

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 100766)

RESOLUTION

Urging the Mayor and the Board of Pensions and Retirement to join Council in a sustained, collaborative effort to comprehensively and fairly evaluate City employees' retirement benefits, with the goal of ensuring that the City has in place actuarially sound pension plans that balance the interest of employees in a secure retirement with the interest of all taxpayers in having an affordable municipal government with adequate funds to provide appropriate services; and authorizing the Committee of the Whole to conduct hearings on the health and well-being of the City's entire Retirement System.

WHEREAS, The City of Philadelphia provides qualifying City employees with retirement benefits through the City of Philadelphia Municipal Retirement System, which is administered by the City's Board of Pensions and Retirement; and

WHEREAS, The Pension System is grossly underfunded. As recently as 2001, the City's Pension System's Funding Ratio was as high as 77%, but as of July 1, 2009, that ratio had decreased to 45%, according to a March 2010 report of the City's actuary, Cheiron. Moreover, Cheiron reported that from July 1, 2008 through July 1, 2009 alone, the ratio decreased from 55% to 45%, largely reflecting the impact of the economic recession on Pension System investments and a change in the actuarial liability interest rate assumption. According to the City's Five-Year Financial and Strategic Plan for Fiscal Years 2011-2015, the City's pension costs more than doubled over a five-year period, from \$197 million in FY04 to \$437 million in FY09; and

WHEREAS, As a result of deliberate budgetary decisions by prior Administrations, the City systematically underfunded the Pension System for many years. The clearest indication of this pattern is the fact that for FY2011, Cheiron estimated that, excluding deferrals authorized by Act 44, the City would have been required to pay \$585.7 million based on the City's Funding Policy (or \$472.7 million, based on the minimum payment required by state law) to cover the amortized cost of prior obligations, and just \$96.6 million to cover the City's "normal" cost of funding newly-arising pension obligations. Were it not for historical underfunding and decisions to postpone and re-finance

City of Philadelphia

RESOLUTION NO. 100766 continued

impending pension payments, the size of the City's annual required contribution would be a more affordable fraction of the current level; and

WHEREAS, The Mayor has called for the elimination of the City's Deferred Retirement Option Plan ("DROP"), following the release of a consultant's study concluding that it had cost the City \$23.5 million annually from 1999 through 2009. That study is currently being reviewed for Council by a separate consultant. But even if Council, after conducting its due diligence, were to curtail or eliminate DROP moving forward, doing so would barely scratch the surface of the fiscal problem posed by years of fiscal neglect to the Pension System; in fact, even if the DROP study is accurate, the unanticipated cost of DROP is a "drop in the bucket," compared to the magnitude of the pension problem facing the City; and

WHEREAS, On October 26, 2009, Council's Committee on Labor and Civil Service held a hearing, as authorized by Resolution No. 080049 (adopted January 24, 2008), to examine the state of the City's Retirement System. Unfortunately, neither the Finance Director nor the City Solicitor was able to participate, nor did anyone else from the Administration appear other than an official who was authorized to read the Finance Director's and City Solicitor's written testimony into the record; and

WHEREAS, The Council, the Board of Pensions and Retirement, and the Mayor should exercise jointly their fiduciary responsibility on behalf of Philadelphia's taxpayers, and on behalf of past, current, and future City employees to ensure that the City's Retirement System is secure, sensible, fair and funded; now, therefore

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA,

THAT the Council respectfully urges the Mayor and the Board of Pensions and Retirement to join Council in a sustained, collaborative effort to comprehensively and fairly evaluate City employees' retirement benefits, with the goal of ensuring that the City has in place actuarially sound pension plans that balance the interest of employees in a secure retirement with the interest of all taxpayers in having an affordable municipal government with adequate funds to provide appropriate services.

RESOLVED FURTHER THAT to begin this effort, Council authorizes the Committee of the Whole to conduct hearings on the health and well-being of the City's entire Retirement System.

City of Philadelphia

RESOLUTION NO. 100766 continued

City of Philadelphia

RESOLUTION NO. 100766 continued

CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the fourth of November, 2010.

Anna C. Verna
PRESIDENT OF THE COUNCIL

Michael A. Decker
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember O'Neill

Sponsored by: Councilmembers O'Neill, Rizzo, Goode, Jones, Krajewski, Greenlee, DiCicco, Sanchez, Green, Council President Verna, Councilmembers Miller, Clarke, Tasco, Reynolds Brown, Blackwell and Kelly