COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 3321** March 5, 2019

SPONSOR (S): Welch

SYSTEM(S): Downstate Police and Fire

FISCAL IMPACT: HB 3321 proposes to change the employer contribution schedule for Downstate Police and Fire funds from a level percentage of payroll amortization method to a rolling amortization method using level dollar funding. Under the new rolling amortization method, normal cost will be calculated using the entry age normal method (currently, the projected unit credit method is used). An actuarial analysis would be necessary to determine the statewide fiscal impact.

SUBJECT MATTER: HB 3321 would change the amortization period for Downstate Police and Fire funds by implementing two stages of rolling amortization periods, increasing the funding goal to 100% of total actuarial liabilities, and changing the annual employer contribution calculations from level percentage of payroll to level-dollar amounts using the entry age normal actuarial cost method.

COMMENT: Current statute provides that the annual required employer contribution for Downstate Police and Fire funds is to be an amount sufficient to bring the total assets of the fund up to 90% of the total actuarial liabilities of the fund by the end of the fiscal year 2040, calculated as a level percentage of payroll over the years remaining up to and including fiscal year 2040.

HB 3321 would extend the amortization period starting in 2021. Between 2021 and 2030, the actuarially required annual contribution would be an amount sufficient to bring the total assets of the fund up to 100% of total actuarial liabilities over a 30-year rolling amortization period as annually updated and determined by an actuary. For each year after 2021 until 2030, the rolling amortization period would be reduced by one year.

Beginning 2031, HB 3321 would provide that the annual required employer contribution would be an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 20-year rolling amortization period, as annually updated and determined by an actuary

Under both new amortization periods proposed by HB 3321, the contribution shall be calculated each year as a level dollar amount over the amortization period and shall be determined under the entry age normal actuarial cost method.

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