

## Veto No. 7

SB 1166

June 24, 1976

To the Honorable, the Senate  
of the Commonwealth of Pennsylvania:

I return herewith, without my approval, Senate Bill No. 1166, Printer's No. 1835, entitled "An act amending the act of July 28, 1953 (P.L. 723, No. 230), entitled 'Second Class County Code,' defining a term, providing a service increment and option benefits and changing certain retirement ages and years of service."

This bill provides for a liberalization of the Allegheny County Pension law, including a service increment provision, a survivorship option, a 10% monthly benefit increase not to exceed \$45, and reduced immediate retirement benefits for persons under age sixty (60) but who have twenty (20) years of service and are dismissed.

The combination of these additional benefits will add significantly to the unfunded liability of the county's pension system, which amounted to \$62.4 million as of July 1, 1974. The only provision to offset these new costs is a partial contribution that would be required of recent retirees in order to receive the increased monthly benefit. Otherwise, the assumption of these additional costs is to be borne by the county government.

It would not serve the interests of the Allegheny County government, its taxpayers or its employees to add, at this time, to the unfunded liabilities of the county pension system.

Act 293 of 1972 mandated actuarial studies of all local government pension systems, and a Department of Community Affairs analysis of these studies estimated that State-wide the unfunded liabilities of local pension systems exceed \$1 billion.

I am concerned that in the case of the failure of this Allegheny County pension system or any other local pension system that the State will ultimately have to pay the bill. I might add that presently the State is providing a subsidy of local pension systems in excess of \$30 million a year.

There is a need for broad reform of the fiscal and actuarial aspects of municipal employee pension systems. I note the introduction of Federal legislation to regulate municipal pension systems and a recent State proposal to provide for a pension system review commission.

There is the need in Pennsylvania for the creation of a mechanism at the State level that can provide fair and objective analysis of specific legislative recommendations as well as provide a general overview of the municipal pension field. Proposals to provide such a mechanism deserve the full attention of the Pennsylvania General Assembly.

I encourage the General Assembly to join me in a moratorium on legislative changes to municipal pension benefits, such as those envisioned in Senate Bill No. 1166, until such time as we can create an appropriate vehicle that will effectively monitor and comprehensively review

Pennsylvania's various pension systems.

For these reasons, the bill is not approved.

MILTON J. SHAPP