



CITY OF PITTSBURGH

"America's Most Livable City"

Office of Mayor William Peduto

**Testimony of the Honorable William Peduto
Mayor
City of Pittsburgh**

**Pennsylvania House and Senate Local Government Committees
Joint Public Hearing Examining Municipal Pension Reform
Harrisburg, Pennsylvania
January 22, 2018**

Chair Wagner, Chair Blake, Chair Harper, Chair Freeman, and Committee Members,

I would like to begin by thanking you for the opportunity to submit testimony regarding municipal pension reform in the state of Pennsylvania. I understand the historic and important nature of holding a joint hearing on this subject matter. This issue is vitally important to the residents of Pittsburgh the entire Commonwealth, and I appreciate your efforts and consideration.

I am writing today in support of your efforts to advance municipal pension reform during the current legislative session, and I am requesting your consideration of Pittsburgh's specific legislative recommendations on this matter. As you are aware, pension reform legislation is desperately needed in many of our municipalities now more than ever. As our pension obligations grow at the local level, we are forced to either increase the burden on taxpayers or defer critical investments in our neighborhoods. Without structural reform to the current system, we may be unable to meet our commitment to provide retirement security to our employees.

At present, 12% of Pittsburgh's annual budget is allocated to funding employee pensions. An additional \$11 million is contributed to the fund by employees, and investment revenue is also added back into the general pension fund. Overall, between \$90 million and \$100 million is added annually to the pension fund. Even with this massive contribution, and additional support from the Commonwealth, the City's pension fund is only 59% funded in the current bull market. Absent any structural change, the City's pension fund will continue to require more and more contributions from the taxpayers to remain solvent.

As leaders in pension reform, I am asking you to consider the recommendations below when drafting legislation regarding pension reform as they pertain to the City of Pittsburgh. These items will specifically help to strengthen our City's pension fund.

City of Pittsburgh: Pension Reform Recommendations

1. Allow for the voluntary delay of pension participation and contributions for the first six months after hire.
2. Move municipal employee vesting to 10 years.
3. Measure service by time contributing to the retirement plan - not just years of service.

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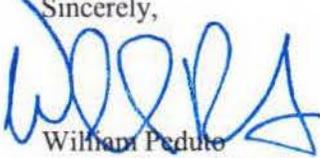
4. Contributions can be returned to non-vested members or to vested members in lieu of retirement benefits. Unused contributions will be paid to beneficiary in event of death with interest.
5. Require pension benefit to be based on the highest 104 pays of the last eight years.
6. Full retirement would be equal to 50% of the employee's final salary based on 25 years of creditable service and age requirement. For municipal employees, the age would be set at 60 years old. For police and fire employees, the age would be set at 55 years old.
7. Qualifications for early retirement would include being vested and being between the ages of 55 and 60 years old.
8. Disability would be equal to 12 years of creditable service and proof of "total and permanent disability."
9. Layoff or no-fault retirement would be equal to 25 years of service and terminated without cause may be eligible to receive 70% of full retirement.
10. Survivor annuity would require that the spouse receives 50% of deceased member's retirement benefit less cost of option.
11. Workers' compensation would require that employees who retire on workers' compensation will receive a pension amount equal to the last monthly contribution made while working.
12. Remove all pension from collective bargaining.
13. End pension spiking for the fire union. All benefits based solely on pay without overtime or other supplements.
14. Make pension contributions flexible annually so that the percent of pay could float every year to offset lower than expected return from investment.

I know that there has been some discussion surrounding a proposal to securitize a portion of existing staid aid to distressed pension plans in order to replace the current recurring annual payment with a one-time infusion of cash. I would respectfully ask that Pittsburgh have the ability to either opt in or opt out of this provision if it is included in the final legislation.

On behalf of the City of Pittsburgh, I have sought to remove Act 47 oversight and amend our municipal City Code to require critical financial restraints, but it is imperative that these changes are made in conjunction with the enactment of municipal pension reform in order to provide long term financial stability for the City. I believe with even modest reform, Pittsburgh and municipalities across Pennsylvania, can start to turn the corner.

I am not naïve to the challenge that is ahead. These reforms are largely on the backs of future public employees whose current leadership and workforce is vital to the basic functions of City government. We all must act now and together to ensure our ability to deliver retirement security for current and future pensioners.

I look forward to working with all stakeholders to put Pittsburgh and Pennsylvania on a path to financial sustainability. Thank you for your leadership and for considering these needed recommendations.

Sincerely,

William Peduto
Mayor, City of Pittsburgh