

Policy/Information Briefing Summary

Board of Supervisors



Regarding: Non-uniform Pension Plan Document Update
Prepared By: Amy Heinrich, Finance/HR Director, Treasurer
Date Prepared: August 15, 2022
Date of Proposed Action: August 17, 2022

ACTION FORCING EVENT

Pennsylvania Municipal Retirement System (PMRS), our pension administrator, has adopted standardized documents for all the pension plans that it services. The Board approved the Police updates at an April 2022 Board meeting, and we are now asking for approval to advertise the non-uniform ordinance.

BACKGROUND

The document update requires an ordinance, which has been reviewed by Dave Sander, our solicitor. All ordinances need to be approved to advertise by the Board of Supervisors. This is solely the adoption of the new PMRS standard documents.

ANALYSIS/FINANCIAL IMPACT

The benefit provided to non-uniform employees is not changing and the cost to and liability for the Township is also not changing. For convenient reference, the chart below outlines the key terms of the non-uniform pension plan. Pension plans are valued every two years. Our last valuation completed by the actuaries associated with PMRS is as of 2019. As of the last valuation, we were 82% funded with an unfunded liability of \$402K. Since that valuation, Lisa Moore plead guilty to a felony. Under Pennsylvania law, Lisa Moore is no longer entitled to her Pension benefit because of this. The non-uniform pension liability reduction is estimated at \$422K, which offsets the unfunded liability sited above. The 2021 valuations are underway. This will give a more accurate view of the funding status of the non-uniform pension plan.

RECOMMENDATION

Motion to authorize the advertisement of Non-Uniform Pension Plan Ordinance

Key Plan Provisions

Element of Plan	Non-uniform Pension Plan
Eligible employees	Full-time employees (40 hours). Per offer letters, after 12 months of full-time service. Not in current Pension document.
Retirement payment formula	$1.25\% * \text{Years of Credited Service} * \text{FAS}$
Final Average Salary (FAS)	Average of 36 consecutive calendar months of the most recent 120 consecutive calendar months of Credit Service which produces the highest Final Average Salary
Member contribution	No contribution required; optional offered.
Normal Retirement Age	Date member attains age 60
Normal Vesting schedule	100% vested @ 5 years of service
Prorated benefit under Normal Vesting schedule	Formula already includes years of service. 5 years of service would be benefit of $(5 * 1.25\%) * \text{FAS}$ Can't collect until age 60
Early retirement	Date member completes 24 years of Vesting Service or Date member is involuntary terminated with 8+ years of vesting service Both actuarially reduced
Eligibility for disability pension	Member completes 10 years of vesting service: For service-connected disability: $50\% * \text{FAS}$ For any other disability: $30\% * \text{FAS}$
Transfer of prior service from prior employer	Only if prior municipality is a PMRS pension, subject to 12-month break
Pre-retirement death benefit	Offered if age 60 or 24 years of service
Cost of Living Adjustment (COLA)	Portion of Excess Interest if any (Declared by PMRS and our plan must be 95% funded)
Eligible compensation	Salary, overtime, longevity, worker's compensation, incentive/bonus payments, unused accrued leave payments
Ineligible compensation	Unused sick leave payments, education incentive payments, payments in lieu of offered benefits, allowance for meals, clothing, or equipment
Continuation of employment after normal retirement age	Not eligible for benefit without termination of employment or retirement.
Reemployment of retired member	Shall cease receiving his accrued benefit; credited service is restored regardless of Breaks in Service

-End of Memo-

**KENNETT TOWNSHIP
CHESTER COUNTY, PENNSYLVANIA**

ORDINANCE NO. _____

AN ORDINANCE OF KENNETT TOWNSHIP, CHESTER COUNTY, COMMONWEALTH OF PENNSYLVANIA, AMENDING ITS NON-UNIFORM PENSION PLAN ADMINISTERED BY THE PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM PURSUANT TO ARTICLE IV OF THE PENNSYLVANIA MUNICIPAL RETIREMENT LAW; AGREEING TO BE BOUND BY ALL PROVISIONS OF THE PENNSYLVANIA MUNICIPAL RETIREMENT LAW AS AMENDED AND AS APPLICABLE TO MEMBER MUNICIPALITIES; REPEALING ALL INCONSISTENT ORDINANCES OR PARTS THEREOF; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Board of Supervisors of Kennett Township, Chester County, Pennsylvania has enacted ordinances to adopt non-uniformed employee pension plans to provide pension benefits to its non-uniformed employees as required by law; and

WHEREAS, the Board of Supervisors desires to amend its non-uniformed pension plan as administered by the Pennsylvania Municipal Retirement System, and desires to be bound by all provisions of the Pennsylvania Municipal Retirement Law;

NOW, THEREFORE, it is hereby **ENACTED** and **ORDAINED** by the Board of Supervisors of Kennett Township as follows:

SECTION I. Kennett Township (the Township), having established a non-uniform pension plan administered by the Pennsylvania Municipal Retirement System (the System), hereby elects to amend its Non-Uniform Pension Plan administered by the System in accordance with Article IV of the Pennsylvania Municipal Retirement Law, 53 P.S. §881.101 et seq. (Retirement Law), and does hereby agree to be bound by all the requirements and provisions of the Retirement Law and the Municipal Pension Plan Funding Standard and Recovery Act, 53 P.S. §895.101 et seq., and to assume all obligations, financial and otherwise, placed upon member municipalities.

SECTION II. As part of this Ordinance, the Township agrees that the System shall administer and provide the benefits set forth in the amended Non-Uniform Pension Plan Document entered into between the Pennsylvania Municipal Retirement Board and the Township effective as of the date specified in the adoption agreement (the Contract).

SECTION III. The Township acknowledges that by passage and adoption of this Ordinance, the Township officially accepts the Contract and the financial obligations resulting from the administration of the Contract.

SECTION IV. Payment for any obligation established by the adoption of this Ordinance and the Contract shall be made by the Township in accordance with the Retirement Law and the

Municipal Pension Plan Funding Standard and Recovery Act. The Township hereby assumes all liability for any unfundedness created due to the benefit structure set forth in the Contract.

SECTION V. The Township intends this Ordinance to be the complete authorization of the Contract, as amended and it shall become effective as of the date specified in the adoption agreement, which is the effective date of the Contract, as amended.

SECTION VI. A duly certified copy of this Ordinance and an executed Contract shall be filed with the System.

SECTION VII. All ordinance or parts thereof inconsistent with this Ordinance are hereby repealed to the extent of the inconsistency.

SECTION VIII. The provisions of this Ordinance are declared to be severable. If any provision of this Ordinance is declared by a court of competent jurisdiction to be invalid or unconstitutional, such determination shall have no effect on the remaining provisions of this Ordinance or on the Code of Ordinances of Kennett Township.

SECTION IX. This Ordinance shall become effective five (5) days following its legal enactment.

ENACTED and **ORDAINED** this _____ day of _____, 2022.

ATTEST:

**BOARD OF SUPERVISORS OF KENNETT
TOWNSHIP**

Eden R. Ratliff, Secretary

Richard L. Leff, Chairman

Scudder G. Stevens, Vice-Chairman

Geoffrey Gamble, Member