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Auditor General DePasquale Sees Pension Improvement in York

Police compromises on cost-of-living increases, retirement age help taxpayers

YORK – Auditor General Eugene DePasquale today said that, by working together, the City of York and the Fraternal Order of Police saved nearly \$10 million in projected pension costs, avoided devastating layoffs of public safety employees and helped improve the stability of its pension fund.

The city and the police union agreed to set an annual cost-of-living adjustment at 2.5 percent, saving the city an estimated \$9.4 million in contributions to the plan for 2015 and 2016. The amended cost-of-living compromise was retroactive to Jan. 1, 2013.

The police union also agreed to increase the retirement age from 50 to 55 years, starting with police officers hired after Jan. 1, 2015. This benefit modification will reduce the plan's long-term costs since the affected police officers will not start receiving pension benefits for an additional five years.

"Everyone wins when city leaders, union leaders, police and retirees work together," DePasquale said. "This approach is rare and innovative. In fact, it may be a road map for other municipalities and unions to address the long-term financial stability of their pension plans to ensure funds are available for future retirees.

"Here in York, annual pension payments were made on time for the first time in two years, avoiding costly penalties and helping to avoid the potential layoff of up to 40 police officers. The result is that taxpayers were spared cuts in services or a devastating tax hike," DePasquale said.

The city originally estimated the minimum pension payment for its three pension plans — police, firefighters, and officers and employees — to be \$8.1 million for 2015. However, due to the benefit compromise by police, the city eliminated the \$4.7 million due to the police plan, and its total minimum pension payment dropped to \$3.4 million.

The savings enabled York to make its required contributions to its plans for 2015 on time and pay the \$1.8 million in interest penalties from failing to fully make required contributions to the police and firefighters plans in 2013 and 2014.

Minimum Municipal Pension Payments	2015	2016
Police	\$0	\$0
Firefighter's	\$2.2 million	\$2.2 million
Officers & Employees	\$1.2 million	\$1.2 million
Total	\$3.4 million	\$3.4 million

The city's 2016 contribution of \$3.4 million for the firefighter's and officers and employees plans is due by Dec. 31.

"Cooperation and compromise clearly paid off in millions of dollars in savings," DePasquale said. "The administration and unions in York decided they could not wait any longer for pension reform in Harrisburg. They took matters into their own hands and now York is one of the first cities to obtain

benefit reductions through the collective bargaining process. Without these compromises, the city would have struggled to make its pension payments and its funds would have slid deeper into distress.”

Long-Term Solution Needed

“The cooperation and local initiative only goes so far,” DePasquale said, noting that the changes allowed York to catch its breath, the total pension payment is projected to rise in 2017 to an estimated \$6.8 million – \$2.6 million for police; \$2.9 million for firefighters; and \$1.3 million for the officers and employees plan.

York’s overall aggregate pension fund levels improved to 65.5 percent in 2015, which included increases in the police and officers’ and employee funding ratios. However, the firefighters pension fund slid to 52.3 percent funded in 2015, inching closer to severely distressed status for plans less than 50 percent funded.

Municipal pension plans are ranked based on their funded ratio.	
Funded Ratio	Distress Level
90 percent or more	Not Distressed
70 to 89 percent	Minimal Distress
50 to 69 percent	Moderate Distress
Less than 50 percent	Severe Distress

“York, like many other municipalities, needs help from Harrisburg,” DePasquale said, noting that the city’s pension liability jumped to \$161.2 million in 2015. The unfunded portion of the liability is \$55 million — the seventh-largest unfunded pension liability in the state. “They cannot address this enormous burden alone. We need comprehensive, statewide municipal pension reform.

“I will continue to put pressure on our leaders to make tough decisions and difficult choices until we get true and meaningful municipal pension reform,” DePasquale said.

The auditor general’s latest statewide local government municipal pension report found that nearly half of the employee plans statewide are in distress. Overall, there is nearly an \$8 billion unfunded municipal pension liability.

Last year, DePasquale was appointed by Gov. Tom Wolf to lead a Task Force on Municipal Pensions. In fewer than 60 days, DePasquale delivered [the task force’s report](#) to the governor, offering realistic and responsible reforms to address problems with Pennsylvania’s system of local government retirement plans.

The City of York Pension Trust Fund audit report is available online at: www.PaAuditor.gov.

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