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Experience matters

Messages from Mockenhaupt – July 2022

We hope this message finds you well and enjoying your summer! In this edition we bring you pension legislation news to note, a quick administrative reminder and notice of upcoming events.

Proposed Pension Legislation

Senate Bill No. 669 (SB 669) would permit full-time officers of a city (other than Philadelphia), borough, town, township or regional department who have attained vested status under their current employer's police pension plan to buyback a limited amount of previous full-time or part-time police service with any police department (as defined in Section 2162 of Title 53 of the PA consolidated statutes) for pension benefit purposes. The cost of purchasing the prior service will be calculated in essentially the same way military service purchase cost is calculated under Act 600. It is important to note that the bill limits the amount of part-time, full-time *and* military service purchased by an officer to a combined total of five years. However, service for which an officer is entitled to a benefit through another pension plan cannot be purchased. The portability provisions of plans administered through the Pennsylvania Municipal Retirement System (PMRS) would remain in effect.

What would the passage of SB 669 mean for officers? The intent of the bill, according to its sponsor, is to provide a level of portability for younger officers who are considering making a move between departments, and to provide credit toward retirement for service that long-term officers may have performed on a part-time basis prior to being hired/promoted to a full-time position. Purchase of this service will allow officers who began full-time employment with their current municipal employer at a later age to retire earlier.

What would the passage of this bill mean for municipalities? Municipalities will be required to amend their police pension plans to permit this purchase of service. Should an officer choose to purchase their prior eligible police service, the pension plan's actuarial accrued liability will likely increase because the purchase price of the service will be less than the actuarial "cost" of the additional credited pension service. The actuarial cost of the service can result from the additional years of benefits paid to an officer who can retire earlier than they would have without the purchased service, a greater lifetime benefit with the additional service, or both. In most cases the municipality can also expect an increase in their required contribution, or Minimum Municipal Obligation, to the plan after a purchase is made. If no member of a police plan ever chooses to purchase service (or if no one has any eligible service to purchase), there would be no cost impact.

Current Status: The Senate passed the bill in June, and it is now in the House Local Government Committee. In the event that this bill becomes law, your Mockenhaupt team will be available and ready to assist, to discuss next steps, to prepare a cost study, and to draft the necessary plan amendment.

MMO Reminder

Pension Plan Minimum Municipal Obligations (MMOs) for 2023 must be submitted to the governing body of your municipality/authority by September 30, 2022. If Mockenhaupt typically prepares your pension plan MMOs, the data worksheets are available for download and completion by authorized FTP users at this time. Many of you have already returned your worksheets – thank-you!

Where We'll be Next

Mockenhaupt representatives will be attending the following events in the coming months. We hope to see you there!

Local Government Academy (LGA) Golf Outing	August 18	Cranberry Highlands Golf Course - Cranberry Township
Beaver County Local Government Conference	September 28	Beaver Valley Mall - Monaca
Pennsylvania Municipal League (PML) Summit	October 6-8	Omni William Penn Hotel - Pittsburgh

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