STATE OF NEW YORK

5659--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 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 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: 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 Police Department, who has been a Detective 2nd grade for a least 10 years, to have the

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

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same rights in respect to POLICE as a Detective 2nd grade detailed to act as a Detective 1st grade.

Effective Date: Upon enactment.

IMPACT ON BENEFITS: The proposed legislation would permit Detectives of the 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 $7,800 per year and a Detective 2nd grade who would benefit under this proposed legislation, if enacted, would receive an increase in their annual pension benefit of approximately $10,500 per year, due to the assumed higher salary grade and overtime, and assuming a service retirement benefit with 20 years of service.

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 $1.1 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 $14.0 million every year.

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 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 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 $1.7 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 that 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 One-Year Lag Methodology (OYLM) used to determine employer contributions, the increase in employer contributions would first be reflected in Fiscal Year 2022.

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 (excluding overtime and outstanding wage contract increases)
  * Detective 3rd grade - $114,999
  * Detective 2nd grade - $128,034
  * Detective 1st grade - $145,548
* Detectives 3rd grade who retired with 15+ years in rank - 386 retired over the past 16 years.

* Detectives 2nd grade who retired with 10+ years in rank - 1,451 retired over the past 17 years.

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.

Due to the outstanding wage contract for Detectives 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 1st year of the recently settled Captains Endowment Association contract of 2.25%.

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 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 2020-06 dated February 24, 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.