

June 21, 2023

Back from the Dead: State of PA Legislation Introduced Mandatory COLA for Certain Police & Fire Retirees

It has been a year since we first shared details about HB 2237, which we thought would easily pass. But then it died in the House Local Government committee before ever being put to a vote. That bill updated the 2002 Act 64 COLA formula for certain police (and, we believe, fire) retirees.

On June 12, 2023, HB 1379 was introduced in the PA legislature by Representative Steven Malagari (D) who serves parts of Montgomery County. This bill includes both police and fire retirees and uses a flat-dollar COLA formula very similar to the one in the original 1988 Act 147 COLA but retains the offset and reimbursement provisions of Act 64. The proposed COLA effective 1/1/2024 is:



- \$75 per month if retired at least 5 years but less than or equal to 10 years as of 1/1/2024
- \$150 per month if retired more than 10 years but less than or equal to 20 years as of 1/1/2024
- \$300 per month if retired more than 20 years as of 1/1/2024

Yet again, this bill is now parked in the House Local Government committee and with summer recess historically spanning most of July and into mid-September, the bill probably will not be considered again for several months until later in the Fall.

The original 1988 Act 147 COLA uses a simple dollar-for-dollar reimbursement to the municipality by annually submitting Form AG-490. However, an unintended state aid windfall was created for municipalities (with well-funded plans) who received less than a full unit value allocation of State Aid. Act 64 eliminated that windfall and replaced the dollar-for-dollar reimbursement for the 2002 Act 64 COLA with a methodology muddled in the Act 205 funding rules; and which now requires input from your plan actuary. See Form AG-64. Under the 2002 methodology, it is difficult for a municipality to tell for certain that it's been fully reimbursed for a state-mandated benefit and, unfortunately, HB 1379 proposes this same reimbursement mechanism.

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What action can you take to ensure your municipality is fully reimbursed, rather than passing along the cost burden to taxpayers, for this state-mandated COLA?

You can contact Representative Malagari and/or your state representative and state senator to let them know you have concerns about being fully reimbursed for this state-mandated COLA. You can suggest an alternative reimbursement method be considered, such as having the plan actuary prepare the same supplemental actuarial information as is shown on Form AG-MP-1 for Unauthorized Pension Benefits. This would carve out the proposed COLA benefit cost from the State Aid determination, just like unauthorized pension benefits. Doing this would ensure that no State Aid is received on account of the proposed COLA and would allow for a true dollar-for-dollar reimbursement instead. It is considerably more work for your plan actuary to prepare the AG-MP-1, but the legislation should also include a reasonable reimbursement to the municipality for the plan actuary's fee to produce such supplemental information, thus guaranteeing your municipality is fully reimbursed for costs associated with the state-mandated COLA.

Cowden is available to discuss this proposed legislation with you in the context of your specific plans and municipality. We can offer advice on how to communicate your concerns and propose alternatives with the state government as well. You can count on Cowden to keep you informed on progression of the bill or you can follow the bill's progress on the [PA General Assembly website](#) and using the search bar in the upper right-hand corner (see right), type "HB 1379" to track updates.

Contact Representative Malagari:

<https://www.pahouse.com/53/Contact/>

Contact Your State Representative and State Senator:

<https://www.legis.state.pa.us/cfdocs/legis/home/findyourlegislator/>

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