

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 3391**

February 19, 2020

SPONSOR (S): Ellman

SYSTEM(S): Downstate Firefighter

FISCAL IMPACT: SB 3391 makes various changes regarding examinations (audits) of Downstate Fire pension funds by the Public Pension Division of the Department of Insurance or the Consolidated Downstate Police and Fire Investment funds. The bill also specifies various penalties for audit noncompliance by Downstate Police and Fire funds. There is no discernible fiscal impact beyond the *de minimis* fees and penalties that pension funds must pay in relation to periodic audits.

SUBJECT MATTER: SB 3391 amends the Regulation of Public Pension Funds and the Downstate Firefighter Articles of the Pension Code to make various changes regarding examinations by the Department of Insurance or the Consolidated Downstate Police and Fire Investment funds. The bill also specifies a range of penalties for noncompliance with audits by Downstate Police and Fire funds. The bill also makes a non-substantive statutory clarification for Downstate Fire annuitants who draw a pension from more than one fire pension fund.

COMMENT: Under current law, the Department of Insurance or the appropriate Consolidated Fund must examine or investigate (i.e., audit) each Downstate Police fund and Downstate Fire pension fund once every three years. SB 3391 provides that DOI or the Consolidated Fund *may* examine any Downstate Police and Downstate Fire pension fund as often as deemed appropriate, but must do so at least once every seven years. Furthermore, SB 3391 holds that pension funds selected for examination are subject to a \$100 penalty for each day of noncompliance if they do not submit the requested documentation by the period of time prescribed by the examiners.

Currently, when the pension fund receives the examination report, the Director of the Department of Insurance or the Consolidated Fund shall, upon request, grant a hearing to the officers or trustees of the fund about the facts in the report of examination. SB 3391 mandates the pension fund must request this hearing within 30 days after receipt of the final report and must pay the hearing cost, which shall not exceed \$600. The

Department of Insurance and the Board of the Consolidated Fund shall adopt rules ensuring consistency and due process in the examination process.

SB 3391 contains other miscellaneous provisions relating to the payment and amounts of fines and compliance deadlines pertaining to the filing of annual statements with the Department of Insurance.

SB 3391 removes language concerning the calculation of retirement pensions and automatic annual increases for eligible downstate firefighters who participated in more than one pension fund. The removed language limited application of the provision to Tier 1 retirement pension amounts and Tier 1 automatic annual increases. This is a statutory cleanup that does not make a substantive benefit change.

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