system pursuant to this section shall be funded in accordance with the provisions of subdivision j of this section through and including fiscal year two thousand four--two thousand five.

(2) Notwithstanding the provisions of subdivision i or j of this section, or any other provision of law to the contrary, commencing in fiscal year two thousand five--two thousand six, and in each fiscal year thereafter, the cost-of-living adjustment payable by an actuarially funded retirement system pursuant to this section shall be funded by obligors responsible for supplementation (as defined in subdivision b of section 13-694 of this article) through the normal contribution, and the actuary for each such retirement system shall include in the calculation of the final amount of the normal contribution for each such fiscal year the full amount of the increase in the actuarial present value of benefits, as determined by the actuary, that is attributable to the increase in benefits provided by this section.

§ 18. Subdivision d of section 13-705 of the administrative code of the city of New York, as added by chapter 85 of the laws of 2000, is amended to read as follows:

d. In each city fiscal year, beginning with investment expenses paid during the nineteen hundred ninety-eight--nineteen hundred ninety-nine fiscal year, whenever the income, interest or dividends derived from deposits or investments of the funds of a retirement system are used pursuant to subdivision [~~c~~] **b** of this section to pay the expenses incurred by such retirement system in acquiring, managing or protecting investments of its funds, the monies so paid shall be made a charge to be paid by each participating employer otherwise required to make contributions to such retirement system no later than the end of the fiscal year next succeeding the fiscal year during which such monies were drawn upon**, provided, however, that where such charge is for such investment expenses paid during fiscal year two thousand four--two thousand five or during any subsequent fiscal year, such charge shall be paid by each such participating employer no later than the end of the second fiscal year succeeding the fiscal year during which such monies were drawn upon**. In the event that such retirement system has more than one participating employer, the actuary shall calculate and allocate to each such participating employer its share of such charge. All charges to be paid pursuant to this subdivision shall be paid at the regular rate of interest utilized by the actuary in determining employer contributions to the retirement system pursuant to the provisions of paragraph two of subdivision b of section 13-638.2 of this title.

§ 19. Subparagraph 4 of paragraph (c) of subdivision 16 of section 2575 of the education law is amended by adding a new item (i-A) to read as follows:

(i-A) Notwithstanding any other provision of law to the contrary, for the purpose of calculating the amount of the normal contribution annually due from the board of education to the contingent reserve fund pursuant to item (iv) of this subparagraph in fiscal year two thousand five--two thousand six, and in each fiscal year thereafter, both the total liability of the retirement system, as calculated by the actuary in accordance with item (i) of this subparagraph, and the normal rate of contribution, as calculated by the actuary in accordance with items (ii) and (iii) of this subparagraph, shall be determined as of June thirtieth of the second fiscal year preceding the fiscal year in which the normal contribution is payable, provided, however, that (A) the actuary shall use for such calculations the mortality and other tables that are applicable at the time he or she performs such calculations; (B) the total funds on hand, as determined by the actuary pursuant to clause five of sub-item (A) of item (ii) of this subparagraph, shall be adjusted by adding to such amount the present value of all employer contributions required to be paid into the contingent reserve fund in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary; and (C) the present value of the prospective future salaries of all members, as computed by the actuary for the purposes of sub-item (C) of item (ii) of this subparagraph, shall be reduced by the present value of the salaries expected to be paid to all members in the fiscal year next preceding the fiscal year in which the normal contribution is payable, as determined by the actuary.

§ 20. Item (iv) of subparagraph 4 of paragraph (c) of subdivision 16 of section 2575 of the education law, as amended by chapter 249 of the laws of 1996, is amended to read as follows:

(iv)**(A)** The amount of the normal contribution annually due from the board of education to the contingent reserve fund in each city fiscal year, commencing with the nineteen hundred eighty--nineteen hundred eighty-one fiscal year **and ending with the two thousand four--two thousand five fiscal year**, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of June thirtieth next preceding such fiscal year, by the aggregate annual salaries of the members on such June thirtieth next preceding such fiscal year in which such amount is due and shall be payable in such fiscal year next following such June thirtieth, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(B) The amount of the normal contribution annually due from the board of education to the contingent reserve fund in each city fiscal year, commencing with the two thousand five--two thousand six fiscal year, shall be the amount obtained by multiplying the normal rate of contribution, as determined by the actuary as of the second June thirtieth preceding the fiscal year in which the normal contribution is payable, in accordance with the provisions of items (i-A), (ii) and (iii) of this subparagraph, by the aggregate amount of the salaries expected to be paid to the members during the fiscal year in which the normal contribution is payable, as determined by the actuary, and such normal contribution shall be payable in the second fiscal year following the June thirtieth as of which the normal rate of contribution is determined, together with such regular interest thereon which may be due, if any, as calculated by the actuary.

(C) In the case of the normal contribution payable in the nineteen hundred eighty--nineteen hundred eighty-one fiscal year and in any subsequent fiscal year, the term "regular interest," as used in this item (iv) shall mean regular interest as defined by the applicable provisions of subparagraph three or subparagraph four of paragraph (b) of this subdivision.

§ 21. Paragraph (e) of subdivision 23 of section 2575 of the education law, as added by chapter 307 of the laws of 2002, is amended to read as follows:

(e) Whenever the assets of the retirement system are drawn upon pursuant to the provisions of subparagraph one of paragraph (b) of this subdivision, all monies so withdrawn shall be made a charge to be paid by each participating employer otherwise required to make contributions to the retirement system no later than the end of the fiscal year next succeeding the time period during which such assets were drawn upon**, provided, however, that where such charge is for assets so withdrawn in fiscal year two thousand four--two thousand five or in any fiscal year thereafter, such charge shall be paid by each such participating employer no later than the end of the second fiscal year succeeding the time period during which such assets were drawn upon**. The actuary for the retirement system shall calculate and allocate to each such participating employer its share of such charge by multiplying such charge by a fraction, the numerator of which shall consist of the total salaries of the employees of each participating employer as of the June thirtieth succeeding the withdrawal of assets and the denominator of which shall consist of the total salaries of members of the retirement system as of such June thirtieth. All charges to be paid pursuant to this subdivision shall be paid at the regular rate of interest utilized by the actuary in determining employer contributions to the retirement system pursuant to the provisions of paragraph two of subdivision b of section 13-638.2 of the administrative code of the city of New York.

§ 22. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after July 1, 2005. Notwithstanding any other provision of law, for the purposes of calculating an actuarial reserve pursuant to the provisions of section 13-557 of the administrative code of the city of New York, the valuation rate of interest and mortality tables in effect on June 30, 1988 shall be utilized by the actuary.

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

BACKGROUND: During August 2005, the Actuary for the five actuarially-funded New York City Retirement Systems ("NYCRS") (i.e., the

* New York City Employees' Retirement System ("NYCERS")
* New York City Teachers' Retirement System ("TRS")
* New York City Board of Education Retirement System ("BERS"),
* New York City Police Pension Fund ("POLICE"), and
* New York City Fire Pension Fund ("FIRE")),

presented to each of the NYCRS Boards of Trustees proposed changes in actuarial assumptions and methods for determining employer contributions for Fiscal Years beginning on and after July 1, 2005 ("Reports") (i.e., the "Gold Books").

These Reports were developed by the Actuary after reviewing an actuarial experience study that was required by the New York City Charter and prepared by the independent actuarial auditor, Gabriel, Roeder, Smith and Company ("GRS") under the direction of the Office of the Comptroller of the City of New York.

The principal components of the Actuary's proposed changes in actuarial assumptions and methods are to:

* Update actuarial assumptions to reflect more recent experience.
* Recognize all actuarial liabilities by eliminating the current use of a 10-year phase-in set forth in Chapter 278 of the Laws of 2002 ("Chapter 278/02") for funding the Actuarial Present Value of Benefits ("APVB") attributable to the post-retirement Supplementation and Automatic Cost-of-Living Adjustments ("COLA") enacted by Chapter 125 of the Laws of 2000 ("Chapter 125/00").
* Increase budget predictability by implementing a "One-Year-Lag" methodology.
* Further smooth the impact of investment market fluctuations by revising the Actuarial Asset Valuation Method ("AAVM") to phase-in investment gains and losses over six years instead of the current five years.

Certain of the proposals of the Actuary (e.g., probabilities of decrement from active service, probabilities of death after retirement) require adoption by the Board of Trustees of each of the NYCRS.

Other proposed changes in actuarial assumptions and methods require passage of enabling legislation by the New York State Legislature and enactment by the Governor.

The provisions of this proposed legislation, together with the adoption of actuarial tables by the Boards of Trustees of the NYCRS and application of the revised AAVM, represent the packages of actuarial assumptions and methods proposed by the Actuary for financing the NYCRS.

PROVISIONS OF PROPOSED LEGISLATION: This proposed legislation would amend Sections 13-103, 13-127, 13-216, 13-228, 13-331, 13-518, 13-527, 13-638.2, 13-696 and 13-705 of the Administrative Code of the City of New York ("ACNY") and Section 2575 of the Education Law by including provisions impacting the development of employer contributions to the NYCRS.

Specifically, for each of the NYCRS (unless noted otherwise), this proposed legislation would:

* Retain through Fiscal Year 2009 the Actuarial Interest Rate ("AIR") assumption of 8.0% per annum to be used for developing employer contributions.
* Retain the current Frozen Initial Liability ("FIL") Actuarial Cost Method ("ACM") and current Unfunded Actuarial Liabilities ("UAL").
* Eliminate the 10-year phase-in under Chapter 278/02 for funding the actuarial liabilities attributable to post-retirement Supplementation and Cost-of-Living Adjustments ("COLA") provided under Chapter 125/00.
* Establish a One-Year Lag methodology for the purpose of computing employer contributions for Fiscal Years on and after 2006. Under this methodology, employer contributions for each Fiscal Year would be based on actuarial valuations as of the June 30 of the second preceding Fiscal Year.
* Retain the recovery of administrative and investment expenses but not recover those expenses until the second Fiscal Year following the Fiscal Year incurred in the development of employer contributions, consistent with the One-Year Lag methodology.

ACTUARIAL PRESENT VALUES OF BENEFITS: Enactment of this proposed legislation, together with the other changes in actuarial assumptions and methods to be adopted by the Boards, would result in an increase in the APVB of the NYCRS of approximately $4.2 billion as of June 30, 2004 as shown in the following Table I:

Table I

Comparison of Actuarial Present Values of Benefits
Before and After Proposed Changes
In Actuarial Assumptions and Methods
As of June 30, 2004

($ Billions)

Retirement System	Actuarial Present Values of Benefits		
	Before Changes{1}	After Changes{2}	Increases
NYCERS	$ 48.9	$ 50.5	$ 1.6
TRS	47.7	48.1	.4
BERS	2.7	2.8	.1
POLICE	28.3	29.6	1.3
FIRE	**11.4**	**12.2**	**.8**
Total	$139.0	$143.2	$ 4.2

{1} APVB determined as of June 30, 2004 based on the Current Actuarial Assumptions and Methods. APVB includes 50% of the actuarial liability for Chapter 125/00 benefits as provided by Chapter 278/02.

{2} APVB determined as of June 30, 2004 based on the Proposed Actuarial Assumptions and Methods. APVB includes 100% of the actuarial liability for Chapter 125/00 benefits.

ANNUAL EMPLOYER CONTRIBUTIONS: In order to determine the Actuarial Present Values ("APV") of Future Employer Contributions, APVB are reduced by the sum of: (1) the Actuarial Values of Assets, (2) the UAL (if any) and (3) the APV of Future Member Contributions.

These APV of Future Employer Contributions are funded over individual future years in the form of annual Employer Normal Contributions and annual Employer Contributions toward the UAL, if any.

In addition, Employer Contributions include recovery of administrative expenses (all NYCRS except FIRE under current and proposed methodologies) and investment expenses (all NYCRS under current and proposed methodologies).

UAL would be continued based on the FIL ACM and the UAL established as of June 30, 1999 (FIRE only) using the Entry Age Normal Actuarial Cost Method plus UAL established subsequently by other legislation (e.g., Early Retirement Incentives).

The UAL established as of June 30, 1999 would continue to be amortized over the remaining period of 6 years from June 30, 2004, where each annual payment after the first would equal 103% of the preceding annual payment.

The other UAL would continue to be amortized over the time periods originally established.

In addition, the Actuary proposes to revise the AAVM as of June 30, 2004 for each of the NYCRS.

The Actuary currently utilizes a Five-Year Average of Market Values AAVM to determine the Actuarial Asset Value ("AAV") to be used in the actuarial valuations of the NYCRS as of each June 30.

Under this methodology Expected Investment Returns ("EIR") (i.e., investment returns equal to the amount that would be earned if the AAV earned the AIR) are recognized in the AAV immediately. Unexpected Investment Returns ("UIR") (i.e., investment returns greater or less than the amount that would have been earned if the AAV earned the AIR) are currently phased into the AAV at a rate of 10%, 15%, 20%, 25% and 30% per year (i.e., cumulative rates of 10%, 25%, 45%, 70% and 100% over five years).

As part of the packages of proposed changes in actuarial assumptions and methods, the Actuary proposes to base the AAV as of June 30, 2004 on a Six-Year Average of Market Values. Under this revised AAVM, UIR would be phased into the AAV at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (i.e., cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over six years).

The Actuary proposes that the revised averaging factors be applied against the UIR computed under the current AAVM and that the revised AAV be utilized first in the actuarial valuations as of June 30, 2004 to determine Fiscal Year 2006 employer contributions in conjunction with the One-Year Lag methodology.

EMPLOYER CONTRIBUTIONS - FISCAL YEAR 2006: The following Table II presents the combined impact of all of the Actuary's proposed changes in actuarial assumptions and methods on the Fiscal Year 2006 employer contributions to the NYCRS.

Specifically, the following Table II shows a comparison between: (1) estimated Fiscal Year 2006 employer contributions based upon the actuarial assumptions and methods currently in effect ("Before Changes") and (2) estimated Fiscal Year 2006 employer contributions computed in accordance with this proposed legislation and all of the other proposed actuarial assumptions and methods ("After Changes"):

Table II

Comparison of Estimated Fiscal Year 2006 Employer Contributions
Calculated Using Current Actuarial Assumptions and Methods with Those
Calculated using Proposed Actuarial Assumptions and Methods

($ Millions)

Retirement System	Before Changes*	After Changes**	Decrease
NYCERS	$1,400	$1,024	$ (376)
TRS	1,470	1,317	(153)
BERS	109	91	(18)
POLICE	1,403	1,338	(65)
FIRE	613	609	(4)
Total	$4,995	$4,379	$ (616)

* Equals estimated employer contributions for Fiscal Year 2006 based upon the census data (salaries reflect recent labor agreements with retroactive impact) used for the June 30, 2005 actuarial valuations based on current actuarial assumptions and methods, and includes estimated financial impact of WTC Disability Law.

** Equals estimated employer contributions for Fiscal Year 2006 based upon census data (salaries reflect recent labor agreements with retroactive impact) used for the June 30, 2004 actuarial valuations based on proposed actuarial assumptions and methods, including One-Year Lag methodology, and includes estimated financial impact of WTC Disability Law.

EMPLOYER CONTRIBUTIONS - FISCAL YEARS 2006 TO 2010: The financial impact of the proposed changes in actuarial assumptions and methods, relative to the current actuarial assumptions and methods, is to reduce overall employer contributions to the NYCRS for Fiscal Years 2006 and 2007 and to increase employer contributions thereafter.

The following Table III compares the employer contributions for the five actuarially-funded NYCRS combined under the current actuarial assumptions and methods and under the proposed actuarial assumptions and methods:

Table III
Comparison of Estimated Employer Contributions
For Fiscal Years 2006 to 2010
Calculated using Current Actuarial Assumptions and Methods with Those
Calculated using Proposed Actuarial Assumptions and Methods

($ Billions)

Fiscal Year	Before changes*	After Changes**	Difference
2006	$ 5.0	$ 4.4	$ (0.6)
2007	5.5	5.2	(0.3)
2008	5.4	5.8	0.4
2009	5.1	5.9	0.8
2010	5.1	5.6	0.5

* Equals estimated employer contributions for respective Fiscal Year based upon the census data (salaries reflect recent labor agreements with retroactive impact) used for the prior June 30 actuarial valuations based on current actuarial assumptions and methods, and includes estimated financial impact of WTC Disability Law.

** Equals estimated employer contributions for respective Fiscal Year based upon census data (salaries reflect recent labor agreements with retroactive impact) used for the second prior June 30 actuarial valuations based on proposed actuarial assumptions and methods, incurring One-Year Lag methodology, and includes estimated financial impact of WTC Disability Law.

CENSUS DATA: The census data used to determine APVB and estimated Fiscal Year 2006 Employer Contributions Before Changes are the active and retired members included in the June 30, 2005 actuarial valuations of the NYCRS with active member salaries reflecting current overtime earnings assumptions.

The census data used to determine APVB and estimated Fiscal Year 2006 Employer Contributions After Changes are the active and retired members included in the June 30, 2004 actuarial valuations of the NYCRS with salaries of active members adjusted to reflect the revised overtime earnings assumptions.

ACTUARIAL ASSUMPTIONS AND METHODS: The actuarial assumptions and methods used to determine estimated Fiscal Year 2006 Employer Contributions Before Changes are the same as those utilized in the June 30, 2004 actuarial valuations of the NYCRS to determine Fiscal Year 2005 employer contributions.

The actuarial assumptions and methods used to determine estimated Fiscal Year 2006 Employer Contributions After Changes are those proposed by the Actuary to the Boards of Trustees of each of the NYCRS during August 2005.

The portions of Employer Contributions estimated for Fiscal year 2006 attributable to Unfunded Actuarial Accrued Liability Contributions are developed as amortizations of UAAL over fixed periods not exceeding 6 years ending on June 30, 2010.

FISCAL NOTE IDENTIFICATION: This estimate is intended for use only during the 2006 Legislative Session. It is Fiscal Note 2006-01, dated

January 25, 2006, prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund and the New York City Fire Pension Fund.

The Legislature of the STATE OF NEW YORK **ss:**

Pursuant to the authority vested in us by section 70-b of the Public Officers Law, we hereby jointly certify that this slip copy of this session law was printed under our direction and, in accordance with such section, is entitled to be read into evidence.

JOSEPH L. BRUNO	SHELDON SILVER
Temporary President of the Senate	**Speaker of the Assembly**