STATE OF NEW YORK

6098--B

2017-2018 Regular Sessions

IN SENATE

May 11, 2017

Introduced by Sen. GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Cities -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Cities in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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

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. (1) When a detective of the third grade shall have served in the rank of detective of the third grade for a period of fifteen years, he or she shall have the same rights in respect to the police pension fund as a detective of the third grade detailed to act as detective of the second grade.

(2) When a detective of the second grade shall have served in the rank of detective of the second grade for a period of ten years, he or she shall have the same rights in respect to the police pension fund as a detective of the second grade detailed to act as detective of the first grade.

§ 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 Detective 3rd grade of the New York City Police Department (NYPD), who has been a Detective 3rd grade for at least 15 years, to have the same rights in respect to the New York City Police Pension Fund (POLICE) as a Detective 3rd grade detailed to act as a Detective 2nd grade and to allow for a Detective 2nd grade of the New York City

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

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Police Department, who has been a Detective 2nd grade for at least 10 years, to have the same rights in respect to POLICE as a Detective 2nd grade detailed to act as a Detective 1st grade.

IMPACT ON BENEFITS PAYABLE: The proposed legislation would permit Detectives of 3rd and 2nd grade, who have met certain service requirements, to have their pension calculations based on a higher-grade salary.

A Detective 3rd grade who would benefit under this proposed legislation, if enacted, would receive an increase in their annual pension benefit of approximately $6,500 per year and a Detective 2nd grade who would benefit under this proposed legislations, if enacted would receive an increase in their annual pension benefit of approximately $8,500 per year, due to the assumed higher salary grade and overtime.

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 $900,000 per year.

Effective date for this proposed legislation: Upon enactment.

FINANCIAL IMPACT - ACTUARIAL PRESENT VALUES (APV): With respect to the Detectives who would be impacted by this proposed legislation, the enactment of this proposed legislation would increase the APV of Benefits (APVB) by approximately $11.4 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 Detectives 3rd grade that will retire with 15 or more years in rank or Detectives 2nd grade that will retire with 10 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 group of retirees impacted by this legislation would occur during Fiscal Year 2019 and the estimated increase in APVB of $11.4 million, the estimated increase in employer contributions would be approximately $1.4 million 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 Detectives' Endowment Association which was not audited but was checked for reasonableness. Below is a summary of the data provided:

* Salary
    * Detective 3rd grade - $111,650
    * Detective 2nd grade - $124,305
    * Detective 1st grade - $141,308
* Detectives 3rd grade who retired with 15+ years in rank - 336 retired over the past 15 years.
* Detectives 2nd grade who retired with 10+ years in rank - 1,399 retired over the past 16 years.

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 Detectives 3rd grade that will retire with 15 or more years in rank or Detectives 2nd grade that will retire with 10 or more years in rank.

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 2018-04, dated February 14, 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.