
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1828 Session of
2009

INTRODUCED BY WILLIAMS AND D. EVANS, JULY 3, 2009

REFERRED TO COMMITTEE ON APPROPRIATIONS, JULY 3, 2009

AN ACT

1 Amending the act of December 18, 1984 (P.L.1005, No.205),
2 entitled "An act mandating actuarial funding standards for
3 all municipal pension systems; establishing a recovery
4 program for municipal pension systems determined to be
5 financially distressed; providing for the distribution of the
6 tax on the premiums of foreign fire insurance companies; and
7 making repeals," further providing for contents of actuarial
8 valuation report, for minimum funding standard and for
9 alternative funding mechanism.

10 The General Assembly of the Commonwealth of Pennsylvania
11 hereby enacts as follows:

12 Section 1. Section 202(b)(4)(v) of the act of December 18,
13 1984 (P.L.1005, No.205), known as the Municipal Pension Plan
14 Funding Standard and Recovery Act, is amended by adding a clause
15 to read:

16 Section 202. Contents of actuarial valuation report.

17 * * *

18 (b) Contents of actuarial exhibits; defined benefit plans
19 self-insured in whole or in part.--For any pension plan which is
20 a defined benefit plan and which is self-insured in whole or in
21 part, all applicable actuarial exhibits shall be prepared in
22 accordance with the entry age normal actuarial cost method with

1 entry age established as the actual entry age for all plan
2 members unless the municipality applies for and is granted
3 authorization by the commission to use an alternative actuarial
4 cost method. Authorization shall be granted if the municipality
5 demonstrates on an individual pension plan basis that there are
6 compelling reasons of an actuarial nature for the use of an
7 alternative actuarial cost method. The commission shall issue
8 rules and regulations specifying the criteria which the
9 commission will use to determine the question of the existence
10 of compelling reasons for the use of an alternative actuarial
11 cost method, the documentation which a municipality seeking the
12 authorization will be required to supply and the acceptable
13 alternative actuarial cost methods which the commission may
14 authorize. The actuarial cost method shall be used to value all
15 aspects of the benefit plan or plans of the pension plan unless
16 the municipality applies for and is granted authorization by the
17 commission to use approximation techniques other than the
18 actuarial cost method for aspects of the benefit plan or plans
19 of the pension plan other than the retirement benefit.
20 Authorization shall be granted if the municipality demonstrates
21 on an individual pension plan basis that there are compelling
22 reasons of an actuarial nature for the use of these
23 approximation techniques. The commission shall issue rules and
24 regulations specifying the criteria which the commission will
25 use to determine the question of the existence of compelling
26 reasons for the use of approximation techniques, the
27 documentation which a municipality seeking the authorization
28 will be required to supply and the acceptable approximation
29 technique which the commission may authorize. The actuarial
30 exhibits shall use actuarial assumptions which are, in the

1 judgment of the actuary and the governing body of the plan, the
2 best available estimate of future occurrences in the case of
3 each assumption. With respect to economic actuarial assumptions,
4 the assumptions shall either be within the range specified in
5 rules and regulations issued by the commission or documentation
6 explaining and justifying the choice of assumptions outside the
7 range shall accompany the report. The actuarial exhibits shall
8 measure all aspects of the benefit plan or plans of the pension
9 plan in accordance with modifications in the benefit plan or
10 plans, if any, and salaries which as of the valuation date are
11 known or can reasonably be expected to be in force during the
12 ensuing plan year. The actuarial valuation report shall contain
13 the following actuarial exhibits:

14 * * *

15 (4) An exhibit of any additional funding costs
16 associated with the amortization of any unfunded actuarial
17 accrued liability of the pension plan, indicating for each
18 increment of unfunded actuarial accrued liability specified
19 in paragraph (3), the level annual dollar contribution
20 required to pay an amount equal to the actuarial assumption
21 as to investment earnings applied to the principal amount of
22 the remaining balance of the increment of unfunded actuarial
23 accrued liability and to retire by the applicable
24 amortization target date specified in this paragraph the
25 principal amount of the remaining balance of the increment of
26 unfunded actuarial accrued liability. The amortization target
27 date applicable for each type of increment of unfunded
28 actuarial accrued liability shall be as follows:

29 * * *

30 (v) * * *

1 (C) Notwithstanding any other provision of this
2 act or other law, a city of the first class, in its
3 sole discretion, may amortize its entire unfunded
4 actuarial accrued liability, as measured on a
5 valuation date selected by the city of the first
6 class and occurring in the plan year commencing after
7 January 1, 2009, and ending before December 31, 2010,
8 as a level dollar amount with the amortization target
9 date being the end of the plan year occurring 30
10 years after the plan year commencing after January 1,
11 2009, and ending before December 31, 2010, with
12 payments to commence in the next plan year. In order
13 for a city of the first class to extend the
14 applicable amortization period pursuant to this
15 clause, the city of the first class must file a
16 revised actuarial valuation report reflecting the
17 amortization period extension provided for under this
18 clause with the executive director of the commission
19 no later than March 31, 2010. Any such revised
20 actuarial valuation report may not be filed in lieu
21 of the actuarial valuation report prepared in
22 compliance with clause (A) and required to be filed
23 on or before March 31, 2009, and may be used only for
24 the purposes of recalculating the minimum municipal
25 obligation of the city of the first class for plan
26 years commencing after January 1, 2009, and
27 calculating the minimum municipal obligation of the
28 city of the first class for the plan year commencing
29 after January 1, 2009, to reflect the amortization
30 period extension. Any such revised actuarial

1 valuation report shall not affect distributions under
2 the General Municipal Pension System State Aid
3 Program under Chapter 4.

4 * * *

5 Section 2. Section 302 of the act is amended by adding a
6 subsection to read:

7 Section 302. Minimum funding standard; defined benefit plans
8 self-insured in whole or in part.

9 * * *

10 (f) Cities of the first class.--Notwithstanding any other
11 provision of this act or other law, a city of the first class is
12 authorized to defer a portion of the minimum municipal
13 obligation provided for in this section:

14 (1) for the plan year ending June 30, 2010, in an amount
15 not to exceed \$155,000,000; and

16 (2) for the plan year ending June 30, 2011, in an amount
17 not to exceed \$80,000,000.

18 The amounts deferred shall bear interest at the actuarial
19 assumed rate of 8.25%, which shall be calculated from the
20 beginning of the plan year in which the deferral was made.

21 Accrued interest on any amounts deferred shall be paid yearly on
22 or before June 30, 2010, June 30, 2011, and June 30, 2012. On or
23 before June 30, 2013, the city of the first class shall repay at
24 least \$90,000,000 of any amounts deferred, plus interest accrued
25 on all amounts deferred; or, if the total amount deferred is
26 less than \$90,000,000, the total amount deferred, plus interest
27 accrued on that amount, shall be repaid. The balance of all
28 amounts deferred, including interest accrued and unpaid on
29 amounts deferred, shall be repaid by June 30, 2014. Any of the
30 amounts deferred, including interest accrued on deferred

1 amounts, which remain unpaid at the end of the plan year ending
2 June 30, 2014, shall be added to the minimum municipal
3 obligation of the city of the first class for the following plan
4 year, with interest calculated and due until the date that the
5 amounts due are paid. The calculation of the unfunded actuarial
6 accrued liability made by and certified by an approved actuary
7 under section 202 shall not include any amounts deferred
8 pursuant to this subsection, so long as the city of the first
9 class is paying interest accrued on such deferred amounts and
10 repaying such deferred amounts in accordance with the terms of
11 this subsection. The repayment of any amounts deferred,
12 including interest accrued on deferred amounts, as and when
13 required in this subsection, shall constitute a commitment and
14 obligation, binding and absolute, on the city of the first
15 class; and the city of the first class shall include all amounts
16 due to be paid under this subsection in the budget of the city,
17 and all amounts due to be paid shall be appropriated and paid in
18 order to make timely repayment of any amounts deferred,
19 including interest accrued on deferred amounts, with such
20 payment being unconditional and without setoff. Any person who
21 is beneficially interested in the city of the first class paying
22 its minimum municipal obligation under this subsection shall
23 have standing to institute a legal proceeding for mandamus to
24 enforce the obligation of the city of the first class to make
25 payments under this subsection in the same manner as payment
26 requirements of an alternative funding mechanism may be enforced
27 under section 1001. A person who is beneficially interested
28 under this subsection is any person who is a beneficially
29 interested person under section 1001(f).

30 Section 3. Section 1001(b) of the act, added June 18, 1998

1 (P.L.626, No.82), is amended and the section is amended by
2 adding a subsection to read:

3 Section 1001. Alternative funding mechanism.

4 * * *

5 (b) Period of payment requirements prior to July 1, 2009.--

6 The period of the city's payment requirements under an
7 alternative funding mechanism implemented prior to December 31,
8 2002, shall be the greater of:

9 (1) the remaining period not exceeding 30 years during
10 which the city would have amortized the unfunded actuarial
11 accrued liability reported in its last actuarial valuation
12 report filed under Chapter 2 using the total amortization
13 payment and interest assumption, reported in that actuarial
14 valuation report; or

15 (2) 30 years.

16 If an alternative funding mechanism is implemented after
17 December 31, 2002, but before July 1, 2009, the period described
18 in paragraph (1) shall be the period of the city's payment
19 requirements.

20 (b.1) Period of payment requirements beginning July 1,
21 2009.--The period of the city's payment requirements under an
22 alternative funding mechanism implemented or refinanced in whole
23 or in part on or after July 1, 2009, and prior to the beginning
24 of the plan year that commences in 2019, shall be the greater
25 of:

26 (1) the remaining period not exceeding 30 years during
27 which the city would have amortized the unfunded actuarial
28 accrued liability reported in its last actuarial valuation
29 report filed under Chapter 2 using the total amortization
30 payment and interest assumption, reported in that actuarial

1 valuation report; or

2 (2) 30 years.

3 If an alternative funding mechanism is implemented after July 1,
4 2019, the period described in paragraph (1) shall be the period
5 of the city's payment requirements.

6 * * *

7 Section 4. This act shall take effect immediately.