PERAC MEMO #22/2020

MEMORANDUM

TO: All Retirement Boards

FROM: John W. Parsons, Esq., Executive Director

RE: Delayed FY21 Appropriations

DATE: April 27, 2020

PERAC has received several inquiries recently regarding appropriation payments due in FY21 in light of the ongoing COVID-19 pandemic. As a result of the pandemic, there is concern that some municipalities will be unable to approve a timely budget for FY21, and that tax payments from residents will be delayed, resulting in at least a temporary reduction in available FY21 funding. The questions received deal with either waiving interest for appropriation payments made after the scheduled payment date, or allowing units to receive the full “discount” they would otherwise have received had the scheduled appropriation been made timely. The “discount” refers to an interest adjustment for units who are scheduled to make payments in equal installments during the year (e.g. July 1 and January 1) but make a reduced appropriation payment in a lump sum earlier during the fiscal year.

Chapter 53 of the Acts of 2020 provides relief to municipalities dealing with the budget complications cited above, providing them additional time to adopt their FY21 budgets, granting them authority to delay the receipt of tax and other payments otherwise due, and authorizing expenditures based on FY20 appropriation figures until their FY21 budget is adopted. Clearly, the intent of Chapter 53 is to provide municipalities short-term relief in adopting their FY21 budgets and meeting their fiscal demands in the interim.

Chapter 32 is silent on the issue of adjusting, with interest, appropriation payments made on a date different from the payment date assumed in a board’s current funding schedule and/or set in statute. While PERAC has historically advocated that interest be included when payments are made on dates different from the assumed payment date of the funding schedule, this is ultimately a board decision. Given the provisions of Chapter 53 above and
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the lack of interest provisions in Chapter 32, PERAC believes that municipal and county/regional retirement systems have the authority to award interest discounts and/or waive interest charges for payments received on a different date than originally approved. It should be noted that any change in unfunded actuarial liability (UAL) will be accounted for when the next schedule is determined.

The primary concern is that member units make appropriation payments to the retirement system. As such, retirement boards should collaborate with member units to find a solution that is mutually beneficial to all affected parties while ensuring that payments are made. We believe that it is in the best interest of all involved that a solution be reached administratively as opposed to legislatively, as an administrative solution will allow for each system and its member units to address the matter in both a timely manner and one unique to their needs.

We trust the foregoing is of assistance. If you have any questions, do not hesitate to contact PERAC’s Actuary, John Boorack.