STATE OF NEW YORK

5919--A

2019-2020 Regular Sessions

IN SENATE

May 16, 2019

Introduced by Sens. GOUNARDES, FUNKE, GAUGHRAN, KAMINSKY, SAVINO -- read twice and ordered printed, and when printed to be committed to the Committee on Cities -- 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 the pensionable earnings of first grade police officers

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

Section 1. Section 14-111 of the administrative code of the city of New York is amended by adding two new subdivisions c and d to read as follows:

c. When a first grade police officer shall have served in the rank of police officer for a period of twenty-five years, he or she shall have the same rights in respect to the police pension fund as a police officer designated to act as detective of the third grade who shall have served as such for a period of time aggregating two years at the highest salary rate for a detective of the third grade.

d. When a first grade police officer shall have served in the rank of police officer for a period of thirty years, he or she shall have the same rights in respect to the police pension fund as a sergeant who shall have served as such for a period of time aggregating two years at the highest salary rate for a sergeant.

§ 2. This act shall take effect immediately.

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

SUMMARY OF BILL: This proposed legislation would amend Section 14-111 of the Administrative Code of the City of New York (ACCNY) to allow for a Police Officer 1st Grade of the New York City Police Department (NYPD), who has been a Police Officer for at least 25 years, to have the same rights in respect to the New York City Police Pension Fund (POLICE)

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

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as a Police Officer designated to act as a Detective 3rd Grade by including, for pension purposes, the highest salary for such Detective aggregating for two years. This proposed legislation will also allow for a Police Officer 1st Grade of the NYPD, who has been a Police Officer for at least 30 years, to have the same rights in respect to POLICE as a Sergeant by including, for pension purposes, the highest salary for such Sergeants aggregating for two years.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: The proposed legislation would permit a Police Officer 1st Grade, who have met certain service requirements, to have their pension calculations based on a higher salary.

A Police Officer 1st Grade with at least 25 years of service would, under this proposed legislation, if enacted, receive an increase in their annual pension benefit of approximately $5,300 per year. A Police Officer 1st Grade with at least 30 years of service would, under this proposed legislation, if enacted, receive an increase in their annual pension benefit of approximately $14,900 per year. This is due to the assumed higher salary and overtime, and assumes a service retirement benefit with 25 years and 30 years of service, respectively.

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 $0.5 million per year.

With respect to an individual member, the impact on benefits due to this proposed legislation could vary greatly depending on the member's age, years of service, retirement cause, and Tier.

FINANCIAL IMPACT - PRESENT VALUES: Based on the actuarial assumptions and methods described herein, the enactment of this proposed legislation would increase the Present Value of Future Benefits (PVFB) by approximately $6.4 million every year.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: Enactment of this proposed legislation would increase employer contributions, where such amount would depend on the number of members affected as well as other characteristics including the age, years of service, and salary history of the member.

Since the number of Police Officers 1st Grade that will retire with 25 or more years of service or Police Officers 1st Grade that will retire with 30 or more years of service cannot be known in advance with credibility, the PVFB will be financed over the same time period used for actuarial losses in accordance with Section 13-638.2(k-2) of the Administrative Code of the City of New York. Using this approach, the additional UAL would be amortized over a closed 15-year period (14 payments under the One-Year Lag Methodology (OYLM)) using level dollar payments.

Based on the Actuary's actuarial assumptions and methods described herein, the enactment of this proposed legislation is estimated to increase annual employer contributions by approximately $0.8 million each year.

The costs above represent the estimated impact for retirees in the first year the bill is enacted. Future years' costs in addition to the aforementioned cost would depend on the number of retirees who benefit under the legislation amongst other factors.

CONTRIBUTION TIMING: For the purposes of this Fiscal Note, it is assumed that the changes in the PVFB and annual employer contributions would be reflected for the first time in the June 30, 2020 actuarial valuation of POLICE. In accordance with the OYLM used to determine

employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2022.

CENSUS DATA: The estimates presented herein are based on the census data used in the Preliminary June 30, 2019 (Lag) actuarial valuation of POLICE to determine the Preliminary Fiscal Year 2021 employer contribution. To estimate the number of retirees who could potentially benefit from this proposed legislation, data from the prior actuarial valuations for POLICE was used. Below is a summary of the data from the prior valuations:

* Police Officer 1st Grade who retired with 25-29 years in rank - 661 retired over the past 10 years.

* Police Officer 1st Grade who retired with 30+ years in rank - 112 retired over the past 10 years.

Additional salary data for Police Officers, Detectives, and Sergeants was provided by POLICE. Below is a summary of the data provided:

* Salary (excluding overtime and outstanding wage contract increases)

o Police Officer 1st Grade - $101,225

o Detective 3rd Grade - $111,594

o Sergeant - $123,933

ACTUARIAL ASSUMPTIONS AND METHODS: The changes in the PVFB and annual employer contributions presented herein have been calculated based on the actuarial assumptions and methods in effect for the June 30, 2019 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2021 employer contributions of POLICE.

Due to the outstanding wage contract for Police Officers, Detectives, and Sergeants as of the date this Fiscal Note was released, the salaries provided for this analysis have been adjusted to reflect the assumption of pattern bargaining based on the first year of the recently settled Captains Endowment Association contract of 2.25% plus an additional 2.5% for Police Officers.

RISK AND UNCERTAINTY: The costs presented in this Fiscal Note depend highly on the realization of the actuarial assumptions used, as well as certain demographic characteristics of POLICE and other exogenous 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.

* The impact of this proposed legislation on Other Postemployment Benefit (OPEB) costs.

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, 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 2020-56 dated June 26, 2020 was prepared by the Chief Actuary for the New York City Police Pension Fund. This estimate is intended for use only during the 2020 legislative Session.