



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

Legislation Text

File #: 180777, Version: 0

Authorizing the Committee on Finance to hold hearings to examine the state of the City of Philadelphia Municipal Retirement System ("Pension System") including the Pension System's existing plan entitlements, contributions and investment strategies.

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, Section 22-300 of the Philadelphia City Code provides qualifying City employees with a retirement benefits package through the City of Philadelphia Municipal Retirement System administered by the City's Board of Pensions and Retirement; and

WHEREAS, The Pension System is extremely underfunded. For example, in July 1, 2017, the City's Pension System's Funding ratio was 45.3 percent according to the March 2018 report by the City's actuary, Cheiron. According to the City's Five-Year Financial and Strategic Plan for Fiscal Years 2019-2023, the City's pension costs have more than tripled since FY01 and the general fund's pension costs are projected to be over \$100 million higher in FY23 than in FY18; and

WHEREAS, The City has consistently underfunded the Pension System for many years and this has been illustrated by the fact that for FY 2019, Cheiron estimated that, excluding deferrals authorized by Act 44, the City would have been required to pay \$965 million based on the City's Funding Policy (or \$581 million, based on the minimum payment required by state law) to cover the amortized cost of prior obligations, and \$86.3 million to cover the City's "normal" cost of funding newly-arising pension obligations; and

WHEREAS, The City's annual obligation to contribute to the pension fund is increasing dramatically, rising from \$438.5 million in pension costs in fiscal year 2009 to 668.3 million for fiscal year 2019; and

WHEREAS, According to the City's actuary, Cheiron, as of July 1, 2017 the City's unfunded actuarial liability was as high as \$6.167 billion; and

WHEREAS, According to the City's 2000 Actuarial Valuation Report, performed by William M. Mercer Incorporated, in the year 2020 the projected unfunded actuarial accrued liability would be \$0 and the actuarial value of assets would be \$17.2 billion. Yet, the 2017 Actuarial Valuation Report indicated that the actuarial value of assets is just \$5.11 billion showing that such projections are consistently incorrect; and

WHEREAS, The City must explore the cause of and solutions to the current deficit in the Pension System in order to ensure the City's future fiscal stability; and

WHEREAS, City Council believes it would be beneficial for all interested parties to hold Council hearings, hopefully in coordination and cooperation with the Administration, in order to assure that City of Philadelphia's Municipal Retirement System is able to keep its commitment to current retirees and that it remains available to

future generations of City employees; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Hereby authorizes the Committee on Finance to hold hearings to examine the state of the City of Philadelphia Municipal Retirement System (“Pension System”) including the Pension System’s existing plan entitlements, contributions and investment strategies.