**Fiscal Impact Statement**

|  |  |
| --- | --- |
| ***Department*** | Municipal Pension Fund |
| ***Preparer*** | Bill Urbanic |
| ***Contact*** | Municipal Pension Fund |
| ***Type of Initiative*** | ☒ Legislation | ☐ Executive Order |
| ***Type of Legislation*** | Ordinance |

**Description of Initiative**

The Municipal Pension Plan had paid interest to non-union employees on moneys withheld by the fund terminating employment prior to attaining the necessary eligibility for receiving a pension. This was codified in Ordinance 22 of 2001 in Article XI Personnel (now Human Resources), Chapter 192 of the City code. Act 47 of 2004 made sweeping changes to the pension and benefits sections of the code through Ordinance 21 of 2004 that included changes in vacation, sick leave, retirement and severance, the establishment of a social security offset, and one of which eliminated the interest payment for terminated employees hired after June 30, 2004. The elimination of interest would be subject to collective bargaining agreements.
With the exception of a small group of union employees, the employees from the other unions would still be paid interest if terminating early due to their bargaining agreements. This left mostly non-union employees hired after June 30, 2004 subject to the revised no interest provision.
As pension ineligible employees hired after June of 2004 began to terminate, interest was mistakenly being paid to those non-union employees. This was uncovered in October of 2017 by an investigation by the Fund’s Solicitor regarding a final settlement of a matter before the board.
There were 77 individuals who fell into this category that were paid a total of $66,077 of the 13+ years the ordinance change was supposed to be in effect. During that time the municipal fund paid out over $300 Million in benefits, making the interest payments a de minimis matter. Although the Board considered collection, given the complexity, tax implications and cost of collecting the funds the Board is seeking to reverse the previous ordinance. Due to the general unfairness and minor impact of the annual payout the Board is requesting this change revert to the original intent of Ordinance 22 of 2001 regarding interest payment. The costs will be borne by the fund. The department of Law has advised this not considered a pension enhancement.

|  |  |
| --- | --- |
| ***Total Cost*** | $ $66,077 immediate borne by Municipal Pension |
| ***Frequency of Expenditure*** | ☒ One-Time | ☒ Multi-Year |
| ***Funding Source*** | ☐ Operating | ☐ Capital | ☐ Grant | ☒ Trust Fund |
| ***Is this item budgeted?*** | ☐ Yes | ☒ No |
|  |  |  |  |  |

**Additional Costs**

There will be a cost for employees that have left since October of 2017 when the Board stopped paying out and future employees. That number is estimated to be between $5,000 and $25,000 annually and will depend upon the years of service and salary amount of the employees who terminate without a pension benefit. The Board will work to better estimate that number.

**Impact on City Revenue**

De minimus impact to $600 Million Pension fund

**Attachments**

By request