COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 3669** February 27, 2020

SPONSOR (S): Weaver

SYSTEM(S): Downstate Police, Downstate Firefighter Articles

FISCAL IMPACT: SB 3669 prescribes doing away with the current statutory funding plan for Downstate Police and Fire pension funds, under which municipalities must make contributions such that a 90% funding ratio will be attained in FY 2040. The bill would implement two separate rolling amortization periods, combined with a level dollar amortization component. More detail is provided in the Comment Section below. An actuarial cost study would be needed to assess the impact of SB 3669.

SUBJECT MATTER: SB 3669 amends the Downstate Police and Downstate Firefighter Articles of the Pension Code. The bill changes the manner in which municipalities must calculate and remit the required annual contributions to their respective police and fire pension funds. The change is described in detail below in the Comment section.

COMMENT: Currently, the annual statutory contribution that is required to be paid by a municipality to a Downstate Police or Fire pension fund is equal to (i) the normal cost of the pension fund for the year, plus (ii) an amount sufficient to bring the total assets of the fund up to 90% of the total actuarial liabilities by the end of municipal fiscal year 2040. The amortization component is calculated as a level percentage of payroll over the years remaining until 2040.

SB 3669 provides that for municipal fiscal years 2022 through 2031, the annual employer contribution to Downstate Police and Fire pension funds will be equal to (i) the normal cost of the pension fund for the year (for Downstate Firefighter funds, the greater of normal cost or 17.5% of the salaries and wages to be paid to firefighters), plus (ii) an amount sufficient to bring the total assets of the fund up to 100% of the total actuarial liabilities of the fund over a 30-year rolling amortization period. This annual contribution requirement can be determined by an actuary retained by one of three entities: the Department of Insurance, the pension fund, or the municipality.

The bill provides that for each municipal fiscal year through 2031, the rolling amortization period will be reduced by one year for each fiscal year after 2022. In addition, the annual employer contributions will be contributed on a level-dollar basis. For each municipal fiscal year after 2032, the annual employer contribution to the police or fire pension fund will be calculated as an amount sufficient to bring the pension fund up to 100% of total actuarial liabilities over a 20-year rolling amortization period. The bill does not reduce the rolling amortization period after 2032.

SB 3669 also provides that if a participating municipality fails to transmit the required employer contributions for more than 90 days after they are due, the fund shall (rather than "may," as per current law) report the delinquent payment to the State Comptroller after notifying the municipality. As per current law, the Comptroller must then deduct and remit to the fund the certified amounts or the missing portion thereof, whichever is applicable. The bill further mandates that the municipality may not deviate from the annual employer contribution amount recommended by the actuary and must use the actuarial rate of return recommended by the actuary.

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