



COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT COMMISSION
P. O. BOX 1429, HARRISBURG, PA 17105-1429

October 20, 2015

The Honorable Kate Harper
Majority Chairman
House Local Government Committee
House of Representatives
209 Ryan Office Building
Harrisburg, PA 17120

Re: House Bill Number 414, Printer's Number 1837

Dear Representative Harper:

I am writing with regard to the above referenced bill. House Bill Number 414, Printer's Number 1837, would amend the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) to provide special procedures for municipal pension systems having less than 100 active members to select the most qualified person to enter into a contract to administer, manage or service the municipal pension plan, rather than being required to develop and implement bidding procedures for entering into professional services contracts.

Prior to the passage of Act 44 of 2009, small local governments most often engaged local businesses to provide actuarial, financial and other professional services for their pension plans without employing a formal bidding process. With the passage of Act 44, Section 702-A now requires all municipal pension plans subject to Act 205, regardless of size, to engage in a formal bidding process when contracting for services. The procedures include advertising to potential service providers, creation of applications and disclosure forms to be used for purposes of submitting proposals, and the manner in which such submitted proposals will be reviewed in order to select the most qualified person to enter into a professional services contract with the municipal pension system. This process can be time-consuming and expensive and is particularly onerous for small municipal pension plans, which make up the vast majority of municipal plans in the Commonwealth. The bill would limit the applicability of the Section 702-A contracting requirements to larger municipal plans having an active membership of 100 or more.

Under the Public Employee Retirement Commission Act (Act 66 of 1981), the Commission has a mandated responsibility to review any legislative changes that affect public employee retirement systems. At my direction, the Commission staff has reviewed the provisions of House Bill Number 414, Printer's Number 1837, and determined that while the bill would result in a reduction in the administrative costs associated with selecting individuals to enter into professional service contracts for most municipal pension plans, it would not affect the benefits provided under

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 414 Session of 2015

INTRODUCED BY BRIGGS, THOMAS, GODSHALL AND COHEN, FEBRUARY 9, 2015

AS REPORTED FROM COMMITTEE ON LOCAL GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 17, 2015

AN ACT

1 Amending the act of December 18, 1984 (P.L.1005, No.205),
2 entitled, as amended, "An act mandating actuarial funding
3 standards for all municipal pension systems; establishing a
4 recovery program for municipal pension systems determined to
5 be financially distressed; providing for the distribution of
6 the tax on the premiums of foreign fire insurance companies;
7 and making repeals," in standards for municipal pension
8 systems, further providing for definitions and for
9 procurement for professional services contracts AND PROVIDING
10 FOR SPECIAL PROCEDURES FOR CERTAIN PROFESSIONAL SERVICES
11 CONTRACTS. <-- <--

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. The definition of "professional service contract"
15 in section 701-A of the act of December 18, 1984 (P.L.1005,
16 No.205), known as the Municipal Pension Plan Funding Standard
17 and Recovery Act, added September 18, 2009 (P.L.396, No.44), is
18 amended to read:

19 Section 701-A. Definitions.

20 The following words and phrases when used in this chapter
21 shall have the meanings given to them in this section unless the
22 context clearly indicates otherwise:

1 * * *

2 "Professional services contract." A contract to which [the]
3 a municipal pension system having 100 or more active members is
4 a party that is:

5 (1) for the purchase or provision of professional
6 services, including investment services, legal services, real
7 estate services and other consulting services; and

8 (2) not subject to a requirement that the lowest bid be
9 accepted.

10 ~~Section 2. Section 702 A(a) of the act, added September 18, <--~~
11 ~~2009 (P.L.396, No.44), is amended to read:~~

12 ~~Section 702 A. Procurement for professional services contracts.~~

13 ~~(a) Procedures. Each municipal pension system having 100 or~~
14 ~~more active members, including the Pennsylvania Municipal~~
15 ~~Retirement System, shall develop procedures to select the most~~
16 ~~qualified person to enter into a professional services contract.~~
17 ~~The procedures shall ensure that the availability of a~~
18 ~~professional services contract is advertised to potential~~
19 ~~participants in a timely and efficient manner. Procedures shall~~
20 ~~include applications and disclosure forms to be used to submit a~~
21 ~~proposal for review and to receive the award of a professional~~
22 ~~services contract.~~

23 * * *

24 SECTION 2. THE ACT IS AMENDED BY ADDING A SECTION TO READ: <--

25 SECTION 702.1-A. SPECIAL PROCEDURES FOR CERTAIN PROFESSIONAL
26 SERVICES CONTRACTS.

27 THE GOVERNING BODY OF EACH MUNICIPAL PENSION PLAN SYSTEM,
28 HAVING LESS THAN 100 ACTIVE MEMBERS, SHALL SELECT THE MOST
29 QUALIFIED PERSON TO ENTER INTO A CONTRACT TO ADMINISTER, MANAGE
30 OR SERVICE THE MUNICIPAL PENSION PLAN. TO ENSURE THAT THE

1 AVAILABILITY OF A CONTRACT TO ADMINISTER, MANAGE OR SERVICE A
2 MUNICIPAL PENSION PLAN IS PROVIDED TO POTENTIAL PARTICIPANTS,
3 THE GOVERNING BODY SHALL:

4 (1) ANNOUNCE AT TWO CONSECUTIVE REGULARLY SCHEDULED
5 PUBLIC MEETINGS THE AVAILABILITY OF THE CONTRACT.

6 (2) POST THE AVAILABILITY OF THE CONTRACT ON THE
7 OFFICIAL INTERNET WEBSITE OF THE MUNICIPALITY, IF ANY, FOR A
8 PERIOD OF NO LESS THAN TWO WEEKS.

9 Section 3. This act shall take effect in 60 days.