COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: SB 2362, as amended by HA #1 January 9, 2009

SPONSOR (S): Cronin – Boland, et al. (Saviano – Reboletti, et al.)

SYSTEM(S): Downstate Fire Pension Funds

FISCAL IMPACT: The fiscal impact of SB 2362, as amended by HA #1, cannot be calculated as the number of firefighters who would become eligible to purchase additional military service credit is unknown. The Public Pension Division of the Department of Financial and Professional Regulation does not keep data on the number of firefighters who had military service prior to employment as a firefighter.

The commission's actuary advises staff that asking the employee to pay employee contributions, the employer's normal cost, plus interest will, in most cases, result in little to no additional accrued liability to the pension fund. However, it should be noted that it is possible that some pension funds may incur additional accrued liabilities if, in certain cases, the increase in the present value of the enhanced benefit exceeds the amount of money that the firefighter pays to establish the additional service. Therefore, the commission cannot declare SB 2362, as amended by HA #1, to be cost neutral.

<u>SUBJECT MATTER</u>: SB 2362, as amended by HA #1, allows members of Downstate Fire pension funds to establish up to 24 months of military service credit by making the payments outlined in the comments section below.

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cases, the increase in the present value of the enhanced benefit exceeds the amount of money that the firefighter pays to establish the additional service. Therefore, the commission cannot declare SB 2362, as amended by HA #1, to be cost neutral.

COMMENT: Currently, firefighters who are called into active duty in the military, naval, or air force may establish service credit equal to the amount that would have been contributed had the member been a regular contributor while away on active duty, up to a limit of 5 years. SB 2362, as amended by HA #1, allows members of Downstate Firefighters' Pension Funds who served in the military prior to municipal employment to establish up to 24 months of military service credit. The employee must make contributions to the fund equal to (i) employee contributions that would have been required had service been rendered as a member, plus (ii) an amount determined by the fund to be equal to the employer's normal cost of the benefits accrued for that military service, plus (iii) interest at the actuarially assumed rate provided by the Department of Financial and Professional Regulation, compounded annually from the first date of membership in the fund to the date of payment on items (i) and (ii). These provisions apply to employees in service on or after the effective date of this Act.

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