



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 414

PRINTERS NO. 1837

PRIME SPONSOR: Briggs

### COST / (SAVINGS)

| FUND         | FY 2015/16        | FY 2016/17        |
|--------------|-------------------|-------------------|
| General Fund | See fiscal impact | See fiscal impact |

**SUMMARY:** House Bill 414, printer's number 1837, amends the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, to provide special procedures for certain professional services contracts. The effective date is 60 days after enactment.

**ANALYSIS:** The bill amends the definition of professional services contract in Section 701-A of the Municipal Pension Plan Funding Standard and Recovery Act to specify that such contracts apply only to municipal pension systems having 100 or more active members. Professional services contracts are contracts for the purchase of professional services, including investment services, legal services, real estate services and other consulting services and are not subject to a requirement that the lowest bid be accepted. Act 44 of 2009 added the requirement that all municipal pension systems regardless of their size undergo public procurement processes for professional legal, investment and advisory services. The Public Employee Retirement Commission's December 2014 Status Report on Local Government Pension Plans indicates there are 3,169 municipal pension plans in the Commonwealth subject to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act ("Act 205 plans"). Of the 3,169 Act 205 plans, only 59 had active membership of 100 or more.

The bill adds a new section to the Municipal Pension Plan Funding Standard and Recovery Act to provide special procedures for obtaining professional services contracts for municipal pension plans with fewer than 100 active members. Governing bodies of municipal pension plans with less than 100 active employees shall be able to select the most qualified person to administer, manage or service the municipal pension plan without undertaking a formal bidding process so long as the governing bodies announce at two consecutive regularly scheduled public meetings the availability of the contract; and post the availability of the contract on the official Internet website of the municipality for a period of no less than two weeks.

**FISCAL IMPACT:** The enactment of this legislation will have no adverse impact on Commonwealth funds. Municipal pension plans with fewer than 100 active members may realize administrative savings from the fact that they will no longer have to engage in a formal bidding process for professional services, which includes advertising. It is not possible to provide an estimate of administrative savings that may be realized by municipal pension plans.

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House Appropriations Committee (R)

**DATE:** October 26, 2015

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*