STATE OF NEW YORK

5658--A

2019-2020 Regular Sessions

IN SENATE

May 10, 2019

Introduced by Sen. GOUNARDES -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- recommitted to the Committee on Civil Service and Pensions 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 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: 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 (NYPD), 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.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: 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 bene-

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

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fit 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 $162,000 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 $2.1 million.

FINANCIAL IMPACT - ANNUAL EMPLOYER CONTRIBUTIONS: In accordance with 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 who will retire with 15 or more years in rank cannot be known in advance with credibility, the PVFB due to this legislation has been treated as an actuarial loss at the affected members' retirement.

For the purposes of this Fiscal Note, the increase in UAL was amortized over a 15-year period (14 payments under the One-Year Lag Methodology) using level dollar payments. This results in an increase in annual employer contributions of approximately $248,000 each year.

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 One-Year Lag Methodology (OYLM) used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2022. 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 (excluding overtime)
  - o Lieutenant - $125,530
  - o Lieutenant Commander of Detective Squad and Lieutenant Special Assignment - $138,089
* Lieutenants who retired with 15+ years in rank - 44 retired from January 1, 2018 through January 1, 2020.

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, 2018 (Lag) actuarial valuations used to determine the Preliminary Fiscal Year 2020 employer contributions of POLICE.

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 the Plan 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 of POLICE and other New York City agencies 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 2020-05 dated February 10, 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.