Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE
103^{RD} General Assembly

BILL NO: **SB 2899** January 30, 2024

SPONSOR (S): Halpin

SYSTEM: Downstate Police & Fire

FISCAL IMPACT

An actuarial study would be needed to assess the fiscal impact associated with allowing certain municipalities to extend the 90% amortization target date from FY 2040 to FY 2050. An updated impact note will be issued after CGFA's actuary completes a review of this proposal.

SUBJECT MATTER: SB 2899 amends the Downstate Police and Fire Articles of the Pension Code. The bill allows municipalities with a police or fire pension fund whose total assets are at least 60% of the fund's actuarial liabilities to elect to extend the 90% amortization target date from FY 2040 to FY 2050. This option would not be available to funds that have a funding ratio below 60% as of the effective date of the bill.

COMMENT: Current law requires employers that have Downstate Police and Fire pension funds to make the following annual contributions to their respective pension funds:

- The normal cost of the pension fund for the year involved; plus
- An amount sufficient to bring the fund's total assets up to 90% of its total actuarial liabilities by the end of municipal FY 2040.

Under SB 2899, if a municipality's police or fire pension fund's total assets are at least 60% of the fund's actuarial liabilities, the municipality's city council may elect to extend the 90% amortization target date to municipal FY 2050. If this irrevocable election is made, by an ordinance or resolution no later than January 1, 2027, the rate of the levied tax should produce an amount sufficient to meet the following annual contribution requirements for the germane fund:

- The normal cost of the pension fund; plus
- An amount sufficient to bring the fund's total assets up to 90% of its total actuarial liabilities by the end of municipal FY 2050 (or an earlier municipal FY as elected).

When establishing the fund's normal cost and the amortization component described above, the required minimum employer contribution is to be calculated as a level percentage of payroll each year over the years remaining up to and including FY 2050, or the earlier fiscal year, if applicable.

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