

STATE REPRESENTATIVE
 SUSAN LAUGHLIN
 535 MERCHANT ST.
 AMBRIDGE, PA 15003

AUGUST 24, 1993

DEAR SUSAN:

Here is a short summary of my life.
 DOB. July 15, 1922. PA. GRADUATED High School
 June, 1941, ENLISTED U.S.M.C. WWII, OCT 6, 1942
 HONORABLE DISCHARGE S/Sgt. Nov 2, 1945, YEARS
 OF SERVICE 3 yrs. 1 mo. EMPLOYED AS Police
 Officer, Borough of Ambridge, Pa. Civ. Service
 Exam, April 6, 1946. MANDATORY RETIREMENT
 Borough ORDINANCE, AGE 55, Sgt. July 15, 1977.
 YEARS OF SERVICE 31 yrs. 3 mo. NO FRINGE
 BENEFITS (HOSPITALIZATION) NO WIDOWS PROTECTION
 (WIDOWS PENSION). THE PENSION WAS GUARANTEED
 FOR 10 YEARS. (10 YEAR CERTAIN. 1977-1987.
 Police Officers Borough of Ambridge PA
 NOT BELONG TO SOCIAL SECURITY PROGRAM.

PENSION BASED ON AVERAGE OF LAST THREE YEARS
 OF EMPLOYMENT. GROSS PAY AVERAGE \$12,618.00
 PENSION AT 50% 6,309.00

PENSION AT 50% \$6,309.00
 30% COST OF LIVING 1,892.76
 NOW RECEIVING \$8,201.76

PENSION AT 50% 6,309.00
 + 25% 3,154.50
 PENSION AT 75% 9,463.50

COST OF LIVING RECEIVED:

mo 42.06 yr. 504.72
 STATE ACT 147 75.00 yr. 900.00
 mo 40.67 yr. 488.04
 mo 157.73 yr. 1,892.76

PENSION AT 75% 9,463.50
 NOW RECEIVING 50% 8,201.76

Difference: \$1,261.74

Charles Schmonsky

266-0090

SUSAN LAUGHLIN, MEMBER
555 MERCHANT STREET
AMBRIDGE, PENNSYLVANIA 15003-2464
PHONE: (412) 266-7774
FAX: (412) 773-7443



HOUSE POST OFFICE BOX 50
120 SOUTH OFFICE BUILDING
HARRISBURG, PENNSYLVANIA 17120-0028
PHONE: (717) 787-4444

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

SEPTEMBER 29, 1994

COMMITTEES

TRANSPORTATION,
CHAIR — SUBCOMMITTEE ON AVIATION
BUSINESS AND ECONOMIC DEVELOPMENT
SUBCOMMITTEE ON ECONOMIC
DEVELOPMENT
CONSERVATION
CONSUMER AFFAIRS

BEAVER COUNTY DELEGATION
SOUTHWEST DEMOCRATIC CAUCUS
ALLEGHENY COUNTY DEMOCRATIC
DELEGATION

CHILDREN'S CAUCUS
WOMEN'S CAUCUS
HOUSING CAUCUS
COAL CAUCUS
STEEL CAUCUS

HOUSE JOINT POLICY COMMITTEE TASK
FORCE ON JOBS

TO: ALL HOUSE MEMBERS

FROM: REP. SUSAN LAUGHLIN
120 SOUTH OFFICE BUILDING
7-4444

SUBJECT: PROPOSED AMENDMENT TO MUNICIPAL POLICE PENSION
LAW

Please review the attached proposal which if passed will amend the Municipal Police Pension Law to provide for cost of living allowances for retired members or their survivors. I intend to introduce this the week of October 3, 1994.

If you wish to become a co-sponsor, please contact my office.

SL/jps
Attachment

SUSAN LAUGHLIN, MEMBER
555 MERCHANT STREET
AMBRIDGE, PENNSYLVANIA 15003-2464
PHONE: (412) 266-7774
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HOUSING CAUCUS
COAL CAUCUS
STEEL CAUCUS

HOUSE JOINT POLICY COMMITTEE TASK
FORCE ON JOBS

February 14, 1995

TO: ALL HOUSE MEMBERS

FROM: REP. SUSAN LAUGHLIN *Laughlin #50*
120 SOUTH OFFICE BUILDING
7-4444

SUBJECT: LEGISLATION - COLA FOR RETIRED POLICE

I intend to introduce legislation amending the Municipal Police Pension Law to provide for a cost of living allowance for certain retired policemen. For your information, I am attaching a copy of the proposal.

I welcome your cosponsorship of this legislation. You may add your name as a cosponsor by calling 7-4444.

Thank you.

SL/jps
Attachment



COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT COMMISSION
HARRISBURG
17120

November 29, 1995

The Honorable James R. Merry, Chairman
House Local Government Committee
House of Representatives
100 Main Capitol
Harrisburg, PA 17120

Re: Advisory Note for
House Bill 1153, Printer's Number 1287

Dear Representative Merry:

Pursuant to your request of September 26, 1995, the Public Employee Retirement Commission has prepared the attached advisory note on House Bill 1153, Printer's Number 1287. The bill would amend the Municipal Police Pension Law (Act 600) to permit any cost-of-living increase to be granted to members already retired or their survivors, as the ordinance or resolution may provide.

The Commission is utilizing an "advisory note," as distinct from an "actuarial note" referred to in the Public Employee Retirement Commission Act (Act 66 of 1981), for the analysis of proposed pension legislation when the legislation is being considered by the General Assembly. The advisory note is prepared primarily by the staff of the Commission, with review or additional analysis by a consulting actuary retained by the Commission as deemed necessary. The advisory note is intended to provide the General Assembly with an identification of the pension policy issues contained in proposed legislation and, if possible, with broad information on the likely actuarial cost of the proposal.

I hope that the attached advisory note provides you with the information that you require. Should you have any questions, please feel free to call the Commission's office at (717) 783-6100.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony W. Salomone".

Anthony W. Salomone
Executive Director

Attachment

cc: The Honorable Frank J. Pistella
The Honorable Susan Laughlin
Mr. Donald E. Grell, II
Ms. Nancy Neal

L9500152

**PUBLIC EMPLOYEE
RETIREMENT COMMISSION**

ADVISORY NOTE

Date Prepared: November 29, 1995

Agency Contact: A. W. Salomone

Telephone: 783-6100

House Bill No. 1153 **P.N.** 1287 **Prime Sponsor:** Representative Susan Laughlin

Committee: House Local Government Committee

Retirement System Affected: Municipal Police Pension Law (Act 600)

Subject: Cost-of-Living Adjustments for Members and Their Survivors

SYNOPSIS

House Bill 1153, Printer's Number 1287, would amend the Municipal Police Pension Law (Act 600) to permit any cost-of-living increase to be granted to members already retired or their survivors, as the ordinance or resolution may provide.

DISCUSSION

The Municipal Police Pension Law governs the establishment of police officers' retirement systems in every borough incorporated town, or township with three or more police officers. At its option, a borough, incorporated town, or township with fewer than three full-time police officers also may establish a police officers' retirement system under the Municipal Police Pension Law. As of January 1, 1993, there were about 855 municipal police officers' retirement systems operating under the Municipal Police Pension Law. The 855 systems covered about 6,885 police officers.

Under the Municipal Police Pension Law, a police officer may retire after a total of 25 years of service with the same municipality when the officer reaches age 55. If an actuarial valuation shows it is feasible, this age may be reduced to 50. The amount of the monthly pension, other than length of service increments and cost-of-living adjustments, is set at 50 percent of the monthly salary of the officer averaged over the last 36 to 60 months of employment (final average salary). If a retiree's position as a police officer was covered by an agreement under the Social Security Act of 1935, the retirement system may provide for the monthly pension to the retiree to be reduced by up to 75 percent of the amount of Social Security payable because of the retiree's age and service as a police officer.

In addition to the monthly pension, the municipality may pay a length of service increment to a retiree for each completed year of service beyond 25 years. The maximum length of service increment is \$100 a month. The municipality also may provide for a cost-of-living allowance for a retiree receiving a pension. The cost-of-living allowance cannot exceed the percentage increase in the Consumer Price Index from the year in which the retiree retired and cannot cause the total police pension to exceed 75 percent of the salary used for computing that retiree's pension. The total cost-of-living allowance may not exceed 30 percent.

DISCUSSION (Cont'd)

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that initially was payable at retirement. The increase usually is made at some time after the retirement benefit is commenced. Postretirement adjustments may be granted for a number of reasons, but the most common is to increase retirement pay to reflect some of the increase in the cost of living since the employee retired. The decision to pay a postretirement adjustment generally is made either by the governing body of the retirement system or by the governing body of the governmental entity that established and maintains the public employee retirement system.

Under the bill, section 5 of the Municipal Police Pension Law would be amended to provide that any cost-of-living increase may be granted to members already retired or their survivors, as the ordinance or resolution may provide. Cost-of-living increases for retired police officers are already authorized in the statute, but the bill initiates authority for granting cost-of-living increases to survivors of retired members.

From the adoption of the 1874 Constitution of Pennsylvania, the Constitution has prohibited enactment of legislation giving extra compensation to any public officer, servant, or employee after that individual's services have been rendered. The Supreme Court of Pennsylvania interpreted this section to hold unconstitutional legislation granting increases in retirement pay to already retired public employees. [*Koehnlein v. Allegheny County Employees' Retirement System*, 373 Pa. 535, 97 A.2d 88 (1953); *Jameson v. City of Pittsburgh*, 381 Pa. 386, 113 A.2d 454 (1955).] In a 1955 opinion, relying, in part, upon *Koehnlein*, the Attorney General of Pennsylvania reached the same conclusion. [1955 & 56 Op. Att'y Gen. of Pa. 20 (No. 656) (1955).] In response to these readings, the Constitution was amended in 1955 specifically to permit increases in retirement allowances or pensions for members of Pennsylvania public employee retirement or pension systems after termination of the services of these members.

Since the 1955 amendment became effective, the General Assembly has enacted and the Governor has signed into law a number of statutes requiring or permitting special ad hoc postretirement adjustments in the retirement pay of retired public employees. None of these statutes, however, have granted an increase in the benefits paid to the survivors of deceased, retired public employees.

A proposal to amend section 26 of article 3 "to permit the General Assembly to legislate that increases in retirement benefits or pensions payable to members of a retirement or pension system of the Commonwealth, its political subdivisions, agencies or instrumentalities, be extended to beneficiaries who are spouses of members of such system" was submitted to the electors at the municipal election of November 3, 1981, and was rejected. [618,857 voted yes and 928,699 voted no.] On July 8, 1993, in holding that the widow of a retired police officer of a city of the third class who would have been eligible for a special ad hoc postretirement adjustment under the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) was entitled to one-half of the adjustment as part of her survivor's pension under The Third Class City Code, the Commonwealth Court of

DISCUSSION (Cont'd)

Pennsylvania came to the conclusion that, at least under The Third Class City Code, a surviving spouse is a member of the pension plan within the meaning of section 26 of article 3 of the Constitution of Pennsylvania. [*Hutskow v. Wasowich*, 156 Pa. Commw. Ct. 655, 628 A.2d 1202, *appeal denied* 536 Pa. 633, 637 A.2d 292 (1993).] Therefore, when a retiree of a city of the third class who was receiving a special ad hoc postretirement adjustment at the time of death, the surviving spouse is entitled only to the survivor's portion of the adjustment. The bill would permit a cost-of-living adjustment to be granted to survivors, apparently without any statutory limit.

SUMMARY OF ACTUARIAL COST ESTIMATE**Cost-of-Living Adjustments for Retirees**

If the amendment proposed in the bill is read as only additional permission to grant cost-of-living adjustments to retired police officers within the current statutory limits, that effect of the amendment will have no actuarial cost impact because municipalities already are authorized to grant cost-of-living increases within the established limits.

If the amendment proposed in the bill is read to permit any cost-of-living adjustment (without any statutory limit), however, it will have a substantial actuarial cost impact. While the Commission has no actuarial cost estimate available, based upon work of a consulting actuary of the Commission several years ago, a 100 percent adjustment might increase employer costs from between ten to 30 percent of payroll a year, and a 50 percent adjustment might increase employer costs from between four to 11 percent a year. Under the Municipal Pension Plan Funding Standard Recovery Act (Act 205 of 1984), before a benefit change such as a cost-of-living adjustment may be granted, the chief administrative officer of the municipal retirement system must provide a cost estimate of the proposed benefit modification to the municipal governing body.

Cost-of-Living Adjustments for Survivors

The Commission has no actuarial cost estimate available for initiating the cost-of-living adjustments for survivors that is proposed in the bill. Under the Municipal Pension Plan Funding Standard Recovery Act (Act 205 of 1984), before a benefit change such as a cost-of-living adjustment may be granted, the chief administrative officer of the municipal retirement system must provide a cost estimate of the proposed benefit modification to the municipal governing body.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission staff identified the following policy considerations:

Permissive Legislation. Because of the decentralized nature of local governments and the need to accommodate the variation that exists, it is appropriate for the Commonwealth to permit benefit structure modifications rather than require them. Because pension benefits of police officers are subject to collective bargaining under the Policemen and Firemen Collective Bargaining Act (Act 111 of 1968), an arbitrator could, however, require a municipality to grant or increase cost-of-living adjustments if the proposal is enacted.

Constitutionality. It is not clear whether the reading by the Commonwealth Court of The Third Class City Code that recognized survivors as “members’ of the municipal police retirement system” and, therefore, eligible to receive a portion of a cost-of-living increase granted to a retired member upon the member’s death under section 26 of article 3 of the Constitution of Pennsylvania also would apply to the Municipal Police Pension Law in boroughs, incorporated towns, and townships.

Lack of Specificity. The bill does not specify how frequently cost-of-living adjustments may be given nor does it specify any limit on the adjustments, such as a percentage of the increase in the consumer price index, a percentage of the basic pension, a percentage of salaries of active members, or an absolute dollar amount.

Drafting Ambiguity. The proposal in the bill should be changed to make it clear either that the cost-of-living adjustments to which the proposal referrers are intended to be those specified elsewhere in the Municipal Police Pension Law or that the cost-of-living adjustments specified elsewhere in the Law are repealed and any cost-of-living adjustment is to be authorized.

ATTACHMENT

House Bill 1153, Printer’s Number 1287.