
SUMMARY

HOUSE BILL 1828

Printer's No. 2609

Synopsis: Amends the Municipal Pension Plan Funding Standard and Recovery Act.

Summary:

Provides actuarial smoothing mechanisms for all municipal pensions.

Distress levels

Establishes an actuarial distress scoring system.

<u>Funding Ratio</u>	<u>Score</u>
90% or over	0
70% - 89%	1
50% - 69%	2
Less than 50%	3

A score of one (Level I) indicates minimal distress. A score of two (Level II) indicates moderate distress. A score of three (Level III) indicates severe distress.

Level I

Level I plans are permitted to reduce their minimum municipal obligations for four years.

Level II

Level II plans are provided a reduction in contribution limits for 4 years. Level II plans must aggregate trust funds and submit an administrative improvement plan.

Prohibits a Level II plan from increasing benefits unless the actuarial value of the assets are a least 90% of the actuarial value of liabilities prior to adoption of the increases and at least 80% of the actuarial value of liabilities after adoption.

Level III

Level III plans must enter a Municipal Pension Recovery Program and be administered by the Pennsylvania Municipal Retirement System (PMRS). Level III plans shall utilize an actuarial assumption of 6% plus 1.5%. (6% represents the current PMRS standard.) Allows distressed plans to pay a reduced minimum municipal obligation.

Requires Level III plans to have a revised benefit plan for new hires. The revised plan may provide for defined benefits plans, defined contribution plans or both. Requires a 50% social security offset for defined benefit plans for individuals eligible for social security. A defined contribution plan shall

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require employee contributions of at least 6% of payroll and a matching employer contribution of 6%.

Transfers the assets of a Level III plans to PMRS. Pension rights shall be governed solely by the recovery program. No other law shall permit any deviation from the program. The municipality shall continue payment of pension benefits.

Establishes the Cooperative Municipal Pension Program for new hires. Establishes age and years of service requirements for Level III municipalities. Requires new hires to contribute to their pension, by payroll deduction, an amount equal to three times their accrual rate.

Hazleton

Beginning January 1, 2010, the special minimum tax may be assessed by a municipality only to defray pension costs. This attempts to address a lawsuit brought against the city of Hazleton for using the emergency municipal pension tax to fund health care benefits for retirees.

Code of conduct for pension plans

Establishes conduct and disclosure standards for professional services contracts. Requires pension systems to adopt procedures to advertise and review proposals for contracts for professional services. The system must review proposals for experience, experts and compensation to be charged.

Requires the contractor to disclose the names and titles of the individuals providing the service.

Requires the system to adopt policies regarding conflicts of interest including "revolving door" policies for employees of the system and the contractor.

The system must provide a written statement justifying an increase in a professional services contract of 10% or \$10,000.

Prohibits contractors from hiring a third party or lobbyist to communicate with the municipality or municipal pension system. Prohibits campaign contributions to municipal or municipal pension plan officials or the solicitation of contributions. Limits third party communications. Prohibits a contract with a person who made a contribution to an official of the municipality within the last two years, applied prospectively.

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Prohibits the contractor from having any business relationship with a system official. Prohibits gifts to system officials and employees.

Requires disclosure of campaign contributions made in the last 5 years. Bars a contract with a person who knowingly makes a material misstatement on a disclosure form.

Philadelphia

Provides special provisions for cities of the first class. Provides a 30 year "fresh start" for amortization of unfunded actuarial accrued liability.

Allows a first class city to defer pension payments in lieu of being subject to the Level III distress provisions. In order to be eligible for deferral, the city must adopt a revised collective bargaining plan for new hires by September 9, 2009. The plan may cost no more than 80% of the existing plan.

Establishes contribution rates for new hires.

Allows the city to defer a portion of its minimum funding obligation as follows:

1. For 2010, deferral of up to \$155,000,000.
2. For 2011, deferral of up to \$ 80,000,000.

Repayment shall include 8.25% interest. The city shall repay \$90,000,000 plus interest by June 30, 2013. The balance of amounts deferred shall be repaid by June 30, 2014.

In order to retain the authority to utilize the deferrals, the city must freeze pension benefits for existing employees, adopt the required plan for new hires, appeal arbitration decisions inconsistent with the plan and make scheduled repayments. If the city fails to comply, it will be subject to the levels of distress applicable to other municipalities.

Authorizes the city of the first class to impose a 1% sales tax. In order to retain the authority to impose the tax, the city must freeze pension benefits for existing employees, submit the required plan for new hires and appeal arbitration decisions inconsistent with the plan. If the city fails to comply, it shall lose the authority to tax. If it fails to repay all deferred amounts as required, the State Treasurer shall withhold other funds that go to the city in the amount owed and deposit

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those funds in the city's pension account. Excludes welfare, human service, and debt service payments. Beginning January 1, 2006, the city shall be subject to the three distress levels provided for other municipalities. The tax expires in 2014.

Pittsburgh

Freezes the Pittsburgh parking tax at 37.5%. Dedicates 6.7% of the amount collected to the pension. Allows the city to increase the parking tax to 40% if the city sells all of its parking facilities.

Current municipal pension employees in Pittsburgh, a Level III municipality, are given hiring priority with the state system.

Counties

Allows counties to use the amortization methodologies in the act.

Beneficiary designation

Allows an employee to designate a pension beneficiary regardless of the date of the employee's marriage.

Provisions relating to code of conduct are effective in 90 days. The remainder of the act is effective immediately.

Passed Senate 8/26/09 (38-9)

Eakin 8/21/09 8/26/09