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September 15, 2016

Jean-Pierre Aubry  
Center for Retirement Research at  
Boston College  
Hovey House  
140 Commonwealth Avenue  
Chestnut Hill, MA 02467

**Re: Update on the City of Philadelphia's Deferred Retirement Option Plan**

This letter shall set forth the terms upon which the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") will engage the Trustees of Boston College under the guidance of the Center for Retirement Research (the "Center") to provide an updated analysis of the Philadelphia Deferred Retirement Option Plan (DROP) performed by the Center in 2009 (See Exhibit "A"). This letter, including all appendices hereto, shall hereinafter be referred to as the "Agreement". This Agreement constitutes the complete and entire understanding between the Authority and the Center with respect to the Services and supersedes all prior or contemporaneous promises, representations and warranties, oral or written. Any amendment or modification of this Agreement must be approved in writing by both the Authority and the Center.

Intending to be legally bound hereby, the Authority and the Center hereby agree as follows:

1. Services: The Center shall perform the Services and shall assign Jean-Pierre Aubrey to the engagement. The Services shall be provided in accordance with such schedule as the Authority and the Center may mutually agree to in writing from time to time, provided that the final completion date of the Services (i.e., the date of delivery to the Authority of the final report for the Project) shall be no later than December 15, 2016. The Center agrees to provide the Authority the Services described in Exhibit A (which Exhibit A contains the Center proposal submitted to the Authority in response to the Authority's request for proposal). No services other than those described in Exhibit A will be provided unless the Authority and the Center mutually agree in writing.

2. Compensation: The Center shall be entitled to compensation for providing the Services for a fixed fee of \$55,141, inclusive of all travel costs and other out-of-pocket expenses. Payment of all invoices submitted to the Authority in proper form shall be made by the Authority within 30 days after receipt by the Authority of such invoices.

If Center invoices remain unpaid, or if the Authority communicates a refusal to pay the invoices, the Center reserves the right to stop work on Services covered by the Agreement.

In addition to costs previously specified for under the Agreement, the Authority will be responsible for any sales or use taxes that are lawfully levied on any goods or services provided under this Agreement

3. Consultation: The Center agrees to consult with and keep the Authority fully informed as to the progress of the Services and all other matters covered by this Agreement. The Center will prepare a separate specific request for necessary information to complete the Services including: documents, employee data and asset information. The Authority agrees to use its best efforts to provide the Center with timely data, feedback and decisions to meet all objectives of the Agreement. The Center will not be held responsible for delays in performance when the delay is due to a failure to provide information in a timely manner.

The Center will preserve the confidentiality of any information received from the Authority marked as confidential in accordance with all legal and professional requirements and as otherwise provided in this Agreement. The Authority will honor all of the Center's copyrights, patents and trademarks relating to the Center's Services. The Center's copyrights, patents and trademarks include any software systems, methodologies, or other technical systems. The Authority does not have any right, title or interest in any hardware, software, benefit payment or benefit administration systems owned and copyrighted by the Center.

4. Subcontracting: The Center may not assign, delegate, transfer or subcontract all or any part of its rights or responsibilities under this Agreement without the prior express written consent of the Authority. Any assignee or subcontractor expressly approved by the Authority is herein referred to as a "Subcontractor". For the purposes of this Agreement, the term "assign" shall include, but shall not be limited to, the sale, gift, assignment, pledge or other transfer of any ownership interest in the Center.

5. Ownership of Information: All documents, data, reports, records and other information (collectively, the "Information") acquired or produced by the Center in carrying out and performing the Services, whether such Information is in preliminary or final form, are and shall remain the property of the Authority. The Authority hereby agrees to Grant to the Center permission to use the Information for internal educational and research purposes. The Authority shall have the right to use all such Information without restriction or limitation and without any additional compensation to the Center, and the Center shall have no right or interest therein. No information shall be disclosed or furnished by Center or any Subcontractors to or discussed by the Center or any Subcontractors with any person, firm or entity other than the officers and employees of the Center and the Subcontractors (but only in the ordinary course of business in providing the Services) or the Authority without the express prior written consent of the Authority and shall be kept strictly confidential. There are no intended third-party beneficiaries to this Agreement. The Center's obligations are solely to the Authority.

6. Conflict of Interest: The Center covenants that neither it nor any Subcontractors has or will have any undisclosed public or private interest, direct or indirect, and shall not acquire directly or indirectly any such interest, which does or may conflict in any manner with the performance of the Services under this Agreement. Any such conflicts shall be

Promptly disclosed to the Authority. The Center further covenants that, in the performance of this Agreement, no person having such interest shall be employed by or associated with the Center.

7. Independent Contractor: In performing the Services required by *this* Agreement, the Center -will act as an independent contractor and not as an employee or agent of the Authority. This Agreement is not intended to be, nor shall it be construed as, a joint venture, association, partnership, franchise or other form of business organization. The Authority shall have no liability for any actions of the Center or any Subcontractors under this Agreement.

8. Termination: Notwithstanding any contrary provision in this Agreement, this Agreement may be terminated at any time at the convenience of the Authority upon not less than 14 days' prior written notice by the Authority to the Center. This Agreement may also be terminated by the Authority for cause. If the termination is for cause, said notice shall contain the reasons for termination. There will be an opportunity to have 14 days to remedy. If either party is not able to remedy, the Agreement can be terminated. If the Authority elects to terminate this Agreement as a result of the Center's non-performance or unsatisfactory performance, or as a result of the Center's breach of this Agreement, no compensation shall be due to the Center under this Agreement for any further work or for the work not performed or properly determined to be unsatisfactory except for non-cancellable obligations and costs already incurred, and the Authority shall have all rights and remedies available to it under this Agreement and applicable law, including the right to seek damages, and the Authority, in addition to any other rights provided in this paragraph, may require the Center to transfer title and deliver immediately to the Authority, in the manner and to the extent directed by the Authority, such partially completed work, including, where applicable, reports, working papers, and other documentation, as the Center has specifically produced or specifically acquired for the performance of such part of the Agreement as has been terminated.

9. Non-discrimination/Sexual Harassment: The Center and all Subcontractors shall comply -with all applicable provisions of state and federal laws, rules and regulations pertaining to non-discrimination, sexual harassment, and equal employment opportunity, including the provisions of the Non-discrimination/Sexual Harassment Clause, which is attached hereto as Appendix B and incorporated in this Agreement by reference.

10. Integrity Provisions: The Center and all Subcontractors shall comply with the Subcontractor Integrity Provisions which are attached hereto as Appendix C and incorporated in this Agreement by reference.

11. Responsibility Provisions: The Center and all Subcontractors shall comply with the Responsibility Provisions which are attached hereto as Appendix D and incorporated in this Agreement by reference.

12. Americans with Disabilities Act: The Center and all Subcontractors shall comply -with the Americans with Disabilities Act in accordance with Appendix E attached hereto and incorporated herein by reference.

13. Audit Provisions: This Agreement is subject to audit by agencies of the Commonwealth of Pennsylvania (the "Commonwealth") and their designated representatives, including audits of actual costs incurred or pricing date for this Agreement. The Center agrees to maintain records that will support the prices charged and costs incurred for this Agreement. At the direction of the Authority, all of the Center's books and records related to this Agreement shall be made available for audit at a site designated by the Authority.

The Center shall preserve books, documents, and records sufficient to justify the charges billed to the Authority for three (3) years after expiration of the Agreement, or until all questioned items are resolved after the Services are :furnished under this Agreement, whichever

occurs last. With advance notice and during regular business hours, the Center shall give full and free access to all records to the Authority and its authorized representatives.

14. Offset Provisions: The Center agrees that the Authority may set off the amount of any state tax liability or other debt of the Center that is owed to the Commonwealth and not being contested on appeal against any payments due the Center under this Agreement.

15. Indemnification and Hold Harmless Clause: The Center shall indemnify the Authority and hold the Authority harmless from any and all claims, demands, liabilities, costs and actions based upon or arising out of any activities performed by the Center and any Subcontractors and their respective employees and agents under this Agreement and shall, at the request of the Authority, defend any and *all* actions brought against the Authority based upon any such claims, demands, liabilities, costs and actions.

16. Notice: Any written notice to the Authority under this Agreement shall be sufficient if mailed by certified mail or hand delivered to:

Harvey M. Rice, Esquire  
Executive Director  
Pennsylvania Intergovernmental Cooperation Authority  
1500 Walnut Street, Suite 1600  
Philadelphia, PA 19102

Any written notice to the Center under this Agreement shall be sufficient if mailed by certified mail or hand delivered to:

Michelle Gittens  
Office for Sponsored Programs  
Boston College  
Joyce House  
140 Commonwealth Avenue  
Chestnut Hill, MA 02467

17. Force Majeure: No party to this Agreement shall be in default of this Agreement to the extent that any delay or failure in performance of its obligations results from any cause beyond its reasonable control such as Acts of God, acts of civil or military unrest, national emergencies, embargoes, epidemics, war, riots, insurrections, acts of terrorism, fires, accidents, explosions, earthquakes, floods, unusually severe weather conditions and equipment failures or failure of the mails, transportation or third party communication facilities or power supply, sabotage, labor trouble, strike, lockout or injunction (whether or not such labor event is within the reasonable control of either party) or any other similar cause beyond the reasonable control of a party. When a party's delay or nonperformance continues for a period of at least ninety (90) days or such longer period permitted by relevant federal government notices as might relate to the Services, the other party may terminate this Agreement upon ten (10) days prior written notice and the compensation due to the Center will be adjusted on such equitable basis as the parties may agree. All timetables and schedules, if any, will be extended for the duration of the circumstances beyond the control of the party.

18. Representatives: The Authority and the Center shall each designate representatives authorized to take routine actions and make routine decisions with respect to the Project and this Agreement in order to avoid unreasonable delay in the progress of the Services.

19. Insurance: The Center shall obtain and maintain at all times adequate commercial general liability insurance. The policies for such insurance shall be issued by financially sound insurance companies and shall name the Authority as an additional insured. The Center shall furnish proof of such insurance to the Authority promptly upon request of the Authority from time to time.

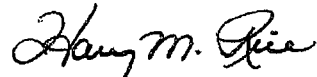
20. Applicable Law: This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Pennsylvania. The Center consents to the jurisdiction of any court of the Commonwealth and any federal courts in Pennsylvania, waiving any claim or defense that such forum is not convenient or proper. The Center agrees that any such court shall have *in personam* jurisdiction over it, and consents to service of process in any manner authorized by Pennsylvania law.

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[Signature Page Follows]

If you are in agreement with the foregoing, please countersign this letter in the space provided below.

Sincerely yours,



Harvey M. Rice

Executive Director  
Pennsylvania Intergovernmental  
Cooperation Authority

Accepted and Agreed as of the  
date first above-written:

Center for Retirement Research at Boston College

By:

Name:

Sharon

Comavlious-

Goddard

Title:

Director,

Office for

Sponsored

Programs

Exhibit A

DESCRIPTION OF SERVICES  
SEE ATTACHED



An Update on the City of Philadelphia's  
Deferred Retirement Option Plan

by

Center for Retirement Research at Boston College

Hovey House  
140 Commonwealth Avenue  
Chestnut Hill, MA 02467

June 20, 2016

## Brief Overview of the Center

The Center for Retirement Research at Boston College was established in 1998 through a grant from the Social Security Administration. The Center's mission is to produce first-class research and forge a strong link between the academic community and decision makers in the public and private sectors around issues of critical importance to the nation's future. To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. In the 18 years since its inception, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate. Of particular relevance to this project, the Center has also emerged as a leader in the study of state and local pensions. The Center's work is widely cited in the media and used by policymakers at all levels of government.

## Objective

This 2016 study will update an analysis of the Philadelphia Deferred Retirement Option Plan (DROP) performed by the Center in 2009. That analysis found that DROP cost the city around \$258 million. Employees made use of the program in ways that maximized the expected present value of their pension benefits by claiming benefits 2.1 years before they would have otherwise retired, and then by delaying their actual retirement date by 1.25 years. This update will calculate the additional cost of DROP, if any, since the original analysis was done in 2009.

## Scope of Work and Methodology

As with the first study, the key to the analysis is the proper identification of DROP participants that claim benefits earlier and/or work longer than they otherwise would have due to DROP. Once those employees have been identified, the initial task is to calculate the financial impact on the City from the shift in the work/retirement behavior of these participants. The second task is to measure the quality of the employees who decide to work longer due to the DROP. The study will apply the same methodology and analytical techniques used in the 2009 report to complete these objectives.

### *Identifying DROP Participants that have changed behavior due to DROP*

To identify which participants changed their work/retirement decision due to DROP we use an econometric model that predicts the likelihood of retirement each year. The decision centers on the pension wealth accrual for each employee. Pension wealth is the expected present value (EPV) of future retirement benefits, discounted by a rate of interest and annual survival probabilities. Pension wealth accrual is the increase in EPV resulting from an additional year's service. In a typical plan, pension wealth accrual is zero before an employee's benefits vest (he has no right to retirement benefits accrued prior to vesting); it then spikes at vesting (the benefits accrued during the pre-vesting years are immediately accounted for) and at the early and full retirement ages. Beyond that point, pension accrual turns negative because any further increase in benefits is insufficient to compensate for the further delay in receiving those benefits.

We hypothesize that employees will not sign up for the DROP at ages when they are experiencing rapid pension wealth accrual because they will be better off accruing additional years of service. Rather, the DROP is more likely to affect the behavior of employees who would like to continue work until ages at which pension wealth accrual has turned negative. The DROP provides a mechanism for this – employees can continue to work without suffering a reduction in pension wealth..

The model will control for age-tenure related variations in pension wealth accrual, while allowing for the impact of the DROP to vary with the employee's pension accrual rate. Specifically, the employee's retirement decision will be modeled as a function of the following:

- .. Socio-economic variables known to the city, such as age, years of service, gender, occupation, education, income, and ethnicity.
- The retirement incentives embedded in the pension plan. We will capture these incentives by calculating the difference between the EPV of pension wealth at the employee's current age, and the EPV of benefits at the retirement age that maximizes that EPV, and dummy variables indicating that the employee is at his early or full retirement age, or has already attained the age at which the EPV of benefits is maximized.
- ▷ For employees who are eligible for the DROP, the above measures of retirement incentives interacted with a variable indicating DROP eligibility. We use interactions because we expect the DROP to affect individuals facing different pension incentives differentially. The coefficients on these interaction variables will tell us how the DROP impacts retirement. We will then test our theory that there are differential impacts depending on the pension rate of accrual.

The output of the model will be the probability of retiring in a given year. We will use these probabilities to calculate a predicted retirement age for employees who use the DROP. The model also allows us to predict the retirement age as if DROP were never enacted. Thus, this approach allows us to measure the impact of the program on predicted retirement age.

#### *Calculating the Financial Impact on the City*

*Pension funds.* Once we know the expected retirement age both pre- and post-DROP, we can directly compute the financial impact on the pension fund. For each DROP participant, we would calculate the EPV of pension benefits that would have accrued to the date of retirement as if no DROP program were in place. We would then compare that amount to the actual benefits they accrued. For example, assume that a DROP participant's predicted retirement age is 60 without DROP and 62 with DROP. If that participant claimed benefits at age 59 we would conclude that the program reduced his

pension claiming age by one year. The net cost or saving to the pension fund would be calculated by comparing the employee's age 59 pension entitlements plus lump-sum DROP payment and his age 60 pension entitlements.

If we do not predict a different retirement age for a DROP participant, then the net cost or saving to the pension fund would be calculated in the same manner. We could compare the employee's retirement age pension entitlements at the date of retirement to the actual pension accrued by participating in the DROP.

The overall cost to the pension plan is calculated by summing across all DROP participants.

*General funds.* Revenue from the general fund is saved by potentially reducing the number of years of government pension contributions.<sup>1</sup> This occurs through two mechanisms. First, when an employee claims pension benefits under the DROP, government pension contributions for that employee cease. Second, because the DROP participant continues working, the government is saved from making pension contributions for a new employee that would have replaced them if they stopped working.

For the first mechanism, any years in the DROP when the employee would have worked regardless are years of savings from the general fund because no pension contributions must be made for those years under DROP. However, for any years in the DROP for when the employee would have exceeded the pension accrual cap, there are no savings because contributions would not have been made regardless. For the second mechanism, any years in the DROP beyond when the employee would have worked otherwise are savings because the government avoids the pension contributions for a new employee that would have replaced the DROP participant.

The overall cost/savings to the general fund is calculated by summing across all DROP participants.

*Determining if DROP is Effective at Retaining Highly-Valued Employees*

Once we have identified who is actually working longer due to the DROP, we can then analyze whether or not the program is achieving its goal of retaining highly-valued employees. Since defining who is a highly-valued worker may be subjective, we propose using a variety of objective measures of individual productivity, employer demand for the work, and ease of replacement.

*Individual Productivity.* We will compare the average productivity of retained individuals to that of their peers using measures such as absenteeism rates, performance review ratings, merit raises, and promotion rates.

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<sup>1</sup>This implicitly assumes that the wages paid to the replacement worker are the same as the wages paid to the potential retiree, other than the pension contributions. We would examine if this assumption is true during the project.

*Employer Demand.* We will identify whether employees participating in the DROP are disproportionately drawn from job categories for which there are unfilled vacancies.

*Ease of Replacement.* For more senior employees, or for those with highly specialized skills, it may be more appropriate to focus on the ease with which the city is able to find replacement workers. We could examine the number of advertisements placed before a replacement is found, whether the replacement commands a higher salary than that of the employee retiring under the DROP, and so on.

*Selection Effects.* The extent to which the DROP induces workers to extend their careers may vary with the worker's productivity. On the one hand, highly productive workers may love their jobs and be disproportionately likely to extend their careers, once the financial penalties to delayed retirement are removed. But these workers may also have the best opportunities in the private sector, and may require even greater incentives than those provided by the DROP to remain in city employment once they have attained their early or full retirement age.

Standard economic techniques for policy evaluation measure the average effect of a policy change, which may mask the potentially important selection effects. In addition to the average effect, we will therefore also examine the impact across the distribution of effects by using median regression techniques.

#### *Data*

The analysis requires administrative data containing employment records for all employees -both DROP participants and non-participants -in pensionable occupations between 1990 and 2015. As a result of the prior study, the Center currently holds the administrative data prior to 2009. So, for this update, only data from 2009-forward are needed from the City. The records should contain date of birth, gender, ethnicity, marital status, educational attainment, occupation, salary, dates of commencement and termination of employment, the reason for termination, the date of entry in the DROP program, the employee's pension plan, and whether they are entitled to early vesting. Consistent individual ID markers are required to track individuals over time.

To measure the quality of employees who work longer due to the DROP, any personnel records covering matters such as sickness, absenteeism, performance reviews, and promotion rates would be helpful, to the extent that they can be made available without undue cost. Additionally, vacancy rates, time taken to fill senior positions, and the salaries of replacement staff are also useful.

Our research team has considerable experience in analyzing large datasets containing confidential information. The Center is aware of the potential risk of re-identifying employees, and maintains a secure data facility. All confidential information on city employees would be stripped of identifiers such as names, addresses, and Social Security numbers, and would be stored and analyzed in the above facility. A copy of the Center's data security plan is available to the city on request.

Center researchers are aware of the possibility that the data we are requesting may be in multiple file formats. We have considerable experience in cleaning, merging, and preparing data for statistical and econometric analysis. Most of the evaluation will be done using the STATA statistical package.

*Timeline*

The project timeline would commence upon receipt of data from the city, which we currently anticipate to be Sept 1, 2016.

Time Period	Tasks
Weeks 1	Clean new data and estimate pension benefits;
Weeks 2	Update retirement model;
Weeks 3-4	Calculate the financial effect of DROP;
Week 5	Determine Highly-Valued Employees and if they take the DROP; submit retirement model results to the City.
Weeks 7	Prepare initial draft of update report.
Week 8	Deliver first draft to the City of Philadelphia.
Weeks 9-10	Finalize charts, tables, and references. (Potential trip to Philadelphia).
Weeks 11	Incorporate comments.
Week 12	Complete final draft and submit to Philadelphia.

*Budget*

Item	9/1/16-6/30/17	
	Effort (Annualized)	Total
Alicia Munnell	2%	\$4,623.96
Geoff Sanzenbacher - Research Economist	4%	\$4,434.15
Jean-Pierre Aubry - Assoc. Director SLP	8%	\$8,292.38
Wenliang Hou	8%	\$6,400.00
Research Associate	8%	\$3,797.36
Fringe Benefit Rates		
<i>Exempt Full-time faculty 27.9%</i>		\$7,686
Total Salaries and Fringe		\$35,234
Total Direct Costs		\$35,234
Indirect Costs @ 56.5%		\$19,907
Total Request		\$55,141

## Assigned Professionals

The address for all team members listed below is:

Center for Retirement Research, Boston College, Hovey House, 140 Commonwealth Avenue, Chestnut Hill, MA 02467.

### Alicia H. Munnell

*Relevant experience:* Ph.D. economist and Center director with more than three decades of research experience on retirement security issues, including older workers and the labor market, and state-local pensions. Co-author of books on the effectiveness of 401(k) plans, the prospects for working longer, and the status of state and local pensions.

*Role on project:* Advisor.

### Geoff Sanzenbacher

*Relevant experience:* Ph.D. economist with research experience in program evaluation and the influence of financial incentives on retirement and savings decisions.

*Role on project:* Co-leader.

### Jean-Pierre Aubry

*Relevant experience:* Assistant Director of State and Local Research at the CRR with a decade of research experience in state and local pension analysis and evaluation.

*Role on project:* Co-leader.

### VenLiang Hou

*Relevant experience:* Master of Actuarial Science with research experience modeling state and local pension plans.

*Role on project:* Co-leader.

## Appendix B

### NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE

During the term of the Agreement, the Center agrees as follows:

1. In the hiring of any employees for the manufacture of supplies, performance of work, or any other activity required under the Agreement or any subcontract, the Center, Subcontractor, or any person acting on behalf of the Center or Subcontractor shall not by reason of gender, race, creed, or color discriminate against any citizen of the Commonwealth who is qualified and available *to* perform the work to which the employment relates.
2. Neither the Center nor any Subcontractor nor any person on their behalf shall in any manner discriminate against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the Agreement on account of gender, race, creed, or color.
3. The Center and any Subcontractors shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice sexual harassment will be disciplined.
4. The Center shall not discriminate by reason of gender, race, creed, or color against any Subcontractor or supplier who is qualified to perform the work to which the Agreement relates.
5. The Center and each Subcontractor shall, within the time periods requested by the Commonwealth, furnish all necessary employment documents and records and permit access to their books, records, and accounts by the contracting agency and, the Bureau of Minority and Women Business Opportunities (BMWBO), for purpose of ascertaining compliance with provisions of this Nondiscrimination/Sexual Harassment Clause. Within fifteen (15) days after award of any contract, the Center shall be required to complete, sign and submit Form STD-21, the "Initial Contract Compliance Data" form. If the contract is a construction contract, then the Center shall be required to complete, sign and submit Form STD-28, the "Monthly Contract Compliance Report for Construction Contractors", each month no later than the 15th of the month following the reporting period beginning with the initial job conference and continuing through the completion of the project. Those contractors who have fewer than five employees or whose employees are all from the same family or who have completed the Form STD-21 within the past 12 months may, within the 15 days, request an exemption from the Form STD-21 submission requirement from the contracting agency.

The Center shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that such provisions will be binding upon each Subcontractor.



6. The Authority or the Commonwealth may cancel or terminate the Agreement, and all money due or to become due under the Agreement may be forfeited for a violation of the terms and conditions of this Nondiscrimination Sexual Harassment Clause. In addition, the Authority may proceed with debarment or suspension and may place the Center in the Contractor Responsibility File.

## Appendix. C

### CONTRACTOR INTEGRITY PROVISIONS

It is essential that those who seek to contract with the Commonwealth of Pennsylvania ("Commonwealth") observe high standards of honesty and integrity. They must conduct themselves in a manner that fosters public confidence in the integrity of the Commonwealth procurement process.

In furtherance of this policy, the Center agrees to the following:

1. The Center shall maintain the highest standards of honesty and integrity during the performance of this contract and shall take no action in violation of state or federal laws or regulations or any other applicable laws or regulations, or other requirements applicable to the Center or that govern contracting with the Commonwealth.
2. The Center shall establish and implement a written business integrity policy, which includes, at a minimum, the requirements of these provisions as they relate to the Center employee activity with the Commonwealth and Commonwealth employees, and which is distributed and made known to all Center's employees.
3. The Center, its affiliates, agents and employees shall not influence, or attempt to influence, any Commonwealth employee to breach the standards of ethical conduct for Commonwealth employees set forth in the *Public Official and Employees Ethics Act, 65 Pa.C.S. §§1101 et seq.*; the *State Adverse Interest Act, 71 P.S. §776.1 et seq.*; and the *Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 et seq.*, or to breach any other state or federal law or regulation.
4. The Center, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person at the direction or request of any Commonwealth official or employee.
5. The Center, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person, the acceptance of which would violate the *Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 et seq.* or any statute, regulation, statement of policy, management directive or any other published standard of the Commonwealth.
6. The Center, its affiliates, agents and employees shall not, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any Commonwealth official or employee.
7. The Center, its affiliates, agents, employees, or anyone in privity with him or her shall not accept or agree to accept from any person, any gratuity in connection with the performance of work under the contract, except as provided in the contract.

8. The Center shall not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on this project, unless the financial interest is disclosed to the Commonwealth in writing and the Commonwealth consents to the Center's financial interest prior to Commonwealth execution of the contract. The Center shall disclose the financial interest to the Commonwealth at the time of bid or proposal submission, or if no bids or proposals are solicited, no later than Center's submission of the contract signed by the Center.
  
9. The Center, its affiliates, agents and employees shall not disclose to others any information, documents, reports, data, or records provided to, or prepared by, the Center under this contract without the prior written approval of the Commonwealth, except as required by the *Pennsylvania Right-to-Know Law*, 65 P.S. §§ 67.101-3104, or other applicable law or as otherwise provided in this contract. Any information, documents, reports, data, or records secured by the Center from the Commonwealth or a third party in connection with the performance of this contract shall be kept confidential unless disclosure of such information is:
  - a. Approved in writing by the Commonwealth prior to its disclosure; or
  - b. Directed by a court or other tribunal of competent jurisdiction unless the contract requires prior Commonwealth approval; or
  - c. Required for compliance with federal or state securities laws or the requirements of national securities exchanges; or
  - d. Necessary for purposes of the Center's internal assessment and review; or
  - e. Deemed necessary by the Center in any action to enforce the provisions of this contract or to defend or prosecute claims by or against parties other than the Commonwealth; or
  - f. Permitted by the valid authorization of a third party to whom the information, documents, reports, data, or records pertain; or
  - g. Otherwise required by law.
  
10. The Center certifies that neither it nor any of its officers, directors, associates, partners, limited partners or individual owners has been officially notified of, charged with, or convicted of any of the following and agrees to immediately notify the Commonwealth agency contracting officer in writing if and when it or any officer, director, associate, partner, limited partner or individual owner has been officially notified of, charged with, convicted of, or officially notified of a governmental determination of any of the following:
  - a. Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.

- b. Commission of fraud or a criminal offense or other improper conduct or knowledge of, approval of or acquiescence in such activities by the Center or any affiliate, officer, director, associate, partner, limited partner, individual owner, or employee or other individual or entity associated with:
  - (1) obtaining;
  - (2) attempting to obtain; or
  - (3) performing a public contract or subcontract.

The Center's acceptance of the benefits derived from the conduct shall be deemed evidence of such knowledge, approval or acquiescence.

- c. Violation of federal or state antitrust statutes.
- d. Violation of any federal or state law regulating campaign contributions.
- e. Violation of any federal or state environmental law.
- f. Violation of any federal or state law regulating hours of labor, minimum wage standards or prevailing wage standards; discrimination in wages; or child labor violations.
- g. Violation of the *Act of June 2, 1915 (P.L.736, No. 338)*, known as the *Workers' Compensation Act, 77 P.S. 1 et seq.*
- h. Violation of any federal or state law prohibiting discrimination in employment.
- i. Debarment by any agency or department of the federal government or by any other state.
- j. Any other crime involving moral turpitude or business honesty or integrity.

The Center acknowledges that the Commonwealth may, in its sole discretion, terminate the contract for cause upon such notification or when the Commonwealth otherwise learns that Center has been officially notified, charged, or convicted.

- 11. If this contract was awarded to the Center on a non-bid basis, the Center must, (as required by *Section 1641* of the *Pennsylvania Election Code*) file a report of political contributions with the Secretary of the Commonwealth on or before February 15 of the next calendar year. The report must include an itemized list of all political contributions known to the Center by virtue of the knowledge possessed by every officer, director, associate, partner, limited partner, or individual owner that has been made by:

- a. Any officer, director, associate, partner, limited partner, individual owner or members of the immediate family when the contributions exceed an aggregate of one thousand dollars (\$1,000) by any individual during the preceding year; or
- b. Any employee or members of his immediate family whose political contribution exceeded one thousand dollars (\$1,000) during the preceding year.

To obtain a copy of the reporting form, the Center shall contact the Bureau of Commissions, Elections and Legislation, Division of Campaign Finance and Lobbying Disclosure, Room 210, North Office Building, Harrisburg, PA 17120.

12. The Center shall comply with requirements of the *Lobbying Disclosure Act, 65 Pa.C.S. § 13A0J et seq.*, and the regulations promulgated pursuant to that law. The Center's employee activities prior to or outside of formal Commonwealth procurement communication protocol are considered lobbying and subjects the Center's employees to the registration and reporting requirements of the law. Actions by outside lobbyists on the Center's behalf, no matter the procurement stage, are not exempt and must be reported.
13. When the Center has reason to believe that any breach of ethical standards as set forth in law, the Governor's Code of Conduct, or in these provisions has occurred or may occur, including but not limited to contact by a Commonwealth officer or employee which, if acted upon, would violate such ethical standards, the Center shall immediately notify the Commonwealth contracting officer or Commonwealth Inspector General in writing.
14. The Center, by submission of its bid or proposal and/or execution of this contract and by the submission of any bills, invoices or requests for payment pursuant to the contract, certifies and represents that it has not violated any of these contractor integrity provisions in connection with the submission of the bid or proposal, during any contract negotiations or during the term of the contract.
15. The Center shall cooperate with the Office of Inspector General in its investigation of any alleged Commonwealth employee breach of ethical standards and any alleged Center's non-compliance with these provisions. The Center agrees to make identified the Center's employees available for interviews at reasonable times and places. The Center, upon the inquiry or request of the Office of Inspector General, shall provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Inspector General to the Center's integrity and compliance with these provisions. Such information may include, but shall not be limited to, the Center's business or financial records, documents or files of any type or form that refers to or concern this contract.
16. For violation of any of these the Contractor Integrity Provisions, the Commonwealth may terminate this and any other contract with the Center, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all additional costs and expenses incurred in obtaining another contractor to complete performance under this contract, and dear and suspend the Center from doing

business with the Commonwealth. These rights and remedies are cumulative, and the use or non-use of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation, or otherwise.

17. For purposes of these Contractor Integrity Provisions, the following terms shall have the meanings found in this Paragraph 17.
- a. "Confidential information" means information that a) is not already in the public domain; b) is not available to the public upon request; c) is not or does not become generally known to the Center from a third party without an obligation to maintain its confidentiality; d) has not become generally known to the public through an act or omission of the Center; or e) has not been independently developed by the Center without the use of confidential information of the Commonwealth.
  - b. "Consent" means written permission signed by a duly authorized officer or employee of the Commonwealth, provided that where the material facts have been disclosed, in writing, by pre-qualification, bid, proposal, or contractual terms, the Commonwealth shall be deemed to have consented by virtue of execution of this contract.
  - c. "Center" means the individual or entity that has entered into this contract with the Commonwealth, including those directors, officers, partners, managers, and owners having more than a five percent interest in the Center.
  - d. "Financial interest" means:
    - (1) Ownership of more than a five percent interest in any business; or
    - (2) Holding a position as an officer, director, trustee, partner, employee, or holding any position of management.
  - e. "Gratuity" means tendering, giving or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, and advances, deposits of money, services, employment, or contracts of any kind. The exceptions set forth in the *Governor's Code of Conduct; Executive Order 1980-18*, the *4 Pa. Code §7.153(b)*, shall apply.
  - f. "Immediate family" means a spouse and any unemancipated child.
  - g. "Non-bid basis" means a contract awarded or executed by the Commonwealth with the Center without seeking bids or proposals from any other potential bidder or offeror.
  - h. "Political contribution" means any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance or deposit of

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money or any valuable thing, to a candidate for public office or to a political committee, including but not limited to a political action committee, made for the purpose of influencing any election in the Commonwealth of Pennsylvania or for paying debts incurred by or for a candidate or committee before or after any election.

Appendix D

RESPONSIBILITY PROVISIONS

1. The Center certifies, in writing, for itself and its Subcontractors required to be disclosed or approved by the Commonwealth, that as of the date of its execution of this Agreement, that neither the Center, nor any such Subcontractors, are under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority and, if the Center cannot so certify, then it agrees to submit, concurrently with its execution of this Agreement, a written explanation of why such certification cannot be made.

2. The Center also certifies, in writing, that as of the date of its execution of this Agreement it has no tax liabilities or other Commonwealth obligations, or has filed a timely administrative or judicial appeal if such liabilities or obligations exist, or is subject to a duly approved deferred payment plan if such liabilities exist.

3. The Center's obligations pursuant to these provisions are ongoing from and after the effective date of this Agreement through the termination date thereof. Accordingly, the Center shall have an obligation to inform the Commonwealth if, at any time during the term of this Agreement, it becomes delinquent in the payment of taxes, or other Commonwealth obligations, or if it or, to the best knowledge of the Center, any of its Subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. Such notification shall be made within 15 days of the date of suspension or debarment.

4. The failure of the Center to notify the Commonwealth of its suspension or debarment by the Commonwealth, any other state, or the federal government shall constitute an event of default on the part of the Center under the Agreement.

5. The Center agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the Center's compliance with the terms of this or any other agreement between the Center and the Commonwealth that results in the suspension or debarment of the contractor. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The Center shall not be responsible for investigative costs for investigations that do not result in the Center's suspension or debarment.

6. The Center may obtain a current list of suspended and debarred Commonwealth contractors by either searching the Internet at <http://www.dgs.state.pa.us/> or contacting the:

Department of General Services  
Office of Chief Counsel  
603 North Office Building Harrisburg,  
PA 17125  
Telephone No: (717) 783-6472  
FAX No: (717) 787-9138



## Appendix E

### AMERICANS WITH DISABILITIES ACT

During the term of this contract, the Center agrees as follows:

L Pursuant to federal regulations promulgated under the authority of *The Americans with Disabilities Act*, 28 C.F.R. § 35.101 et seq., the Center understands and agrees that no individual with a disability shall, on the basis of the disability, be excluded from participation in this contract or from activities provided for under this Agreement. As a condition of accepting and executing this Agreement, the Center agrees to comply with the *General Prohibitions Against Discrimination*, 28 C.F.R. § 35.130, and all other regulations promulgated under Title II of *The Americans with Disabilities Act* which are applicable to all benefits, services, programs, and activities provided by the Commonwealth through contracts with outside contractors.

2. The Center shall be responsible for and agrees to indemnify and hold harmless the Authority and the Commonwealth from all losses, damages, expenses, claims, demands, suits, and actions brought by any party against the Authority or the Commonwealth as a result of the Center's failure to comply with the provisions of Paragraph 1 above.