

Veto No. 1992-10

SB 345

December 28, 1992

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

I hereby publicly proclaim, and file with the Secretary of the Commonwealth, my disapproval of Senate Bill 345, Printer's No.2399, entitled "An act amending the act of July 3, 1947 (P.L.1242, No.507), entitled 'An act relating to police and firemen's pension funds in cities of the second class A, and directing such cities to appropriate certain moneys thereto, and requiring reports and audits,' and the act of September 23, 1959 (P.L.970, No.400), entitled 'An act providing for the creation, maintenance and operation of an employes' retirement system in cities of the second class A, and imposing certain charges on cities of the second class A and school districts in cities of the second class A,' further providing for credit for military service."

I have no choice other than to withhold my approval of Senate Bill 345.

Senate Bill 345 would permit policemen, firemen and nonuniformed employees of cities of the second class A to purchase nonintervening military service as a credit towards their pension service. This bill applies only to the City of Scranton since it is the only municipality currently meeting the population requirements for the second class A classification.

If this bill would become law, it would increase the already dangerously unfunded liability of the pension systems in the City of Scranton, placing them in jeopardy of failing to meet their obligations to retirees, and force the city to reallocate its limited financial resources at a time when it must put every cent of taxpayers' dollars to its most prudent use. This bill mandates a luxury which the city cannot afford at this time.

The Public Employee Retirement Commission, an agency of the Commonwealth charged with reviewing all legislation affecting public employee pension and retirement plans and monitoring them to assure their actuarial viability, has reported to me that the public employee retirement systems of the City of Scranton have substantial unfunded actuarial accrued liabilities. The actuarial note from the commission states that these liabilities are neither stabilizing nor decreasing, but rather have increased from \$55.875 million on July 1, 1985, to 64.168 million as of January 1, 1990, the latest date for which data is available. The actuary has estimated that Senate Bill 345 will add another \$3,000,000 to this already dangerous level of unfunded liability.

Furthermore, as a result of this enormous underfunding, the city's retirement systems have been classified as severely distressed under the Municipal Pension Plan Funding Standard and Recovery Act of 1984. This level of distress is the highest level that may be assigned under the Recovery Act. This status entitled the city to participate in the Supplemental State Assistance Program which is financed by annual appropriations from the Commonwealth's General Fund for the purpose of financially helping ailing pension

systems. The amount of assistance received by a city's pension fund under the Recovery Act is directly related to the degree of financial distress in the individual municipal retirement system. It is expected that the amount of assistance received from the program will increase dramatically over the next year.

On January 10, 1992, the city was declared financially distressed under the Municipalities Financial Recovery Act. Hopefully, with the assistance provided by the Commonwealth under this law, the city will be on the road to fiscal stability. The underfunding of the city's pension systems is very much a part of the larger financial distress of the city. Adding unfunded liability to the city's obligation to fund its pension systems will only contribute to the city's critical fiscal status.

For all these reasons, I hereby withhold my signature from Senate Bill 345, Printer's No.2399.

ROBERT P. CASEY