

ORDINANCE NO. 15233

FILE OF CITY COUNCIL

BILL NO. 57 – 2015

September 2, 2015

AN ORDINANCE

Authorizing and directing that action be taken to effectuate an irrevocable revision to the amortization schedule of the Officers and Employees pension plan and the Firefighter pension plan in accordance with Act 205, the Municipal Pension Plan Funding Standard and Recovery Act, authorizing appropriate officers and officials to take required necessary and/or appropriate action to bring about the foregoing revision and providing when this ordinance shall become effective.

WHEREAS, the City of Allentown, Lehigh County, Pennsylvania (the "City"), is a City acting under and pursuant to the laws of the Commonwealth of Pennsylvania and the City's Home Rule Charter; and

WHEREAS, the City presently has an unfunded actuarial accrued liability for the Officers and Employees Pension Plan ("O&E Plan"), which was frozen to new entrants in 1976; and

WHEREAS, the City presently has an unfunded actuarial accrued liability for the Firefighters Pension Plan ("Fire Plan"); and

WHEREAS, the City presently amortizes the unfunded actuarial accrued liability of the O&E Plan and the Fire Plan over the applicable periods set forth in subparagraphs (i) through (v) of Section 202(b)(4) of the Municipal Pension Plan Funding Standard and Recovery Act, Act of December 18, 1984, a/k/a "Act 205," as amended by the Act of September 18, 2009 (P.L. 396, No. 44) ("Act 44"); and

WHEREAS, Section 202(b)(4) of Act 205 allows the governing body of a municipality to apply, on an irrevocable basis, an alternative amortization schedule to a pension plan if the ratio of the actuarial value of assets of the plan to the actuarial accrued liability for the plan exceeds 0.70 as of the beginning of the plan year; and

WHEREAS, the City has been advised that the .70 funding threshold is exceeded for both the O&E Plan and the Fire Plan on January 1, 2015; and

WHEREAS, the Council of the City of Allentown has determined that it is in its best interest to apply such alternative amortization schedule to the O&E Plan and the Fire Plan.

NOW, THEREFORE, BE IT RESOLVED, by Council of the City of Allentown, as follows:

Section 1. Council of the City of Allentown does hereby authorize the amortization of the unfunded actuarial accrued liability of the O&E Plan to not exceed the amount required to amortize the remaining unfunded actuarial accrued liability as of the beginning of the plan year over ten (10) years in level dollar contributions, as permitted by Section 202(b)(4).

Section 2. Council of the City of Allentown does hereby authorize the amortization of the unfunded actuarial accrued liability of the Fire Plan to not exceed the amount required to amortize the remaining unfunded actuarial accrued liability as of the beginning of the plan year over ten (10) years in level dollar contributions, as permitted by Section 202(b)(4).

Section 3. The application of the aforementioned amortization schedule(s) is irrevocable.

Executed and approved by me this 22nd day of September, 2015.



Mayor of City of Allentown
Lehigh County, Pennsylvania

I hereby certify that the foregoing Ordinance was passed by the City Council and signed by his Honor the Mayor on September 22, 2015.



City Clerk

(SEAL)

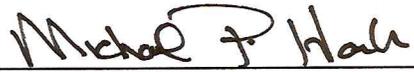
DULY ENACTED this 16th day of September, 2015, by the Council of City of Allentown, Lehigh County, Pennsylvania, in lawful session duly assembled.

Executed and approved by me this 22nd day of September, 2015.



Mayor of City of Allentown
Lehigh County, Pennsylvania

I hereby certify that the foregoing Ordinance was passed by the City Council and signed by his Honor the Mayor on September 22, 2015.



City Clerk

CERTIFICATION

I hereby certify that the foregoing document is a true and correct copy of Ordinance passed by Allentown City Council on September 16, 2015.

Certified this 24th day of September, 2015.



City Clerk

| | Yea | Nay |
|----------------------|-----|-----|
| Joe Davis | X | |
| Jeanette Eichenwald | X | |
| Jeff Glazier | X | |
| Daryl Hendricks | X | |
| Cynthia Y. Mota | X | |
| Julio A. Guridy, VP | X | |
| Ray O'Connell, Pres. | X | |
| TOTAL | 7 | 0 |

I hereby certify that the foregoing Ordinance was passed by City Council on September 16, 2015 and signed by the Mayor on September 22, 2015.

Michael P. Hab

CITY CLERK

- **What Department or bureau is Bill originating from? Where did the initiative for the bill originate?**

Administration, Finance

- **Summary and Facts of the Bill**

- Officers and Employees (O & E) Pension: Enables the plan to reduce possible MMO volatility risk that it will face once there are no longer any active employees.

- Fire Pension: Due to the reinstatement of the Fire COLA, that loss needs to be recognized immediately in the 2016 MMO.

- **Purpose – Please include the following in your explanation:**

- **What does the Bill do – what are the specific goals/tasks the bill seek to accomplish**

- **What are the Benefits of doing this/Down-side of doing this**

- **How does this Bill related to the City's Vision/Mission/Priorities**

O & E – If we do not do the amortization then all losses and gains will have to be amortized in one year and would represent a significant volatility risk.

Fire – To allow for a more stable MMO in 2016 and moving forward, the 10 year amortization is necessary.

- **Financial Impact – Please include the following in your explanation:**

- **Cost (Initial and ongoing)**

- **Benefits (initial and ongoing)**

O & E – to remove the volatility risk for future payments the 10 year amortization is necessary.

Fire – The 2016 MMO for Fire would spike so the 10 year amortization smooths the 2016 and future year MMO payments.

- **Funding Sources – Please include the following in your explanation:**

- **If transferring funds, please make sure bill gives specific accounts; if appropriating funds from a grant list the agency awarding the grant.**

Not applicable.

- **Priority status/Deadlines, if any**

The actuary and legal consultants recommends passage within the first half of 2015

Why should Council unanimously support this bill?

The ordinance protects the City and the pension funds.