



PENNSYLVANIA HARNESS HORSEMEN'S ASSOCIATION

Pension Plan Presentation

to

PENNSYLVANIA GAMING CONTROL BOARD

June 22, 2016

# OVERVIEW

The Pennsylvania Harness Horsemen's Association, Inc. (**PHHA**) is a non-profit association incorporated under the laws of the Commonwealth of Pennsylvania. Founded in 1967, the PHHA is a horsemen's organization representing Owners, Trainers, Drivers, Grooms and other individuals participating in harness racing at The Downs at Mohegan Sun Pocono and Harrah's Philadelphia Casino & Racetrack. The PHHA is based in Chester, PA and maintains a branch office in Plains, PA.

The primary mission of the PHHA is to provide a stable foundation for horsemen by encouraging competitive racing that increases fan participation and enhances the reputation of Pennsylvania harness racing on the national scene. Other duties include: administering Health and Pension Plans, representing horsemen's interests to the PA Legislature, regulators; and interacting with other horsemen's organizations at the state and national level.

The PHHA is governed by an eleven-member Board of Directors elected to staggered four year terms every two years by the membership. Nine Directors must be Trainers or Drivers and two Directors must be Owners. Committees of the Board include the Executive, Pension, Health and Marketing Committees.

# PENSION PLAN

To ensure greater retirement security for those participating in harness racing, the Commonwealth of Pennsylvania created the Race Horse Development Fund in 2004 to provide health and pension benefits for Drivers and Trainers.

Therefore, on November 8, 2007, with funding from the Race Horse Development fund and to further the betterment of harness racing in the Commonwealth, the PHHA established the Pennsylvania Harness Horsemen's Association Retirement Savings Plan for Drivers and Trainers participating in harness racing.

# PARTICIPATION

To be eligible to participate in the Retirement Plan, individuals must satisfy the following requirements:

- 1) The individual must be a member of the Association; and
- 2) The individual must be either a Driver or a Trainer who competes at a racetrack where members are represented by the Association.

# ELIGIBILITY OF BENEFITS

Eligibility for retirement benefits under the Retirement Plan is based on the number of Qualified Starts the Drivers and Trainers who are members of the Association earn each year. Qualified Starts are used to calculate points. Points are earned in increments of quarter points with one full point being the maximum a member may earn in a single year.

## Qualified Starts

A qualified start shall mean any race held on a “**Race Day**” at either racetrack where a participant is listed in the racetrack Program as the official Trainer or Driver for the horse entered in the race. A “**race day**” is any calendar day when a harness race is held at either racetrack. The number of Qualified Starts may vary each year depending on the number of race days at the tracks.

## Points

A participant may earn up to one point per plan year based on the number of Qualified Starts during the plan year. Where a participant participated in a race as a Driver and as a Trainer, that race shall only be counted as a Qualified Start in one category. Only one (1) trainer per stable is eligible. The Committee shall determine within its discretion how any such Qualified Start shall be counted, though the Committee shall endeavor to categorize any such Qualified Start in the best interest of the participant.

# TRAINERS

Trainers may earn Points as follows:

A) One-quarter point (1/4 point):

A Trainers who completes 25 to 40 Qualified Starts each calendar year.

B) One-half point (1/2 point):

A Trainer who completes 41 to 60 Qualified Starts each calendar year.

C) Three-quarter (3/4 point):

A Trainer who completes 61 to 79 Qualified Starts each calendar year.

D) One point (1 point):

Each Trainers who completes 80 Qualified Starts and higher each calendar year.

# Drivers

Drivers may earn points as follows:

A) One-quarter point (1/4 point):

A Driver who completes 30-55 Qualified Starts each calendar year.

B) One half point (1/2 point):

A Driver who completes 56-85 Qualified Starts each calendar year.

C) Three-quarter point (3/4 point):

A Driver who completes 86 to 140 Qualified Starts each calendar year.

D) One point (1):

A Driver who completes 140 Qualified Starts and higher each calendar year.

# VESTING

A participant shall acquire a 100% vested interest in the amount credited to his account when the participant has accumulated five (5) points, or reach the age of 65 by December 31, 2008 and has accumulated three points.

To attain a vested interest under the plan, a participant must be a member of the association each plan year and continually active as a Driver or Trainer. If a participant fails to actively engage in racing activity without accumulating the minimum earnable number of points for a period of twenty-four (24) consecutive months, the participant shall forfeit any amounts then credited to his account that have not yet vested.

(A) A participated who is temporarily disabled will not suffer any forfeiture while disabled.

(B) In the event of your death or total disability while you are active as a Driver or Trainer, you will become 100% vested in your Participant Account.

At the ends of 2015, there were **634 members** of the Pennsylvania Harness Horsemen's Association of which **361 participated** in the Retirement Plan, **66 Drivers and 295 Trainers**. As of December 31, 2015, of those participating in the Pension Plan, **35 Drivers and 114 Trainers are Vested**.



# OVERVIEW OF PROPOSED AMENDMENTS

The PHHA proposes two amendments to the Pension Plan.

## Amendment to definition of “Qualified Start”

The Board of Trustees of the Association wishes to amend the Pension Plan to provide for a non-discriminatory procedure for review and approval of any mid-year change of the designated Trainer or Driver of a horse as entered in the official racing program or Judge’s booklet for a race.

The goal of this amendment is to protect the Pension Plan and its Participants from abusive or deceptive practices by Trainers or Drivers seeking to earn qualified starts during a racing season.

By way of example, this amendment is intended to prevent individuals from falsely identifying themselves as a Trainer or Driver in an official racing program, and thereby falsely earning a Qualified Start.

The amendment provides that all Trainers and Drivers must obtain approval from the Committee of any mid-year change of the Trainer or Driver of a horse entered in an official racing program or Judge's booklet for a race. To obtain approval, the current Trainer or Driver and the proposed new Trainer or Driver must submit a written application to the Committee requesting approval of the change. The amendment also provides that the Committee has sole discretionary authority to approve or disapprove any such request.

Finally, the amendment provides that any failure by a Driver or Trainer to comply with the rules and procedures established by the Committee for obtaining such approval shall result in action by the Committee, including denial of an application for a proposed mid-year change, loss of earned qualified starts, and/or forfeiture of some or all of a Participant's account, as determined within the sole discretion of the Committee.

# AMENDMENT OF ARTICLE VII, BENEFITS PAYMENTS

The Board of Trustees of the PHHA also wishes to amend the Pension Plan to provide for a limited distribution of a Participant's vested benefit where the participant has attained age 55 as of June 1, 2016.

Currently, the pension plan provides for distribution of a Participant's Account 1) upon retirement on or after age 62; 2) upon death; 3) if a Participant suffers a total disability and 4) if a fully vested Participant has not performed active service for 10 years.

The Committee has received numerous requests by vested Participants who are younger than age 62 to receive their Account balance earlier than 62. The Committee would like to accommodate these requests in a limited manner. As a result, the proposed amendment provides that vested participants who have attained age 55 as of June 1, 2016 may request distribution of their Account.

Eleven percent (11%) of Drivers (total of 7) and 22% of Trainers (total of 65) could take advantage to this limited opportunity to receive an early distribution of their vested Account balance. Please note this early distribution option is purely voluntary. No Participant will be required to take an early distribution.

# FUNDING

The PHHA Health and Pension Plans are funded from receipts from the Race Horse Developments Fund. PHHA uses RHDF monies to finance the payment of monthly health, dental, and life insurance benefits for eligible member horsemen. PHHA sponsors a nonqualified retirement savings plan for the benefit of eligible member horsemen. PHHA periodically transfers monies from the health/pension escrow account to managed investment accounts in the Association's name to provide pension benefits to eligible member horsemen. Annually, an independent third party administrator calculates the allocation of these invested monies to the eligible plan Participants based on the terms of the plan document.

Health and pension benefits are paid in accordance with ACT 71 in the following order:

- Jockey (Driver) Obligation, \$250,000, is paid first.
- The health premiums are paid second.
- The balances remaining in the health and pensions accounts at the end of each year less 1/12 of the Jockey (Driver) Obligation and the following month's health insurance premium would be distributed for the pension benefits.

The association makes periodic payments into the Pension Plan per year. The payments are made based on an estimated amount due. If additional amounts are due based on the actual obligations determined annually then a subsequent payment is made.

On January 1 of each year, the Executive Director receives a report from Staffordshire Benefit Consulting, LLC (record keeper of all racing data) that shows all Qualified Starts in a date query from 1/1 – 12/31. Staffordshire Benefit Consulting, LLC sends, the Executive Director back a report that shows the raw data including name of individual, address and number of starts. From this raw data, the CFO creates an eligibility spreadsheet. The CFO also sends the raw data to SBC, LLC who prepares a separate eligibility spreadsheet. Both the Executive Director and SBC, LLC determine who is eligible for pension benefits for that calendar year from the raw data and compare results. From the reconciled listing, the CFO prepares the pension obligation calculation.

In 2015, PHHA received \$3,615,149.67 to provide Health and Pension benefits to its eligible members. From these funds, Pension disbursements of \$462,500 will be distributed to eligible Drivers and \$1,712,500 to eligible Trainers for a total pension payment for 2015 of \$2,175,000. Health costs in 2015 were \$688,275.82. 60% of available Health and Pension funds will be paid into eligible member's pension accounts and 19% was paid for member's health insurance.

While Act 71 mandates 85% of funds received from the RHDF for the purpose of member's Health and Pension benefits be paid for their Health and Pension Plans, the PHHA expends 100% of those funds for Health and Pension Plans.