

**Testimony of Les Neri, President, Fraternal Order of Police, PA State Lodge  
Before Pennsylvania House Local Government and Urban Affairs Committees**

**October 1, 2015 – Statewide Municipal Police Pensions**

Good morning. My name is Les Neri. I am proud to serve as President of the Fraternal Order of Police, Pennsylvania State Lodge, which represents approximately 40,000 active and retired law enforcement officers and their families throughout the Commonwealth of Pennsylvania. Before my election as President of the FOP, I served as a municipal Police Officer and Detective for more than 26 years in Tredyffrin Township, Chester County.

On behalf of the members of the Fraternal Order of Police and their families, I would like to extend my thanks to all Committee members for your consideration of retirement issues affecting law enforcement professionals, and for your longstanding support of Pennsylvania's police officers.

My remarks will present the view of the Fraternal Order of Police on the importance of maintaining fair and secure retirement benefits for the men and women who risk their lives each day to keep Pennsylvanians safe. At the outset, I would like to stress that aside from very few exceptions, municipal police pensions in Pennsylvania are in strong financial condition. It's important to note this, because so much of the pension debate seems to be misinformation and propaganda. As a police officer and detective, my job was to investigate and uncover the facts. And, if I may, here are the facts concerning local police pension plans:

**Fact 1: Municipal Police Pensions Are in Good Shape**

It is the FOP's position that any fair consideration of local pension reform must include the option to maintain the current defined-benefit system. This is not to say that we cannot tweak the system from time to time as needed. But from our perspective, there is no need to "throw away the baby with the bath water" when it comes to pensions.

The fact in Pennsylvania is that defined-benefit police pensions work. If managed correctly and conservatively, if operated with the involvement of all stakeholders, including police, defined-benefit pension plans work. We know that the overwhelming majority of Pennsylvania's municipal police pension plans are very well funded. Based on PERC's 2014 Status Report on all Local Government Pensions (police and non-uniform) only 23 municipalities representing 1.6% of the total municipalities were categorized as severely distressed. That's not even close to a "pension crisis" and tells me that we are doing something right. Let's build on this success.

## **Fact 2: There is Room for the Sensible Pension Reform of Consolidation**

Just because most police pension plans are in good shape, this does not mean that the system cannot be improved. The Pennsylvania Fraternal Order of Police does not oppose pension reform. To this extent, the PA FOP has endorsed House Bill 32, which will establish a statewide pension program for municipal police officers using existing Commonwealth resources and saving tens of millions of dollars in the process. The initiative solves the problem that PERC and other experts have lamented for decades – that there are simply too many municipal pension plans in Pennsylvania.

According to the PERC, Pennsylvania currently has 956 municipal police pension plans. Of these plans 352 have 3 or fewer active members, 305 have from 4 to 10 active members, and nearly 70% of all municipal police pension plans have less than 11 active members.

The costs associated with the administrative and investment expenses of these numerous police pension plans are significantly greater than for a multiple-employer retirement system like PMRS. A PERC review of the 2013 Act 205 reporting data revealed that the average per-member administrative cost for Pennsylvania's municipal police pensions plans, excluding Philadelphia and Pittsburgh, were \$1,612 while the average per-member administrative costs under PMRS were only \$392. The same review found that the average per-member investment cost for local municipal police plans were \$1,590 compared to PMRS's per-member costs of \$762.

House Bill 32 provides a modest, defined benefit pension plan that features higher employee contributions, minimum employer funding requirements and more conservative management practices. The statewide plan would be mandatory for new police officers (outside of Philadelphia, Pittsburgh and the State Police) and optional for current police departments. To protect against local abuses or outlier benefit levels, the statewide plan completely prohibits local bargaining over pension plans for members in that plan. The Bill would also foster the gradual consolidation of Pennsylvania's 900+ police pension plans in order to secure savings, encourage regionalization of police services, and remove unnecessary labor market restrictions that limit departments' ability to recruit officers from competing police departments. In sum, House Bill 32 provides a modest and cost effective pension benefit for Pennsylvania's police officers.

I also note that efforts such as House Bill 974 represent another possible part of municipal pension reform, by amending Act 205 to provide increased incentives for municipalities and police officers to improve pension funding at a local level. While the FOP does not currently support that bill, we do support the concept of increased incentives and consequences for local pension plans.

### **Fact 3. Defined Contribution Plans Won't Work for Police Officers**

Standing in stark contrast to the common-sense reform of consolidation are efforts to dismantle the entire retirement security system for Pennsylvania's police officers, most of whom are not even eligible for basic Social Security benefits. In place of their current, modest pensions, efforts like Senate Bill 755 (defined contribution plan) and House Bill 316 (cash balance plan) would force municipal police officers into savings plans or glorified savings plans in which the officer bears the risk of market downturns and receives capped, artificially-depressed gains on their investments.

Defined-contribution and hybrid pensions won't work for police employees because of the work that we perform. Police Officers retire at an earlier age than civilians because of the physically demanding work that we are required to perform. It's not a reward, it's a recognition that older officers can be at a disadvantage on the streets. Our retirement ages are lower to protect the public.

Forcing police officers into a defined-contribution pension system will give them fewer years to build a sufficient retirement savings and cause them to work longer. In other words, we will have 60 and 70 year old police officers chasing bad guys. Or, for FOP members who are subject to a mandatory retirement age – and we have many of them – those officers will just be out of luck altogether. So DC and other savings plan retirement systems simply do not fit for police officers or for society at large.

DC and hybrid pension systems plans also fail to address the reality that police officers sustain permanent and disabling injuries as a result of our work. Currently, if an officer is maimed in the defense of citizens, they can retire and receive a percentage of their salary. That's a fair compromise – our members risk their lives and permanent injury, and in exchange they retire as if they had reached age and service requirements. But in a DC system, the disabled member walks away only with the money accrued in their account, whether that amount is adequate or not. I ask you, is that how we should treat men and women who risk their lives to keep Pennsylvanians safe? I think the answer is an obvious no.

Finally, I remind the Committee that most police officers in Pennsylvania do not participate in Social Security. This is unlike civilians who receive two pensions, a work pension and Social Security, which is a second defined-benefit pension. Unlike civilians, most police officers only have their work pension to support them in their retirement. That's all we have. So we must preserve a solid system, and that is why efforts like this hearing are so critical for Police Officers.

In conclusion, I would like to thank the Committee members for considering the issue of municipal pension systems for public workers like police officers, and I urge your consideration and passage of House Bill 32.