

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 639 Session of  
2007

INTRODUCED BY CAPPELLI, BELFANTI, FABRIZIO, GEIST, GOODMAN,  
HENNESSEY, HUTCHINSON, M. KELLER, KENNEY, KOTIK, LEACH,  
MARSICO, M. O'BRIEN, PETRARCA, PHILLIPS, RAPP, SAINATO,  
SCAVELLO, SOLOBAY, J. TAYLOR, THOMAS, WOJNAROSKI, YOUNGBLOOD  
AND YUDICHAK, MARCH 6, 2007

REFERRED TO COMMITTEE ON FINANCE, MARCH 6, 2007

AN ACT

1 Requiring municipal retirement systems to pay annual  
2 postretirement adjustments to certain retired municipal  
3 employees; and providing for the financing of these  
4 adjustments and for the administration of the Commonwealth's  
5 reimbursements for these adjustments.

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16 The General Assembly of the Commonwealth of Pennsylvania

17 hereby enacts as follows:

18 CHAPTER 1

19 GENERAL PROVISIONS

20 Section 101. Short title.

21 This act shall be known and may be cited as the Annual

22 Municipal Employee Postretirement Adjustment Act.

23 Section 102. Definitions.

24 The following words and phrases when used in this act shall

25 have the meanings given to them in this section unless the

26 context clearly indicates otherwise:

27 "Active employment." The situation of an individual, other

28 than an independent contractor, who performs for compensation

29 regular services for a municipality and who is regularly entered

30 on the payroll of the municipality.

1 "Annual municipal employer postretirement adjustment,"  
2 "annual adjustment" or "annual postretirement adjustment." An  
3 increase in the amount of a retirement benefit as provided for  
4 under this act.

5 "Chief administrative officer." The person who has the  
6 primary responsibility for the execution of the administrative  
7 or management affairs of a municipal retirement system or the  
8 designee of that person.

9 "Firefighter." A municipal employee who holds a full-time  
10 position in the firefighting service of a municipality and has  
11 retirement coverage provided by a retirement system.

12 "Municipal employee." A firefighter or police officer.

13 "Municipality." A borough, city, incorporated town or  
14 township, however constituted, whether operating under a  
15 legislative charter, municipal code, optional charter adopted  
16 under the act of July 15, 1957 (P.L.901, No.399), known as the  
17 Optional Third Class City Charter Law, a home rule charter or an  
18 optional plan adopted under the former act of April 13, 1972  
19 (P.L.184, No.62), known as the Home Rule Charter and Optional  
20 Plans Law, or 53 Pa.C.S. Part III Subpt. E (relating to home  
21 rule and optional plan government), or other arrangement or an  
22 association of these municipalities cooperating under the former  
23 act of July 12, 1972 (P.L.762, No.180), referred to as the  
24 Intergovernmental Cooperation Law, or 53 Pa.C.S. Ch. 23 Subch. A  
25 (relating to intergovernmental cooperation).

26 "Police officer." A municipal employee who holds a full-time  
27 position in the police service of a municipality and has  
28 retirement coverage provided by a retirement system.

29 "Postretirement adjustment." An increase in or change in the  
30 amount of a retirement annuity, retirement benefit, service

1 pension or disability pension benefit granted or effective after  
2 active employment ceases.

3 "Public employee retirement system." An entity, whether a  
4 separate entity or part of a governmental entity, that collects  
5 retirement and other employee benefit contributions from  
6 government employees and employers, holds and manages the  
7 resulting assets as reserves for present and future retirement  
8 annuity, retirement benefit, service pension or disability  
9 pension benefit payments and makes provision for these payments  
10 to qualified retirees and beneficiaries.

11 "Retirement benefit." The amount paid on a regular basis to  
12 a retired or disabled police officer or firefighter by a  
13 municipal retirement system established for police officers or  
14 firefighters.

15 "Retirement system." A public employee retirement system.

16 "Special account." The Annual Municipal Employee  
17 Postretirement Adjustment Account established under section 701.

### 18 CHAPTER 3

#### 19 ANNUAL MUNICIPAL EMPLOYEE POSTRETIREMENT ADJUSTMENT

20 Section 301. Entitlement to annual municipal employee  
21 postretirement adjustment.

22 A municipal retirement system shall pay a retired municipal  
23 employee an annual municipal employee postretirement adjustment  
24 under this chapter if all of the following apply:

25 (1) The retiree has terminated active employment with  
26 the municipality as a municipal employee.

27 (2) The retiree is receiving a retirement annuity,  
28 retirement benefit, service pension or disability pension  
29 benefit from a municipal retirement system on the basis of  
30 active employment with a municipality as a municipal

1 employee.

2 (3) The retiree began receiving the retirement annuity,  
3 retirement benefit, service pension or disability pension  
4 benefit before April 1 of the prior year.

5 Section 302. Amount of annual adjustment.

6 A municipal retirement system shall pay a retired municipal  
7 employee an annual adjustment equal to the increase in the  
8 Consumer Price Index for the prior year minus 0.5%, provided  
9 that the annual adjustment may not exceed 5%.

10 Section 303. Payment of annual adjustment.

11 The annual adjustment is effective on the date of the first  
12 payment of the retiree's retirement annuity, retirement benefit,  
13 service pension or disability pension benefit due after April 1  
14 of each year. The municipal retirement system shall pay the  
15 annual adjustment as soon as practicable after that date and  
16 shall include in the first payment any omitted amount payable  
17 between the effective date of the adjustment and the date of the  
18 first payment.

19 CHAPTER 5

20 FINANCING OF ANNUAL MUNICIPAL EMPLOYEE POSTRETIREMENT

21 ADJUSTMENT

22 Section 501. Actuarial funding by municipality.

23 A municipality shall fund the actuarial liability  
24 attributable to an annual municipal employee postretirement  
25 adjustment under the provisions of the act of December 18, 1984  
26 (P.L.1005, No.205), known as the Municipal Pension Plan Funding  
27 Standard and Recovery Act, and shall include that actuarial  
28 liability in the actuarial valuation report under that act.

29 Section 502. Reimbursement by Commonwealth for annual  
30 adjustment.

1 (a) General rule.--

2 (1) Except as provided in subsection (b), beginning in  
3 the year following the year in which the amortization  
4 contribution requirement attributable to an annual adjustment  
5 under Chapter 3 is first reflected in the financial  
6 requirements of the retirement system determined under  
7 Chapter 3 of the act of December 18, 1984 (P.L.1005, No.205),  
8 known as the Municipal Pension Plan Funding Standard and  
9 Recovery Act, the Auditor General shall determine the  
10 Commonwealth reimbursement payable to the municipality  
11 representing the amortization contribution requirement  
12 attributable to the annual postretirement adjustment under  
13 Chapter 3 that was paid with revenues of the municipality  
14 other than general municipal pension system State aid  
15 provided under the Municipal Pension Plan Funding Standard  
16 and Recovery Act.

17 (2) The determination of the reimbursable amount of the  
18 amortization contribution requirement attributable to the  
19 annual postretirement adjustment under Chapter 3 in any year  
20 shall be calculated as the amortization contribution  
21 requirement attributable to the annual postretirement  
22 adjustments under Chapter 3 and reflected in the  
23 determination of the financial requirements of the pension  
24 plan under Chapter 3 of the Municipal Pension Plan Funding  
25 Standard and Recovery Act for the immediate prior year less  
26 the product of that amortization contribution requirement  
27 multiplied by the ratio of the amount of general municipal  
28 pension system State aid allocated to the retirement system  
29 in the immediate prior year to the total amount of municipal  
30 contributions made to the retirement system from all sources

1 other than employee contributions in the immediate prior  
2 year. Where a municipality has issued bonds or notes to fund  
3 an unfunded actuarial accrued liability under 53 Pa.C.S. Pt.  
4 VII Subpt. B (relating to indebtedness and borrowing) or  
5 under other laws applicable to the municipality, the general  
6 municipal pension system State aid and municipal  
7 contributions used by the municipality to make debt service  
8 payments on the bonds or notes, or both, issued to fund an  
9 unfunded actuarial accrued liability shall be included in the  
10 calculation of the ratio applied to the amortization  
11 contribution requirement.

12 (3) The Commonwealth shall reimburse a municipality,  
13 from the special account established under section 701, for  
14 the reimbursable amount determined for each year under this  
15 paragraph.

16 (b) Limitation of eligibility.--

17 (1) The Commonwealth shall not reimburse any  
18 municipality for an annual adjustment paid under Chapter 3 if  
19 the information required under section 901(a) either was not  
20 certified to the Auditor General or was certified after April  
21 1 of the year the certification was due.

22 (2) The Commonwealth shall not reimburse a municipality  
23 for the reimbursable amount of the amortization contribution  
24 requirement attributable to the annual postretirement  
25 adjustment under Chapter 3 if the municipality fails to  
26 submit a complete certification of the reimbursable amount of  
27 the amortization contribution requirement determined under  
28 subsection (a) to the Auditor General before April 1 of the  
29 year in which the reimbursement is payable.

30 (c) Variable definition of "amortization contribution

1 requirement."--For purposes of this section, the term  
2 "amortization contribution requirement" shall have the meaning  
3 specified in this subsection as follows:

4 (1) In a municipal pension plan with defined benefits  
5 for which the municipality determines the financial  
6 requirements of the pension plan under section 302 of the  
7 Municipal Pension Plan Funding Standard and Recovery Act, the  
8 term "amortization contribution requirement" shall mean the  
9 amortization contribution requirement attributable to the  
10 annual postretirement adjustments under Chapter 3 that was  
11 reflected in the financial requirements of the pension plan  
12 determined for the immediate prior year.

13 (2) In a municipal pension plan without defined benefits  
14 for which the municipality determines the financial  
15 requirements of the pension plan under section 303 of the  
16 Municipal Pension Plan Funding Standard and Recovery Act, the  
17 term "amortization contribution requirement" shall mean the  
18 sum of the payments made to the retirement system in the  
19 immediate prior year in order to provide the annual  
20 postretirement adjustments under Chapter 3 in that year.

## 21 CHAPTER 7

### 22 SPECIAL ACCOUNT

23 Section 701. Establishment.

24 The Annual Municipal Employee Postretirement Adjustment  
25 Account is established in the Municipal Pension Aid Fund. The  
26 special account shall be established as soon as practicable  
27 following the effective date of this section.

28 Section 702. Deposits into special account.

29 Notwithstanding any applicable provision of the act of May  
30 12, 1943 (P.L.259, No.120), referred to as the Foreign Casualty



1 Insurance Premium Tax Allocation Law, or any applicable  
2 provision of the act of March 4, 1971 (P.L.6, No.2), known as  
3 the Tax Reform Code of 1971, or the provisions of sections  
4 402(b) and 803(c) of the act of December 18, 1984 (P.L.1005,  
5 No.205), known as the Municipal Pension Plan Funding Standard  
6 and Recovery Act, prior to the deposit of the proceeds of the  
7 insurance premium tax on foreign casualty insurance premiums  
8 into the General Municipal Pension System State Aid Program  
9 revenue account, an amount sufficient to provide for the  
10 Commonwealth's reimbursement payments and reimbursable amounts  
11 to municipalities for annual adjustments under this act shall be  
12 deposited in the separate account established under section 701.

## 13 CHAPTER 9

### 14 ADMINISTRATIVE PROVISIONS

15 Section 901. Municipal retirement system certification of  
16 adjustments paid and of reimbursable amounts.

17 (a) Certification.--On January 1 of each year the chief  
18 administrative officer of a municipal retirement system that  
19 pays an annual adjustment under Chapter 3 in that year shall  
20 certify the reimbursable amount under section 502(a) to the  
21 Auditor General not later than April 1 of the following year.

22 (b) Certification form.--Not later than February 1 of each  
23 year, the Auditor General shall send each municipality  
24 maintaining a retirement system for municipal employees a notice  
25 of the filing requirement for the certification of the  
26 reimbursable amount under section 502(a), which shall include a  
27 detailed description of the formula for determining the  
28 reimbursable amount and the proper form on which to make the  
29 certifications under subsection (a).

30 Section 902. Commonwealth disbursement of reimbursement

1 payment.

2 (a) Payment to account.--Not later than June 1 of the year  
3 in which the form is due, the Auditor General shall certify to  
4 the State Treasurer the amount to be deposited into the special  
5 account and shall draw a warrant, payable to the treasurer of  
6 the municipality, on the State Treasurer from the special  
7 account created for the amount certified under section 901(a).

8 (b) Disbursements.--Not later than the first business day of  
9 October of the year in which the certification form is due, the  
10 State Treasurer shall disburse the reimbursement payment for the  
11 postretirement adjustments under Chapter 3 out of the special  
12 account.

13 Section 903. Municipal receipt of reimbursement payment.

14 Upon receipt of the reimbursement payment from the  
15 Commonwealth for the annual postretirement adjustments under  
16 Chapter 3, the treasurer of the municipality shall deposit the  
17 reimbursement payment into the municipality's general fund.

18 Section 904. Administration by Auditor General.

19 The Auditor General shall administer the annual municipal  
20 employee postretirement adjustment reimbursement payments. Under  
21 the act of July 31, 1968 (P.L.769, No.240), referred to as the  
22 Commonwealth Documents Law, and 2 Pa.C.S. (relating to  
23 administrative law and procedure), the Auditor General shall  
24 promulgate regulations necessary for the efficient  
25 administration of these reimbursement payments and shall specify  
26 the form and content of any forms applicable to the  
27 reimbursement payments. The Auditor General shall make an audit,  
28 as deemed necessary, in accordance with generally accepted  
29 governmental auditing standards of every municipality that  
30 receives a reimbursement payment under this act and of every

1 municipal retirement system that pays an annual adjustment under  
2 this act.

3 CHAPTER 11

4 MISCELLANEOUS PROVISIONS

5 Section 1101. Limitation of prior act.

6 To the extent that an annual municipal employee  
7 postretirement adjustment granted by the Commonwealth causes the  
8 calculation of total benefits to be paid to a member of a police  
9 force receiving retirement benefit to exceed the limitations  
10 contained in the act of May 29, 1956 (1955 P.L.1804, No.600),  
11 referred to as the Municipal Police Pension Law, the police  
12 pension fund may exceed the limitations therein provided to pay  
13 the adjustment to the retired or disabled member.

14 Section 1102. Repeals.

15 All acts and parts of acts are repealed insofar as they are  
16 inconsistent with this act.

17 Section 1103. Effective date.

18 This act shall take effect in 60 days.