

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1957 Session of
1985

INTRODUCED BY BLAUM, MOWERY, VAN HORNE, O'DONNELL, CAWLEY AND
BELARDI, DECEMBER 9, 1985

REFERRED TO COMMITTEE ON APPROPRIATIONS, DECEMBER 9, 1985

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 distressed municipal
8 pension systems.

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

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

14 Section 202. Contents of actuarial valuation report.

15 * * *

16 (b) Contents of actuarial exhibits; defined benefit plans
17 self-insured in whole or in part.--For any pension plan which is
18 a defined benefit plan and which is self-insured in whole or in
19 part, all applicable actuarial exhibits shall be prepared in
20 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 (i) (A) In the case of a pension plan established
30 on or prior to January 1, 1985 for the unfunded

1 actuarial accrued liability in existence as of the
2 beginning of the plan year occurring in calendar year
3 1985, at the end of the plan year occurring in
4 calendar year 2015; or

5 (B) In the case of a pension plan established
6 after January 1, 1985, for the unfunded actuarial
7 accrued liability then or subsequently determined to
8 be or to have been in existence as of the date of the
9 establishment of the plan, at the end of the plan
10 year occurring 30 years after the calendar year in
11 which the pension plan was established.

12 (ii) Increment or decrement of net unfunded
13 actuarial accrued liability attributable to a change in
14 actuarial assumptions, at the end of the plan year
15 occurring 20 years after the calendar year in which
16 actuarial assumption modification was effective.

17 (iii) Increment of net unfunded actuarial accrued
18 liability attributable to a modification in the benefit
19 plan applicable to active members, at the end of the plan
20 year occurring 20 years after the calendar year in which
21 the benefit plan modification was effective.

22 (iv) Increment of unfunded actuarial accrued
23 liability attributable to a modification in the benefit
24 plan applicable to retired members and other benefit
25 recipients, at the end of the plan year occurring 10
26 years after the calendar year in which the benefit plan
27 modification was effective.

28 (v) Increment or decrement of net unfunded actuarial
29 accrued liability attributable to an actuarial experience
30 loss or gain, at the end of plan year occurring 15 years

1 after the calendar year in which the actuarial experience
2 loss or gain was recognized.

3 With respect to any applicable pension plan other than a plan
4 which comprises all or part of a moderately distressed or a
5 severely distressed municipal pension system, if the
6 remaining average period between the current average attained
7 age of active members as of the valuation date and the later
8 of their earliest average normal retirement age or their
9 average assumed retirement age is less than the applicable
10 period or periods ending with the amortization target date or
11 dates specified in subparagraph (i), (ii), (iii) or (v), the
12 appropriate amortization target date for the applicable
13 subparagraph determined with reference to the longest
14 applicable remaining average period rounded to the next
15 largest whole number shall be used. The exhibit shall
16 indicate the total dollar amount of additional funding costs
17 associated with the amortization of any unfunded actuarial
18 accrued liability of the pension plan applicable for that
19 plan year and any subsequent plan year occurring prior to the
20 preparation of the next required actuarial valuation report,
21 which shall be the total of the additional funding costs
22 associated with the amortization of each increment of
23 unfunded actuarial accrued liability. The exhibit shall also
24 indicate the plan year in which any unfunded actuarial
25 accrued liability of the pension plan would be fully
26 amortized if the total annual additional funding cost
27 calculated pursuant to this paragraph were met continuously
28 without increase or decrease in amount until the total
29 unfunded actuarial accrued liability currently existing was
30 fully amortized. In calculating the additional funding costs

1 associated with the amortization of any unfunded actuarial
2 accrued liability of the pension plan in any plan year, any
3 amortization contribution made in the interval since the last
4 actuarial valuation report shall be allocated to each type of
5 increment of unfunded actuarial accrued liability in
6 proportion to the remaining dollar amount of each type.

7 * * *

8 Section 2. This act shall take effect in 60 days.