STATE OF NEW YORK

9776

IN ASSEMBLY

February 7, 2018

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

AN ACT to amend the administrative code of the city of New York, in relation to promotions of lieutenants

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

Section 1. Section 14-114 of the administrative code of the city of New York is amended by adding a new subdivision d to read as follows:

d. When a lieutenant shall have served in the rank of lieutenant for a period of fifteen years, he or she shall have the same rights in respect to the police pension fund as a lieutenant detailed to act as lieutenant commander detective squad or lieutenant special assignment.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: The enactment of this proposed legislation would amend Administrative Code of the City of New York (ACCNY) Section 14-114 to allow for a Lieutenant of the New York City Police Department, who has been a Lieutenant for at least 15 years, to have the same rights in respect to the New York City Police Pension Fund (POLICE) as a Lieutenant detailed to act as a lieutenant commander detective squad or lieutenant special assignment.

IMPACT ON BENEFITS PAYABLE: The proposed legislation would permit Lieutenants, who have served in the rank of Lieutenant for at least 15 years, to have their pension calculations based on a higher-grade salary.

A Lieutenant, assuming a service retirement benefit with 20 years of service (15 of which was in the title of a Lieutenant), who would benefit under this proposed legislation, if enacted, would receive an increase in their annual pension benefit, due to the assumed higher salary grade and overtime, of approximately $7,000 per year.

Based on this increase and an estimate of the number of POLICE members that are expected to be impacted by this change, it is estimated that if this proposed legislation is enacted, the annual increase in POLICE pension benefits paid will be approximately $115,000 per year.

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

LBD06507-03-8

Effective Date for this proposed legislation: Upon enactment.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES (APV): With respect to the Lieutenants who would be impacted by this proposed legislation, the enactment of this proposed legislation would increase the APV of Benefits (APVB) by approximately $1.5 million.

FINANCIAL IMPACT - EMPLOYER CONTRIBUTIONS: In accordance with the ACCNY Section 13.638.2(k-2), new Unfunded Accrued Liability (UAL) attributable to benefit changes are to be amortized as determined by the Actuary but generally over the remaining working lifetime of those impacted by the benefit changes. Since the number of Lieutenants that will retire with 15 or more years in rank cannot be known in advance with credibility, the APVB due to this legislation has been treated as an actuarial loss at the affected members' retirement. These actuarial losses were amortized over a 15-year period (14 payments under the One-Year Lag Methodology) using level dollar payments for the purpose of this Fiscal Note.

Based on the assumption that the first full group of retirees impacted by this legislation would occur during Fiscal Year 2019 and the estimated increase in APVB of $1.5 million, the estimated increase in employer contributions would be approximately $175,000 beginning in Fiscal Year 2021. Future years' costs in addition to the aforementioned cost would depend on the number of retirees that benefit under the legislation amongst other factors.

CENSUS DATA: These estimates are based on data provided by the NYPD Lieutenants Benevolent Association which was not audited but was checked for reasonableness. Below is a summary of the data provided:

Salary

Lieutenant Commander of Detective Squad and Lieutenant Special Assignment - $134,067

Lieutenant - $121,874

Lieutenants who retired with 15+ years in rank - 33 retired from January 1, 2016 through January 3, 2018.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional employer contributions presented herein have been calculated based on the same actuarial assumptions and methods in effect for the June 30, 2016 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2018 employer contributions of POLICE. Please note these assumptions and methods are subject to change as this valuation is not considered final until the end of the Fiscal Year 2018.

For purposes of analyzing the impact of the proposed legislation, it was assumed that the benefit impacted by the increase in salary would be a service benefit based on 20 years of service. The ultimate employer cost for this proposed legislation would be based on the number, ages, years of service, and salary of those Lieutenants, who retire after serving in the rank of Lieutenant for at least 15 years.

STATEMENT OF ACTUARIAL OPINION: I, Sherry S. Chan, am the Chief Actuary for, and independent of, the New York City Retirement Systems and Pension Funds. I am a Fellow of the Society of Actuaries, an Enrolled Actuary under the Employee Retirement Income and Security Act of 1974 (ERISA), a Member of the American Academy of Actuaries, and a Fellow of the Conference of Consulting Actuaries. 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 2018-03 dated January 31, 2018, was prepared by the Chief Actuary for the New York City Police Pension Fund. This estimate is intended for use only during the 2018 Legislative Session.