

**TOWNSHIP OF LOWER MERION**  
***Finance Committee***  
**Issue Briefing**

**Topic:** State Act 205 Resolution

**Prepared By:** Eric Traub, Chief Financial Officer

**Date:** October 12, 2018

**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 2019.

**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 20, 2018, the Township received \$2,389,038.15 of Act 205 State aid pension funding, of which \$1,514,947 is to be deposited into the Police Pension Fund and \$874,091.15 into the Employee Pension Fund. These amounts are \$294,451 more than the Township's overall 2018 Minimum Municipal Obligation (MMO) of \$2,094,587, of which \$1,514,947 was required for the Municipal Police Pension Fund and \$579,640 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 Township staff in consultation with the Township's Actuary, the 2019 MMO is \$2,997,278, to be budgeted and divided as follows: \$2,006,335 for the Police Pension Fund and \$990,943 for the Employee 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 for 2019 will be as follows: for those employees hired prior to January 1, 2003, 4% (0 to 4.99 years of credited service), 4% (5 to 9.99 years of credited services), 3% (10 to 24.99 years of credited service), 2% (over 25 years of credited service). The employee pension contribution is 5% for employees hired after 2003.

The Management and Non-WA employee pension contributions for 2019 will be as follows: for those employees hired prior to January 1, 2003, 4% (0 to 4.99 years of credited service), 4% (5 to 9.99 years of credited services), 3% (10 to 24.99 years of credited service), 2% (over 25 years of credited service). The employee pension contribution is 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 be 5.0% for 2018.

In addition to the increased employee contribution rates in 2019 the Township will be required to pay \$608,240 to support the pension funding. Both the MMOs and the employee contribution rates may be revised if necessary prior to December 31, 2018.

**V. Impact On Township Finances:**

These actions will support keeping the Township's pension plans fully funded.

**VI. Staff Recommendation:**

Staff recommends the resolution be approved at the October 17, 2018, Board of Commissioners meeting.