https://thechiefleader.com/news/news_of_the_week/chief-actuary-proposes-tweaking-pension-nos/article_90f42c9e-6274-11eb-828c-e71ddc4746d4.html

CPI and Earnings Both Down

Chief Actuary Proposes Tweaking Pension Nos.

By RICHARD STEIER
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SHERRY S. CHAN: Looks to keep pension funds stable.

The city's five pension funds should slightly lower their estimates on interest earnings, wage increases and rises in the cost of living, with city contributions to the funds to be revised accordingly, Chief Actuary Sherry S. Chan recommended Jan. 27.

In all three cases, she proposed reductions of .2 percent, consistent with the tendency of actuaries to make gradual rather than dramatic adjustments to fiscal trends, saying in a statement that those tweaks "better reflect current experiences and further strengthen the funding of the pension plans."

Assures Adequate Funding

Actuarial assumptions in those areas determine how much the city has to contribute to the systems—the New York City Employees' Retirement System, the Teachers' Retirement System, the Fire Pension Fund, the Police Pension Fund and the Board of Education Retirement System—to ensure that they have enough money to meet their obligations to pensioners.

The last change in assumptions was made in 2019, with the previous one occurring three years before that.

Pension funding needs fluctuate based on investment returns, changes in the Consumer Price Index and mortality improvement trends, Ms. Chan noted. City pensioners living longer on average requires additional funding to cover the anticipated extra years in which they will continue receiving their retirement allowances.

If her proposed changes are approved, they will be implemented beginning with the city's final fiscal year 2021 employer contributions, which are due before the end of the fiscal year June 30.

Pivots Off Lower CPI

The estimated CPI downgrade from 2.5 percent to 2.3 percent would actually be reduced retroactively, dating back to June 2019 and remaining in effect for four years starting with that date. In conjunction with that change, the actuarial interest rate would drop from 7 percent to 6.8 percent, the general-wage-increase assumption would be lowered from 3 percent to 2.8 percent, and the cost-of-living assumption would drop from 1.5 percent to 1.3 percent.

Better-than-anticipated investment performance in recent years has created a gap between the Actuarial Value of Assets and their market value, Ms. Chan stated, and so the AVA would be upgraded to be consistent with those results. This would mean an initial decrease in annual employer contributions to the five funds.

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