

TOWNSHIP OF LOWER MERION
Finance Committee
Issue Briefing

Topic: State Act 205 Resolution

Prepared By: Eric Traub, Chief Financial Officer

Date: September 29, 2017

I. Action To Be Considered By The Board:

Consider for recommendation to the Board of Commissioners a resolution allocating pension state aid and setting employee pension contributions for 2018.

II. Why This Issue Requires Board Consideration:

In accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (State Act 205), the Municipality's governing body must authorize by resolution the amount of pension state aid that each pension plan receives.

III. Current Policy Or Practice (If Applicable):

Each September, the Township receives pension aid grant funding from the State according to the provisions of State Act 205. This funding is then deposited into our two employee pension funds upon the adoption of a resolution by the Board of Commissioners.

On September 27, 2017, the Township received \$2,066,280 of Act 205 State aid pension funding, of which \$1,340,633 is to be deposited into the Township's Municipal Police Pension Fund and \$725,647 into the Township Employees' Pension Fund. These amounts are \$117,569 more than the Township's overall 2017 Minimum Municipal Obligation (MMO) of \$1,948,711, of which \$1,292,814 was required for the Municipal Police Pension Fund and \$655,897 for the Township Employees' Pension Fund.

IV. Other Relevant Background Information:

In accordance with the provisions of the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (State Act 205), the Chief Administrative Officer (the Township Manager) must certify to the governing body by the end of September what will be the following year's MMO for its pension funds. The full amount of the MMO must appear in the upcoming Budget and be contributed to the pension funds in that following year. Per the analysis of the Township's Actuary, the 2018 MMO is \$2,175,187, to be budgeted and divided as follows: \$1,514,947 for the Municipal Police Pension Fund and \$660,240 for the Township Employees' Pension Fund.

Also, each year, the Township must set the employee pension contribution rates for the following year, based upon the most recent actuarial valuation and MMO analysis. Per the provisions of the current labor agreement between the Township and the Lower Merion Workers Association (WA) and the pension plan's Plan Document, non-uniform employee pension contributions may remain unchanged for 2018 as follows: 3% (0 to 4.99 years of credited service), 1% (5 to 9.99 years of credited services), 0% (10 to 24.99 years of credited service), 0% (over 25 years of credited service), 4% for employees hired between 1/1/2003 and 12/17/2013 and 5% for employees hired on or after 12/18/2013.

The Management and Non-WA employee pension contributions will remain unchanged for 2018 as follows: 4% (0 to 4.99 years of credited service), 2% (5 to 9.99 years of credited services), 1% (10 to 24.99 years of credited service) and 0% (over 25 years of credited service) and 5% for employees hired after 2003.

As determined by the Township Actuary and per the provisions of the current labor agreement between the Township and the Fraternal Order of Police (FOP) Lodge #28, the Police Officer employee pension contribution will again be 1.2% for 2018.

Both the MMOs and the employee contribution rates may be revised if necessary prior to December 31, 2017.

V. Impact On Township Finances:

The proposed allocation of pension state aid and continued employee contributions will support keeping the Township's pension plans fully funded.

VI. Staff Recommendation:

Staff recommends the resolution be approved at the October 18, 2017, Board of Commissioners meeting.