



MEMO

To: Pennsylvania House of Representatives
From: Amy Sturges, Deputy Executive Director, The League and PSATC
Date: October 7, 2024
Re: Opposition to House Bill 1379

On behalf of the membership of The Pennsylvania Municipal League and the Pennsylvania State Association of Township Commissioners (PSATC), I write in strong opposition to House Bill 1379 up for second consideration on the House floor. This bill places a costly unfunded mandate on local governments and taxpayers.

The proposed legislation would provide a pension cost-of-living (COLA) increase for police and firefighters based on the number of years in retirement, starting with those retired only five years. The 2023 actuarial note for this bill provided by the Independent Fiscal Office estimates a net increase in unfunded actuarial accrued liability of \$282.3 million. A 2024 recalculation to correct an omission of 2,500 annuitants increased the liability to \$342.2 million. In a September 26 press release regarding the 2024 allocation of state aid, Auditor General Timothy DeFoor issued a warning, "Since I took office, we have continued to see an increase of municipal pension plans in some stages of distress." The unfunded mandate in House Bill 1379 will only lead to greater pension burdens. Now is not the time to add millions in unfunded liability to municipal pension plans.

The legislation indicates local pension systems will be partially reimbursed for payments through the Municipal Pension State Aid Program. The legislation does not, however, increase the amount of state aid available. Therefore, the reimbursement ultimately reduces the total amount of state aid available to municipalities.

Additionally, the COLA payment provided by House Bill 1379 would be reduced if the annuitant is eligible to receive a COLA under another participating system. The actuarial note indicates, however, that the Auditor General would not be able to identify the annuitants that receive payments from more than one system.

Providing a COLA to retired personnel should be exclusively a local decision. Therefore, we are opposed to the mandate in House Bill 1379 which will have a significant fiscal impact on funding local pension plans. The League and PSATC respectfully request a "no" vote when the bill comes to the floor for final passage.

Thank you for your consideration.