

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1828 Session of
2009

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

AMENDMENTS TO SENATE AMENDMENTS, HOUSE OF REPRESENTATIVES,
SEPTEMBER 10, 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," amending the title of the act; in
8 preliminary provisions, further providing for definitions; in
9 preliminary provisions, providing for methodology; in
10 municipal pension plan actuarial reporting, further providing
11 for contents of actuarial valuation report and providing for
12 actuarial asset valuation and for revised actuarial valuation
13 report; in minimum funding standard for municipal pension
14 plans, further providing for minimum funding standard and
15 defined benefit plans self-insured in whole or in part; in
16 revisions applicable to municipal pension fund financing,
17 further providing for revision of financing from State
18 revenue sources and General Municipal Pension System State
19 Aid Program; in financially distressed municipal pension plan
20 determination procedure, further providing for initiation of
21 distress determination, for pension plans to be included in
22 determination and for determination procedure; ~~in financially~~
23 ~~distressed municipal pension system recovery program, further~~ ←
24 ~~providing for application, for election determination~~
25 ~~procedure, for recovery program level I, for recovery program~~
26 ~~level II, for recovery program level III, for remedies~~
27 ~~applicable to various recovery program levels, for~~
28 ~~supplemental State assistance program and fund and for~~
29 ~~municipal employee retirement program; in financially~~
30 ~~distressed municipal pension system recovery program,~~
31 ~~establishing programs for municipal pension recovery and~~
32 ~~municipal employee retirement; in financially distressed~~
33 ~~municipal pension system recovery program, further providing~~

~~for rules and regulations; providing for standards for
municipal pension systems for second class cities and for
level III administration in cities of the second class; in
alternative funding mechanism, providing special provisions
relating to certain cities and counties;~~ IN FINANCIALLY
DISTRESSED MUNICIPAL PENSION SYSTEM RECOVERY PROGRAM, FURTHER
PROVIDING FOR APPLICATION, FOR ELECTION DETERMINATION
PROCEDURES, FOR RECOVERY PROGRAM LEVEL I, FOR RECOVERY
PROGRAM LEVEL II, FOR RECOVERY PROGRAM LEVEL III, FOR
REMEDIES, FOR SUPPLEMENTAL STATE ASSISTANCE PROGRAM AND FUND
AND FOR REGULATIONS; PROVIDING FOR STANDARDS FOR MUNICIPAL
PENSION SYSTEMS; IN ALTERNATIVE FUNDING MECHANISMS, MAKING AN
EDITORIAL CHANGE, FURTHER PROVIDING FOR ALTERNATIVE FUNDING
MECHANISM AND PROVIDING FOR CITIES OF THE FIRST CLASS AND FOR
SPECIAL TAXING AUTHORITY; PROVIDING FOR DEFERRED RETIREMENT
OPTION PLANS; AND MAKING A RELATED REPEAL.

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

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

AN ACT

Mandating actuarial funding standards for all municipal pension
systems; establishing a recovery program for municipal
pension systems determined to be financially distressed;
providing for the distribution of the tax on the premiums of
foreign fire insurance companies; providing for the
establishment and administration of deferred retirement
option plans in local governments and for local tax; and
making repeals.

Section 2. The definition of "municipal employee" in section
102 of the act is amended and the section is amended by adding
definitions to read:

Section 102. Definitions.

Except as provided in Chapter 7, the following words and
phrases when used in this act shall have the meanings given to
them in this section unless the context clearly indicates
otherwise:

1 * * *

2 "BENEFIT PLAN STUDY." A STUDY OF AN INDIVIDUAL BENEFIT PLAN
3 CONDUCTED TO IDENTIFY THE EFFECTIVENESS OF THE PLAN THAT
4 INCLUDES AN ANALYSIS OF ALL OF THE FOLLOWING:

5 (1) THE COST OF EACH BENEFIT.

6 (2) THE ADMINISTRATIVE COST OF THE BENEFIT PLAN PER
7 EMPLOYEE.

8 (3) THE SUFFICIENCY OF EMPLOYEE CONTRIBUTIONS.

9 (4) A COMPARISON OF EACH BENEFIT AND PROPOSED BENEFIT
10 AND ITS COST IN OTHER JURISDICTIONS, INCLUDING OTHER
11 MUNICIPALITIES AND STATES OF COMPARABLE SIZE TO THIS
12 COMMONWEALTH.

13 (5) THE BENEFIT PLAN'S ASSET VALUATION.

14 (6) ASSUMED AND REALIZED INVESTMENT EARNINGS DURING THE
15 PRECEDING FIVE YEARS.

16 (7) ANNUAL CASH FLOW AND LOSSES.

17 (8) FULL UTILIZATION OF EARNED INCOME TAX AND OTHER TAX
18 REVENUE SOURCES.

19 (9) OTHER EXISTING ASSETS AND REVENUES AVAILABLE TO MEET
20 PENSION OBLIGATIONS.

21 (10) THE MUNICIPALITY'S MINIMUM MUNICIPAL OBLIGATION
22 PAYMENT HISTORY.

23 * * *

24 "DROP." A deferred retirement option plan created and
25 operated by a local government or the Pennsylvania Municipal
26 Retirement System under Chapter 11 or any deferred retirement
27 option plan or similar program established by a local government
28 that provides for the commencement and accumulation of
29 retirement benefit payments for active employees with
30 disbursement of the accumulated payments and interest earnings

1 as a lump sum upon termination of employment.

2 "DROP participant." A retired member of a local government-
3 defined benefit pension plan who is eligible to participate in a
4 DROP under section 1112, who has elected to participate in a
5 DROP under section 1113 and who is not an elected official.

6 "DROP participant account." A pension trust fund ledger
7 account established under section 1121(a).

8 * * *

9 "Local government." A municipality or any county.

10 * * *

11 "Municipal employee." Any person [other than an independent
12 contractor] who provides regular services for a municipality in
13 return for compensation from the municipality. The term does not
14 include an independent contractor or a DROP participant.

15 * * *

16 Section 2.1. The act is amended by adding a section to read:
17 Section 103. Methodology.

18 ~~In~~ NOTWITHSTANDING ANY PROVISIONS OF THE ACT OF AUGUST 31, ←
19 1971 (P.L.398, NO.96), KNOWN AS THE COUNTY PENSION LAW, TO THE
20 CONTRARY, IN performing an actuarial study under this act or the
21 act of December 6, 1972 (P.L.1383, No.293), entitled "An act
22 requiring municipal pension systems to have an actuarial
23 investigation of the fund made by an actuary who shall report
24 his findings to the Department of Community Affairs,"
25 municipalities and counties may utilize any reasonable actuarial
26 assumptions or methodologies provided for in this act.

27 Section 3. Section 202(b)(4)(i), (ii), (iii), (iv) and (v)
28 of the act, amended July 15, 2004 (P.L.715, No.81), are amended
29 to read:

30 Section 202. Contents of actuarial valuation report.

1 * * *

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

1 use to determine the question of the existence of compelling
2 reasons for the use of approximation techniques, the
3 documentation which a municipality seeking the authorization
4 will be required to supply and the acceptable approximation
5 technique which the commission may authorize. The actuarial
6 exhibits shall use actuarial assumptions which are, in the
7 judgment of the actuary and the governing body of the plan, the
8 best available estimate of future occurrences in the case of
9 each assumption. With respect to economic actuarial assumptions,
10 the assumptions shall either be within the range specified in
11 rules and regulations issued by the commission or documentation
12 explaining and justifying the choice of assumptions outside the
13 range shall accompany the report. The actuarial exhibits shall
14 measure all aspects of the benefit plan or plans of the pension
15 plan in accordance with modifications in the benefit plan or
16 plans, if any, and salaries which as of the valuation date are
17 known or can reasonably be expected to be in force during the
18 ensuing plan year. In preparing the actuarial exhibits or any
19 actuarial valuation report, the municipality shall exclude the
20 compensation of all DROP participants from the active member
21 payroll and all DROP participants from active member data. The
22 actuarial valuation report shall contain the following actuarial
23 exhibits:

24 * * *

25 (4) An exhibit of any additional funding costs
26 associated with the amortization of any unfunded actuarial
27 accrued liability of the pension plan, indicating for each
28 increment of unfunded actuarial accrued liability specified
29 in paragraph (3), the level annual dollar contribution
30 required to pay an amount equal to the actuarial assumption

1 as to investment earnings applied to the principal amount of
2 the remaining balance of the increment of unfunded actuarial
3 accrued liability and to retire by the applicable
4 amortization target date specified in this paragraph the
5 principal amount of the remaining balance of the increment of
6 unfunded actuarial accrued liability. The amortization target
7 date applicable for each type of increment of unfunded
8 actuarial accrued liability shall be as follows:

9 (i) The following apply:

10 (A) In the case of a pension plan established on
11 or prior to January 1, 1985 for the unfunded
12 actuarial accrued liability in existence as of the
13 beginning of the plan year occurring in calendar year
14 1985, at the end of the plan year occurring in
15 calendar year 2015; or

16 (B) In the case of a pension plan established
17 after January 1, 1985, for the unfunded actuarial
18 accrued liability then or subsequently determined to
19 be or to have been in existence as of the date of the
20 establishment of the plan, at the end of the plan
21 year occurring 30 years after the calendar year in
22 which the pension plan was established.

23 (ii) The following apply:

24 (A) Increment or decrement of net unfunded
25 actuarial accrued liability attributable to a change
26 in actuarial assumptions, at the end of the plan year
27 occurring 20 years after the calendar year in which
28 actuarial assumption modification was effective.

29 (B) Increment or decrement of net unfunded
30 actuarial accrued liability attributable to a change

1 in actuarial assumptions made on or after the
2 effective date of this clause, at the end of the plan
3 year occurring 15 years after the calendar year in
4 which the actuarial assumption modification was
5 effective.

6 (iii) The following apply:

7 (A) Increment of net unfunded actuarial accrued
8 liability attributable to a modification in the
9 benefit plan applicable to active members, at the end
10 of the plan year occurring 20 years after the
11 calendar year in which the benefit plan modification
12 was effective.

13 (B) From and after the effective date of this
14 clause, the increment of net unfunded actuarial
15 accrued liability attributable to a modification in
16 the benefit plan mandated by new legislation, at the
17 end of the plan year occurring 20 years after the
18 calendar year in which the benefit plan modification
19 was effective.

20 (iv) The following apply:

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

27 (B) Except as provided under clause (C),
28 increment of unfunded actuarial accrued liability
29 attributable to a modification in the benefit plan
30 for active members adopted on or after the effective

1 date of this clause and not mandated by new
2 legislation, at the end of the plan year occurring
3 ten years after the calendar year in which the
4 benefit plan modification was effective.

5 (C) An increment of unfunded actuarial accrued
6 liability attributable to a modification in the
7 benefit plan applicable to retired members and other
8 benefit recipients not mandated by new legislation,
9 at the end of the plan year following the year in
10 which the modification was effective.

11 (v) The following apply:

12 (A) Increment or decrement of net unfunded
13 actuarial accrued liability attributable to an
14 actuarial experience loss or gain, at the end of plan
15 year occurring [15] 20 years after the calendar year
16 in which the actuarial experience loss or gain was
17 recognized.

18 (B) Notwithstanding any other provision of this
19 act or other law, as of the beginning of the plan
20 year occurring in calendar year 2003, the outstanding
21 balance of the increment of unfunded actuarial
22 accrued liability attributable to the net actuarial
23 investment losses incurred in calendar years 2001 and
24 2002 may, at the sole discretion of the municipality,
25 be amortized with the amortization target date being
26 the end of the plan year occurring 30 years after
27 January 1, 2003. In order for a municipality to
28 extend the applicable amortization period pursuant to
29 this clause, the municipality must file a revised
30 actuarial valuation report reflecting the

1 amortization period extension provided for under this
2 clause with the executive director of the commission
3 no later than September 30, 2004. Any such revised
4 actuarial valuation report may not be filed in lieu
5 of the actuarial valuation report prepared in
6 compliance with clause (A) and required to be filed
7 on or before March 31, 2004, and may be used only for
8 the purposes of recalculating the 2004 minimum
9 municipal obligation of the municipality and
10 calculating the 2005 minimum municipal obligation of
11 the municipality to reflect the amortization period
12 extension. Any such revised actuarial valuation
13 report shall not affect distributions under the
14 General Municipal Pension System State Aid Program
15 under Chapter 4.

16 * * *

17 Section 4. The act is amended by adding sections to read:

18 Section 210. Actuarial asset valuation.

19 (a) General rule.--A municipality may value the assets in
20 each of its pension plans to equal the greater of:

21 (1) the actuarial value of assets from the most recent
22 biennial actuarial valuation report accepted by the
23 commission:

24 (i) increased by contributions and other deposits
25 except investment income;

26 (ii) decreased by benefit payments and
27 administrative expenses or other payments; and

28 (iii) credited with interest at 1% less than the
29 plan's assumed rate, to the date of the actuarial
30 valuation; or

1 (2) the market value of assets on the valuation date.

2 (b) Methodology.--

3 (1) The actuarial value of pension plan assets is the
4 value of cash, investment securities and other property
5 belonging to the municipal pension plan according to a method
6 for valuing assets adopted by the governing body of the
7 municipal pension plan upon the recommendation of the
8 actuary.

9 (2) The method for valuing assets shall be adequately
10 disclosed in the accompanying documentation or exhibits and,
11 except as set forth in subsection (c) or Chapter 6, may not
12 produce a result that in total is:

13 (i) greater than 120% of the fair market value of
14 the assets of the municipal pension plan; or

15 (ii) less than 80% of the fair market value of the
16 assets of the municipal pension plan.

17 (c) Temporary valuation.--

18 (1) For the two-year actuarial valuation reporting
19 period beginning in 2009, a municipality may utilize a method
20 for valuing assets which does not produce a result that in
21 total is:

22 (i) greater than 130% of the fair market value of
23 the assets of the municipal pension plan; or

24 (ii) less than 70% of the fair market value of the
25 assets of the municipal pension plan.

26 (2) Upon the expiration of that two-year actuarial
27 valuation reporting period, subsection (b) applies.

28 Section 211. Revised actuarial valuation report.

29 Upon enactment of legislation which would alter the actuarial
30 valuation of a pension plan, a revised actuarial valuation

1 report shall be filed with the commission as the commission
2 directs.

3 Section 5. Section 302(b)(2) of the act, amended December
4 18, 1990 (P.L.753, No.189), is amended to read:

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

7 * * *

8 (b) Financial requirements of the pension plan.--

9 * * *

10 (2) The normal cost and administrative expense
11 requirements for the following plan year shall be expressed
12 as a dollar amount and shall be determined by applying the
13 normal cost of the benefit plan and the administrative
14 expense payable from the assets attributable to the benefit
15 plan, as reported in the actuarial valuation report of the
16 pension plan and expressed as a percentage of payroll, to the
17 payroll of the active membership of the pension plan as of
18 the date the financial requirements of the pension plan are
19 determined. In expressing the normal cost and administrative
20 expense requirements as a dollar amount, the municipality
21 shall exclude the compensation of all DROP participants from
22 the payroll of the active membership of the pension plan.

23 * * *

24 Section 6. Sections 402(e)(2), 501 and 502 of the act are
25 amended to read:

26 Section 402. Revision of financing from State revenue sources;
27 General Municipal Pension System State Aid Program.

28 * * *

29 (e) Allocation of general municipal pension system State
30 aid.--

1 * * *

2 (2) The applicable number of units shall be attributable
3 to each active employee who was employed on a full-time basis
4 for a minimum of six consecutive months prior to December 31
5 preceding the date of certification and who was participating
6 in a pension plan maintained by that municipality, provided
7 that the municipality maintains a generally applicable
8 pension plan for that type of employee which was either
9 established on or prior to December 31, 1984, or, if
10 established after December 31, 1984, has been maintained by
11 that municipality for at least three plan years. For the
12 purpose of computing and reporting the applicable number of
13 units, a DROP participant shall not be reported to the
14 Auditor General as an active employee. The applicable number
15 of units per employee attributable to each eligible recipient
16 county of the second class shall be two units for each police
17 officer. The applicable number of units attributable to each
18 eligible recipient city, borough, incorporated town and
19 township shall be as follows:

20 (i) Police officer - two units.

21 (ii) Firefighter - two units.

22 (iii) Employee other than police officer or
23 firefighter - one unit.

24 * * *

25 Section 501. Initiation of distress determination.

26 [Each municipality which wishes to avail itself of any of the
27 provisions of sections 604, 605 and 606 shall apply to the
28 commission for a determination of its status pursuant to this
29 chapter. The application shall be in the form and shall contain
30 the required information as prescribed in rules and regulations

1 issued by the commission. Determinations pursuant to this
2 chapter shall be made annually.] The commission shall review the
3 biennial actuarial valuation reports filed on behalf of each
4 municipal pension plan to determine the municipality's
5 eligibility to avail itself of sections 604, 605 and 606.

6 Section 502. Pension plans for inclusion in determination.

7 The determination provided for in this chapter shall be made
8 for a municipality taking into account all pension plans which
9 the municipality has established and maintains[.], except those
10 created after the last biennial actuarial valuation date. The
11 initial actuarial valuation report for any plan shall not be
12 recognized in the determination of a municipality's distress
13 level. If the municipality filed an actuarial valuation report
14 for any pension plan in the prior reporting period, that
15 valuation report shall control the determination of distress
16 without regard to the funding status of any newly established
17 plan. If no other plan was previously maintained by a
18 municipality, the newly established plan shall be assigned a
19 distress score of 0.

20 Section 7. Sections 503 and 602 of the act, amended December
21 10, 1996 (P.L.934, No.150), are amended to read:

22 Section 503. Determination procedure.

23 (a) Generally.--The determination provided for in this
24 chapter shall be made by the commission using the actuarial
25 [indicators] indicator specified in subsection (b) [and the
26 municipal finance indicators specified in subsection (c), and
27 the scoring system associated with each].

28 (b) Actuarial [indicators] indicator.--The actuarial
29 [indicators] indicator shall be based on the most current
30 actuarial valuation report or reports filed by the applicable

municipality with the commission pursuant to law and shall be made in aggregate for all pension plans maintained by the applicable municipality. [The actuarial indicators and the associated scoring system for each shall be as follows:

(1) The aggregate amount of current pension plan benefits payable shall be computed as a percentage of the current market value of aggregate plan assets:

Benefits Payable

as Percentage

of Assets

Scoring

0 - 5%

0

6 - 10%

10

11 - 15%

20

16 - 20%

30

21 - 30%

40

31 - 40%

50

41 - 50%

60

51 - 60%

70

61 - 70%

80

71 - 80%

90

81% or greater

100

(2) The aggregate actuarial value of plan assets shall be computed as a percentage of the aggregate accrued actuarial liability:

Assets as Percentage

of Accrued Actuarial

Liability

Scoring

50.0% or greater

0

40.0 - 49.0%

10

30.0 - 39.0%

20

1	25.0 - 29.0%	30
2	20.0 - 24.0%	40
3	15.0 - 19.0%	50
4	10.0 - 14.0%	60
5	7.5 - 9.0%	70
6	5.0 - 7.4%	80
7	2.5 - 4.9%	90
8	0 - 2.4%	100

(3) The aggregate amount of normal cost expressed as a percentage of covered payroll reduced by the aggregate amount of any member contributions expressed as a percentage of covered payroll is added to the aggregate amount of any employer contributions to the Federal old age, survivors, disability and health insurance program expressed as a percentage of covered payroll:

Total Employer Retirement Cost	Scoring
0 - 9.99%	0
10.00 - 11.99%	10
12.00 - 12.99%	20
13.00 - 13.99%	30
14.00 - 14.99%	40
15.00 - 15.99%	50
16.00 - 16.99%	60
17.00 - 17.99%	70
18.00 - 18.99%	80
19.00 - 19.99%	90
20.00% or greater	100

(4) The aggregate requirement to amortize the unfunded accrued actuarial liability on a level annual dollar basis

1 according to the applicable amortization schedules specified
2 in section 202(b)(4) is divided by the aggregate normal cost
3 requirement:

4 Amortization Requirement

5 Divided by Normal	Scoring
6 Cost Result	
7 0 - 0.39	0
8 0.40 - 0.79	10
9 0.80 - 1.19	20
10 1.20 - 1.39	30
11 1.40 - 1.59	40
12 1.60 - 1.79	50
13 1.80 - 1.99	60
14 2.00 - 2.19	70
15 2.20 - 2.39	80
16 2.40 - 2.59	90
17 2.60 or over	100

18 (5) The difference between the aggregate amount of
19 normal cost plus the requirement to amortize the unfunded
20 accrued actuarial liability on a level annual dollar basis
21 according to the applicable amortization schedules specified
22 in section 202(b)(4), and the total aggregate amount of
23 member contributions, State allocations dedicated for pension
24 purposes and municipal contributions received for the
25 previous year is computed and expressed as a percentage of
26 covered payroll:

27 Difference Between	
28 Full Actuarial	
29 Requirement and	
30 Current Contributions	Scoring

1	0 - 2.4%	0
2	2.5 - 4.9%	10
3	5 - 9.9%	20
4	10 - 14.9%	30
5	15 - 19.9%	40
6	20 - 24.9%	50
7	25 - 29.9%	60
8	30 - 34.9%	70
9	35 - 39.9%	80
10	40 - 44.9%	90
11	45% or over	100

12 (6) The compound annual percentage rate of increase in
13 the aggregate amount of the unfunded accrued actuarial
14 liability over the most recent four-year period is computed,
15 unless the amount of the unfunded accrued actuarial liability
16 equals less than 10% of the amount of assets in either the
17 first or fourth year:

18	Compound Rate	
19	of Increase in	
20	Unfunded Accrued	
21	Actuarial Liability	Scoring
22	0.0 - 9.9%	0
23	10.0 - 12.4%	10
24	12.5 - 14.9%	20
25	15.0 - 17.4%	30
26	17.5 - 19.9%	40
27	20.0 - 22.4%	50
28	22.5 - 24.9%	60
29	25% or over	70

30 (7) The compound annual percentage rate of increase in

the aggregate amount of municipal contributions over the most recent four-year period is computed:

Compound Rate of Increase in Municipal Contributions	Scoring
20% or over	0
15 - 19.9%	10
10 - 14.9%	20
0 - 9.9%	30]

The actuarial indicator shall be the ratio of the actuarial value of assets to the actuarial accrued liability, expressed as a percentage known as the funding ratio, and shall be applied in accordance with the following actuarial distress scoring system:

<u>Funding Ratio</u>	<u>Score</u>
<u>90% or over</u>	<u>0</u>
<u>70 - 89%</u>	<u>1</u>
<u>50 - 69%</u>	<u>2</u>
<u>Less than 50%</u>	<u>3</u>

[(c) Municipal finance indicators.--The municipal finance indicators shall be based on the most recent financial report or reports filed by the applicable municipality with the Department of Community Affairs and certified by the secretary or by the designee of the secretary. Before certification for a municipality that has issued bonds or notes to fund an unfunded actuarial accrued liability under the act of July 12, 1972 (P.L.781, No.185), known as the Local Government Unit Debt Act, or under the laws applicable to the municipality, the municipal finance data extracted from the most recent financial report or reports shall be adjusted as directed by the commission to hold harmless the municipality under section 404(c) by excluding the

1 municipal debt issued to fund an unfunded actuarial accrued
 2 liability and the debt service on that debt. The municipal
 3 finance indicators and the associated scoring system for each
 4 shall be as follows:

5 (1) The total amount of taxes collected by the
 6 municipality for the current year are divided by the
 7 population of the municipality as of the last Federal census,
 8 and the percentage increase in the amount of municipal taxes
 9 collected per capita in the most recent five-year period:

Taxes Collected		Gross Percentage	
		Increase in Taxes	
Per Capita	Scoring	Per Capita	Scoring
\$ 0.00 - 79.99	0	0.00 - 19.99%	0
80.00 - 84.99	5	20.00 - 29.99%	3
85.00 - 89.99	10	30.00 - 34.99%	6
90.00 - 99.99	15	35.00 - 39.99%	9
100.00 - 109.99	20	40.00 - 44.99%	12
110.00 - 124.99	25	45.00 - 49.99%	15
125.00 - 139.99	30	50.00 - 54.99%	18
140.00 - 159.99	35	55.00 - 59.99%	21
160.00 - 179.99	40	60.00 - 64.99%	24
180.00 - 199.99	45	65.00 - 69.99%	27
200.00 or greater	50	70.00% or greater	30

24 (2) The municipal tax rate on the market value of real
 25 property (adjusted mill rate) in the municipality for the
 26 most recent year and the percentage increase in the amount of
 27 that adjusted mill rate in the most recent five-year period:

Gross Percentage	
Increase in	
Adjusted	Adjusted Mill

1	Mill Rate	Scoring	Rate	Scoring
2	0.00 - 5.99	0	0.00 - 3.99%	0
3	6.00 - 7.99	5	4.00 - 6.99%	3
4	8.00 - 9.99	10	7.00 - 9.99%	6
5	10.00 - 11.99	15	10.00 - 12.99%	9
6	12.00 - 12.99	20	13.00 - 15.99%	12
7	13.00 - 13.99	25	16.00 - 18.99%	15
8	14.00 - 14.99	30	19.00 - 21.99%	18
9	15.00 - 15.99	35	22.00 - 24.99%	21
10	16.00 - 16.99	40	25.00 - 27.99%	24
11	17.00 - 17.99	45	28.00 - 30.99%	27
12	18.00 or greater	50	31.00% or greater	30

13 (3) For the most recent year, the result of the total
14 municipal bonded debt plus the total municipal floating debt
15 less the total municipal credits against municipal debt is
16 divided by the population of the municipality as of the last
17 Federal census:

18	Net Debt	Scoring
19	Per Capita	
20	\$ 0.00 - 9.99	0
21	10.00 - 19.99	8
22	20.00 - 29.99	16
23	30.00 - 39.99	24
24	40.00 - 49.99	32
25	50.00 - 59.99	40
26	60.00 - 69.99	48
27	70.00 - 79.99	56
28	80.00 - 89.99	64
29	90.00 - 99.99	72
30	100.00 or greater	80

(4) For the most recent year, the result of the total municipal bonded debt plus the total municipal floating debt less the total municipal credits against municipal debt is computed as a percentage of the assessed value of real property in the municipality:

Municipal Debt
as Percentage
of Municipal Property

Tax Base	Scoring
0.00 - 0.49%	0
0.50 - 0.99%	6
1.00 - 1.99%	12
2.00 - 2.99%	18
3.00 - 4.49%	24
4.50 - 5.99%	30
6.00 - 6.99%	36
7.00 - 7.99%	42
8.00 - 8.99%	48
9.00 - 9.99%	54
10.00% or greater	60

(5) For the most recent year, the result of the total municipal bonded debt plus the total municipal floating debt less the total municipal credits against municipal debt is computed as a percentage of the market value of real property in the municipality:

Municipal Debt as
Percentage of
Potential Municipal

Property Tax Base	Scoring
0.00 - 0.24%	0

1	0.25 - 0.49%	6
2	0.50 - 0.99%	12
3	1.00 - 1.49%	18
4	1.50 - 1.99%	24
5	2.00 - 2.99%	30
6	3.00 - 3.49%	36
7	3.50 - 3.99%	42
8	4.00 - 4.49%	48
9	4.50 - 4.99%	54
10	5.00% or greater	60

11 (6) For the most recent year, the municipal bonded debt
 12 retired during the preceding 12 months plus the interest paid
 13 during the preceding 12 months on all municipal debt is
 14 computed as a percentage of the total taxes collected by the
 15 municipality for the same period:

16 Debt Service as
 17 Percentage of
 18 Municipal Tax

19	Revenue	Scoring
20	0.00 - 4.49%	0
21	4.50 - 5.49%	8
22	4.50 - 5.49%	16
23	6.50 - 7.49%	24
24	7.50 - 8.49%	32
25	8.50 - 9.49%	40
26	9.50 - 10.49%	48
27	10.50 - 11.49%	56
28	11.50 - 12.49%	64
29	12.50 - 13.49%	72
30	13.50% or greater	80

(7) The market value of real property in the municipality for the current year is divided by the population of the municipality as of the last Federal census, and the percentage increase in the amount of market value per capita in the most recent year over the amount of market value per capita in the most recent five-year period:

		Gross Percentage		
		Increase in		
Market Value		Market Value		
Per Capita	Scoring	Per Capita	Scoring	
\$8,000 or greater	0	41.00% or greater	0	
7,500 - 7,999	5	39.00 - 40.99%	3	
7,000 - 7,499	10	35.00 - 38.99%	6	
6,500 - 6,999	15	31.00 - 34.99%	9	
6,000 - 6,499	20	27.00 - 30.99%	12	
5,500 - 5,999	25	23.00 - 26.99%	15	
5,000 - 5,499	30	19.00 - 22.99%	18	
4,500 - 4,999	35	15.00 - 18.99%	21	
4,000 - 4,499	40	11.00 - 14.99%	24	
3,500 - 3,999	45	7.00 - 10.99%	27	
0 - 3,499	50	0.00 - 6.99%	30	

(8) For the most recent year, adjusted total municipal expenditures (total municipal expenditures less any municipal urban renewal expenditures and less any municipal enterprise expenditures) divided by the population of the municipality as of the last Federal census and the percentage increase in the amount of adjusted total municipal expenditures per capita in the most recent year over the amount of adjusted total municipal expenditures per capita in the most recent five-year period:

1			Gross Percentage	
2			Increase in	
3	Adjusted Total		Adjusted Total	
4	Municipal Expenditure	Scoring	Municipal Expenditures	Scoring
5	Per Capita		Per Capita	
6	\$ 0.00 - 149.99	0	0.00 - 13.99%	0
7	150.00 - 164.99	5	14.00 - 17.99%	3
8	165.00 - 179.99	10	18.00 - 21.99%	6
9	180.00 - 194.99	15	22.00 - 25.99%	9
10	195.00 - 209.99	20	26.00 - 29.99%	12
11	210.00 - 224.99	25	30.00 - 33.99%	15
12	225.00 - 239.99	30	34.00 - 37.99%	18
13	240.00 - 254.99	35	38.00 - 41.99%	21
14	255.00 - 269.99	40	42.00 - 45.99%	24
15	270.00 - 284.99	45	46.00 - 48.99%	27
16	285.00 or greater	50	49.00% or greater	30]

17 (d) Levels of distress.--The three levels of municipal
18 pension system financial distress shall be as follows:

19 (1) Minimal [financial] distress, which shall include
20 any municipality which has a distress determination scoring
21 [greater than zero but not greater than 299] equal to one.

22 (2) Moderate [financial] distress, which shall include
23 any municipality which has a distress determination scoring
24 equal to [or greater than 300 but not greater than 499] two
25 ~~or greater than two but with an unfunded actuarial accrued~~ ←
26 ~~liability of less than \$50,000.~~

27 (3) Severe [financial] distress, which shall include any
28 municipality which has a distress determination scoring equal
29 to [or greater than 500] three and an unfunded actuarial ←
30 ~~accrued liability of not less than \$50,000.~~

1 Section 602. Application.

2 (a) Generally.--The various remedies contained in this
3 recovery program shall be available to municipalities based on
4 the extent of financial distress of the municipal pension system
5 determined by the commission, as provided in this section.

6 (b) Minimally distressed municipal pension systems.--The
7 remedies contained in level I of the recovery program as
8 specified in section 604 shall apply to any municipality which
9 [seeks to utilize them, whether the municipality] is minimally
10 distressed, as that status is defined based upon the actuarial
11 considerations [and municipal finance considerations] of the
12 determination procedure pursuant to section 503 [is not
13 determined to be distressed or is determined to be distressed
14 but elects not to participate in level II of section 605 or
15 level III of section 606 of the recovery program, whichever is
16 applicable].

17 (c) Moderately distressed municipal pension systems.--The
18 remedies contained in level II of the recovery program as
19 specified in section 605 shall apply to any municipality which
20 is determined to be moderately distressed, as that status is
21 defined based on the actuarial considerations [and municipal
22 finance considerations] of the determination procedure in rules
23 and regulations issued by the commission pursuant to section
24 503[, which complies with any applicable preconditions for
25 participation in this level of the recovery program and which
26 elects to participate in this level of the recovery program].

27 (d) Severely distressed municipal pension systems.--The
28 remedies contained in level III of the recovery program as
29 specified in section 606 shall apply to any municipality which
30 is determined to be severely distressed, as that status is

1 defined based on the actuarial considerations [and municipal
2 finance considerations] of the determination procedure in rules
3 and regulations issued by the commission pursuant to section
4 503[, which complies with any applicable preconditions for
5 participation in this level of the recovery program and which
6 elects to participate in this level of the recovery program].

7 (e) Continuation of elected remedies.--[In the event that
8 the extent of financial distress of a municipal pension system
9 determined by the commission subsequent to the initial
10 determination is lower than the minimum prescribed in section
11 503(d) for a recovery program level previously elected by a
12 municipality, the] A municipality may continue to utilize any of
13 the remedies elected and implemented while it was eligible to
14 participate in [a higher recovery program level, provided that
15 the municipality continues to comply with the preconditions for
16 participation in the higher recovery program level and to
17 utilize the mandatory remedies applicable to the higher recovery
18 program level.] any recovery program authorized by this act at
19 the time of commencement and OF implementation. Any change or ←
20 amendment of recovery remedies in this act subsequent to
21 election and implementation shall be deemed to be cumulative and
22 not in lieu of previously adopted remedies.

23 Section 8. Section 603 of the act is amended to read:

24 Section 603. [Election] Determination procedure.

25 The [election to utilize the various remedies contained in
26 one of the levels of the recovery program shall be made by the
27 governing body of the municipality. The election] determination
28 process shall be initiated by [an application filed with] the
29 commission for the determination of financial distress with
30 respect to the municipal pension system pursuant to section 501.

1 Upon notification of the determination of financial distress by
2 the commission, the municipality shall elect whether or not to
3 utilize the voluntary remedies of any level of the recovery
4 program which may be applicable to the municipality. [Any
5 election to utilize the remedies contained in a level of the
6 recovery program shall be made on forms prescribed by the
7 commission and shall include any information required by the
8 commission.]

9 Section 9. Section 604 of the act, amended February 14, 1986
10 (P.L.23, No.9), is amended to read:

11 Section 604. Recovery program level I.

12 (a) Level I.--Any municipality to which level I of the
13 recovery program applies may utilize the following remedies:

14 (1) The aggregation of trust funds pursuant to section
15 607(b).

16 (2) The establishment of total member contribution
17 pursuant to section 607(c).

18 (3) The deviation from municipal contribution
19 limitations pursuant to section 607(d).

20 [(b) Implementation.--Any municipality which receives an
21 initial distress determination scoring in 1985 which is equal to
22 or greater than 200, but not greater than 299, and cannot meet
23 the minimum municipal obligation for the year 1986 because the
24 payment of the minimum municipal obligation would result in the
25 municipality exceeding the maximum contribution limitation for
26 that municipality as set forth in the pertinent laws for that
27 class of municipality, may delay the implementation of the full
28 funding of the minimum municipal obligation until 1987. Any
29 municipality electing to delay full implementation of the
30 minimum municipal obligation shall make a municipal contribution

1 for 1986 as set forth in section 607(g). In addition to the one-
2 year delay of the full actuarial funding standard, the
3 municipality may utilize the following additional remedies:

4 (1) The deviation from municipal contribution
5 limitations pursuant to section 607(d).

6 (2) The special municipal taxing authority pursuant to
7 section 607(f).]

8 (c) Reduction for Level I municipalities.--

9 (1) A level I municipality may elect to pay a reduced
10 minimum municipal obligation consisting of the normal cost
11 and administrative expenses of the pension plans plus:

12 (i) 75% of the amortization contribution
13 requirement, calculated according to section 202(b)(4);
14 minus

15 (ii) anticipated member contributions.

16 (2) This reduction of payments to amortize the actuarial
17 accrued liability shall be authorized for a period of one
18 biennial actuarial valuation reporting period (total of two
19 years) under section 607(h.1). At the end of this period,
20 section 302(c) shall apply to the minimum municipal
21 obligation calculation.

22 (d) Asset valuation.--

23 (1) Following the expiration of the period applicable to
24 asset valuation under section 210(c), for an additional
25 period of one biennial actuarial valuation reporting period
26 (allowing an additional two years for a total of four years),
27 a level I municipality may utilize a method for valuing
28 assets that may not produce a result that, in total, is:

29 (i) greater than 130% of the fair market value of
30 the assets of the municipal pension plan; or

1 (ii) less than 70% of the fair market value of the
2 assets of the municipal pension plan.

3 (2) At the end of the additional period under paragraph
4 (1), section 210 shall apply to the actuarial valuation of
5 assets.

6 Section 10. Sections 605 and 606 of the act are amended to
7 read:

8 Section 605. Recovery program level II.

9 (a) Mandatory remedies.--Any municipality to which level II
10 of the recovery program applies shall utilize the following
11 remedies:

12 (1) The aggregation of trust funds pursuant to section
13 607(b).

14 (2) The submission of a plan for administrative
15 improvement pursuant to section 607(i).

16 (b) Discretionary remedies.--Any municipality to which level
17 II of the recovery program applies may utilize the following
18 remedies:

19 (1) [The aggregation of trust funds pursuant to section
20 607(b).

21 (2)] The establishment of total member contributions
22 pursuant to section 607(c).

23 [(3)] (2) The deviation from municipal contribution
24 limitations pursuant to section 607(d).

25 [(4)] (3) The establishment of a revised benefit plan
26 for newly hired municipal employees pursuant to section
27 607(e).

28 [(5)] (4) The special municipal taxing authority
29 pursuant to section 607(f).

30 [(6) The delayed implementation of funding standard over

1 ten years pursuant to section 607(g).

2 (7) Supplemental State assistance pursuant to section
3 607(j).]

4 (8) (i) A level II municipality may elect to pay a
5 reduced minimum municipal obligation consisting of the
6 normal cost and administrative expenses of the pension
7 plan plus:

8 (A) 75% of the amortization contribution
9 requirement, calculated according to section 202(b)
10 (4); minus

11 (B) anticipated member contributions.

12 (ii) This reduction of payments to amortize the
13 actuarial accrued liability shall be authorized for a
14 period of two consecutive actuarial valuation reporting
15 periods (total of four years) under section 607(h.1). At
16 the end of this period, section 302(c) shall apply to the
17 minimum municipal obligation calculation.

18 (9) (i) Following the expiration of the period
19 applicable to the asset valuation provisions of section
20 210(c), for an additional period of two biennial
21 actuarial valuation reporting periods (allowing an
22 additional four years for a total of six years), a level
23 II municipality may utilize a method for valuing assets
24 that may not produce a result that in total is:

25 (A) greater than 130% of a period of two
26 consecutive actuarial valuation reporting periods
27 (total of four years); or

28 (B) less than 70% of the fair market value of
29 the assets of the municipal pension plan.

30 (ii) At the end of the additional period under

subparagraph (i), section 210 shall apply to the
actuarial valuation of assets.

~~(c) Benefit modification. No benefit plan modification
shall be adopted unless the actuarial value of the assets of the
pension plan are:~~

~~(1) at least equal to 90% of the actuarial value of
liabilities prior to adoption; and~~

~~(2) at least 80% of the actuarial value of liabilities
after adoption.~~

Section 606. Recovery program level III.

(a) Optional ~~[remedies]~~ ~~remedy~~ REMEDIES.--Any municipality
to which level III of the recovery program applies may utilize
the ~~following~~ remedies:

(1) The establishment of total member contributions
pursuant to section 607(c).

(2) The deviation from municipal contribution
limitations pursuant to section 607(d).

(3) The ~~special~~ municipal taxing authority pursuant to
section 607(f).

[(4) The delayed implementation of funding standard over
ten years pursuant to section 607(g) or the delayed
implementation of funding standard over 15 years with 40-year
amortization pursuant to section 607(h).

(5) Supplemental State assistance pursuant to section
607(j).]

(b) Mandatory remedies.--Any municipality to which level III
of the recovery program applies shall utilize the following
remedies:

~~†~~(1) The aggregation of trust funds pursuant to section
607(b).

1 (2) The establishment of a revised benefit plan for
2 newly hired municipal employees pursuant to section 607(e).

3 [The revised benefit plan shall have a normal cost which is ←
4 less than the normal cost of the benefit plan applicable to
5 current municipal employees as reported in the most recent
6 prior actuarial valuation report for the pension plan. In
7 making this determination, the normal cost for the revised
8 benefit plan shall be calculated by applying the revised
9 benefit plan to the current active membership demographics.] ←

10 (3) The preparation, submission and implementation of a
11 plan for improvement of the administration of the pension
12 plan or plans pursuant to section 607(i).† ←

13 ~~(1) Participation in the Municipal Pension Recovery~~
14 ~~Program for active, vested and retired municipal employees~~
15 ~~under section 608.1.~~

16 ~~(i) The amortization target date for the unfunded~~
17 ~~actuarial accrued liability in existence as of the first~~
18 ~~day of the valuation year in which a municipality is~~
19 ~~determined to be severely distressed shall be 30 years.~~
20 ~~The annual amortization contribution shall be calculated~~
21 ~~on the basis of a level annual dollar amortization~~
22 ~~contribution specified in section 202.~~

23 ~~(ii) The biennial actuarial valuation report filed~~
24 ~~on behalf of each level III municipality shall utilize an~~
25 ~~actuarial assumption as to investment earnings that is~~
26 ~~equal to the regular interest rate fixed by the~~
27 ~~Pennsylvania Municipal Retirement Board, from time to~~
28 ~~time, plus 1.5%.~~

29 ~~(iii) Each level III municipality shall pay a~~
30 ~~reduced minimum municipal obligation consisting of an~~

~~amount equal to:~~

~~(A) the normal cost and administrative expenses
of the pension plan; minus~~

~~(B) anticipated member contributions; plus~~

~~(C) a percentage of the amortization
contribution requirement calculated according to
section 202(b)(4).~~

~~(iv) Payment under subparagraph (iii) shall be
pursuant to the following schedule, beginning with the
year in which the municipality is first determined to be
severely distressed and subject to level III:~~

First year	12.5% of amortization contribution
Second year	25% of amortization contribution
Third year	37.5% of amortization contribution
Fourth year	50% of amortization contribution
Fifth year	62.5% of amortization contribution
Sixth year	75% of amortization contribution
Seventh year	87.5% of amortization contribution
Eighth year and thereafter	100% of amortization contribution

~~(C) REDUCTION FOR LEVEL III MUNICIPALITIES.--~~

~~(1) A LEVEL III MUNICIPALITY MAY ELECT TO PAY A REDUCED
MINIMUM MUNICIPAL OBLIGATION CONSISTING OF THE NORMAL COST
AND ADMINISTRATIVE EXPENSES OF THE PENSION PLAN, PLUS 75% OF
THE AMORTIZATION CONTRIBUTION REQUIREMENT CALCULATED
ACCORDING TO SECTION 202(B)(4) MINUS ANTICIPATED MEMBER
CONTRIBUTIONS.~~



1 (2) THE MUNICIPALITY MAY UTILIZE THE REDUCTION DESCRIBED
2 IN PARAGRAPH (1) FOR A PERIOD OF THREE CONSECUTIVE ACTUARIAL
3 VALUATION REPORTING PERIODS, TOTAL OF SIX YEARS, UNDER
4 SECTION 607(H.1). AT THE END OF THIS PERIOD, SECTION 302(C)
5 SHALL APPLY TO THE MINIMUM MUNICIPAL OBLIGATION CALCULATION.

6 ~~(v)~~ (3) Following the expiration of the period ←
7 applicable to the asset valuation provisions of section
8 210(c), a level III municipality may utilize a method for
9 valuing assets that may not produce a result that in total is
10 greater than 130% or less than 70% of the fair market value
11 of the assets of the municipal pension plan, for an
12 additional period of two biennial actuarial valuation
13 reporting periods (allowing an additional four years for a
14 total of six years), at the end of which period the actuarial
15 valuation of assets shall revert to the method provided by
16 section 210.

17 ~~(2) Participation in the Cooperative Municipal Pension~~ ←
18 ~~Program for newly hired municipal employees under section~~
19 ~~608.2.~~

20 Section 11. Section 607(b), (e), (f), (g), (h), (j) and (k)
21 of the act, amended February 14, 1986 (P.L.23, No.9), December
22 10, 1996 (P.L.934, No.150) and June 18, 1998 (P.L.626, No.82),
23 are amended and the section is amended by adding subsections to
24 read:

25 Section 607. Remedies applicable to various recovery program
26 levels.

27 * * *

28 (b) Aggregation of trust funds.--If the municipality has
29 established and maintained more than one pension plan for its
30 employees and there are pension funds associated with those

1 pension plans, the municipality may aggregate the assets to the
2 credit of the various pension funds into a single pension trust
3 fund. Subsequent to the aggregation, the pension trust fund
4 shall be the funding mechanism for all pension plans connected
5 with the aggregation.

6 (1) Each pension plan subject to the aggregation shall
7 have an undivided participation in the assets of the combined
8 pension trust fund. For accounting purposes, the value of the
9 participation by each plan shall be calculated annually. The
10 value for the initial year following aggregation shall be
11 that portion of the total value of the pension trust fund
12 which bears the same relationship that the value of the
13 assets of the pension plan, as of the date of the aggregation
14 plus the contributions received by the pension trust fund
15 with respect to that pension plan since the date of
16 aggregation and reduced by the amount of retirement annuities
17 and benefits paid from the pension trust fund for annuitants
18 and benefit recipients of that pension plan since the date of
19 aggregation, bears to the total value of all assets
20 transferred to the pension trust fund as of the date of
21 aggregation plus the total contributions received by the
22 pension trust fund since the date of aggregation and reduced
23 by the total amount of retirement annuities and benefits paid
24 for all annuitants and benefit recipients since the date of
25 aggregation. The value of the participation for each year
26 subsequent to the initial year following aggregation shall be
27 that portion of the total value of the pension trust fund
28 which bears the same relationship that the value of the
29 participation of the pension plan, as of the close of the
30 preceding year plus the contributions received by the pension

1 trust fund with respect to that pension plan during the year
2 and reduced by the amount of retirement annuities and
3 benefits paid from the pension trust fund for annuitants and
4 benefit recipients of that pension plan during the year,
5 bears to the total value of all participation in the pension
6 trust fund as of the close of the preceding year plus the
7 total contributions received by the pension trust fund during
8 the year and reduced by the total amount of retirement
9 annuities and benefits paid for all annuitants and benefit
10 recipients during the year.

11 (2) Legal title to assets in the aggregated pension
12 trust fund shall be in the municipality as trustee, or its
13 nominees as trustees, for any person having a beneficial
14 interest in a particular pension plan which is associated
15 with the pension trust fund.

16 (3) The assets of the aggregated pension trust fund
17 shall be invested in investment securities which are
18 authorized investments pursuant to any applicable law for any
19 of the associated pension plans.

20 (4) Investment earnings shall be allocated to each
21 associated pension plan in proportion to the most recently
22 determined participation value.

23 (5) Valuation of assets shall be pursuant to the
24 provisions of section 202(e)(1) and any applicable rules and
25 regulations issued by the commission.

26 (6) The aggregated pension trust fund shall be managed
27 by a board of trustees. The board of trustees shall include
28 at least one representative of the active membership of each
29 pension plan included in the aggregated pension trust fund,
30 who shall be elected by the active membership of the

1 applicable pension plan. The remaining members of the board
2 of trustees shall be drawn from the managing boards or
3 entities of the associated pension plans, in a number equal
4 to the members elected by the employees. If there is a
5 deadlock, the members of the managing boards or entities
6 shall mutually agree upon a member of the general public to
7 cast the deciding vote.

8 * * *

9 (e) Establishment of a revised benefit plan for newly hired
10 municipal employees.--The municipality may establish a revised
11 benefit plan of the pension plan applicable to any employee
12 first hired on or after the effective date of the instrument
13 establishing the revised benefit plan. At the option of the
14 municipality, the revised benefit plan may be extended to
15 include an employee first hired prior to the effective date of
16 the instrument establishing the revised benefit who elects the
17 coverage. ~~The revised benefit plan may provide for defined~~ ←
18 ~~benefits, defined contributions or a combination of both.~~ Member
19 contributions with respect to ~~the~~ a revised defined benefit ←
20 plan of the pension plan shall at a minimum be equal to or
21 exceed 30% and at a maximum not to exceed 50%, of the normal
22 cost of the pension plan, expressed as a percentage of covered
23 payroll, as reported in the most recent actuarial valuation
24 report of the pension plan. ~~A revised defined contribution plan~~ ←
25 ~~shall be centrally administered and invested and shall provide~~
26 ~~for mandatory employee contributions of not less than 6% of~~
27 ~~covered payroll and a matching employer contribution not to~~
28 ~~exceed 6% of covered payroll.~~ A revised benefit plan for newly
29 hired municipal employees shall be developed with consultation
30 with representatives of the collective bargaining unit

1 applicable to the affected type of municipal employee, if any,
2 and shall be within the scope of collective bargaining pursuant
3 to the applicable law subsequent to the establishment of the
4 revised benefit plan.

5 (E.1) CONSTRUCTION.--NOTHING IN THIS ACT SHALL BE CONSTRUED
6 TO PERMIT OR DENY THE RIGHT OF A MUNICIPALITY WHICH HAS, PRIOR
7 TO THE EFFECTIVE DATE OF THIS SUBSECTION, ADOPTED A BENEFIT PLAN
8 UNDER SECTION 606 TO ADOPT OR IMPLEMENT AN ADDITIONAL OR
9 SUCCESSOR, REVISED PENSION BENEFIT PLAN AFFECTING FUTURE
10 EMPLOYEES OF THE MUNICIPALITY.

11 (f) Special municipal taxing authority.--

12 (1) If the tax rates set by the municipality on earned
13 income or on real property are at the maximum provided by
14 applicable law, the municipality may increase its tax on
15 either earned income or real property above those maximum
16 rates. The proceeds of this special municipal tax increase
17 shall be used solely to defray the additional costs required
18 to be paid pursuant to this act which are directly related to
19 the pension plans of the municipality. The municipality
20 utilizing this special municipal taxing authority shall not
21 reduce the level of municipal contributions to the pension
22 plans prior to the implementation of the special municipal
23 taxing authority.

24 (2) The average level of municipal contributions to the
25 pension plans from all revenue sources for the three years
26 immediately prior to the implementation of the special
27 municipal taxing authority shall be expressed as a percentage
28 of the average covered payroll for that same three-year
29 period: Provided, however, That any supplemental
30 contributions made to the plans pursuant to any pension

1 recovery legislation enacted by the municipalities shall be
2 excluded for purposes of determining the level of municipal
3 contribution to the pension plans prior to the implementation
4 of the special municipal taxing authority. In each year
5 subsequent to the implementation of the special municipal
6 taxing authority, the municipal contributions to the pension
7 plan from all revenue sources existing prior to the
8 implementation of the special existing municipal taxing
9 authority, reduced by any supplemental pension recovery
10 contributions, shall equal or exceed this average percentage
11 of the current covered payroll. A municipality utilizing the
12 provisions of section 404 may levy or continue to levy the
13 special municipal tax increase under this subsection provided
14 that the municipality does not reduce the level of municipal
15 contributions to the pension plans prior to the
16 implementation of the special municipal taxing authority. In
17 executing the procedure prescribed in this subsection to
18 determine the level of municipal contributions, the debt
19 service payments for bonds or notes issued under section 404
20 shall be considered municipal contributions.

21 (f.1) Limitation on special municipal taxing authority.--
22 Beginning January 1, 2010, and continuing for each year
23 thereafter, the special municipal tax authorized in subsection
24 (f) may no longer be assessed or used for any purpose other than
25 to defray the additional costs required to be paid pursuant to
26 this act and which are directly related to the pension plans of
27 the municipality and which are included in the calculation of
28 the financial requirements of the pension plan and the minimum
29 municipal obligation. If the municipality assesses or utilizes
30 the special municipal tax increase to fund other post-employment

benefits, the cost of those benefits shall be subject to the
actuarial funding and reporting standards of this act.

[(g) Delayed implementation of funding standard over ten years.--The municipality may delay full implementation of the actuarial funding standard specified in section 302 or 303, whichever is applicable, over a period not to exceed ten years in duration, and may calculate that actuarial funding standard on the basis of a 30-year amortization period for the increment of unfunded actuarial accrued liability in existence as of the beginning of the plan year occurring in calendar year 1985. During the delayed implementation period, the municipality shall make a municipal contribution to each municipal pension plan of an amount equal to not less than the municipal contribution to the municipal pension plan made in the immediate prior year and the following percentage of the difference between that amount and the full minimum municipal obligation with respect to the pension plan pursuant to section 302 or 303, whichever is applicable:

Year	Percentage of Difference
1985	10%
1986	20%
1987	30%
1988	40%
1989	50%
1990	60%
1991	70%
1992	80%
1993	90%
1994 and thereafter	100%

The municipality may calculate the annual amortization

1 contribution on the basis of a level percentage of future
2 increasing covered payroll amortization contribution rather than
3 on the basis of the level annual dollar amortization
4 contribution specified in section 202.

5 (h) Delayed implementation of funding standard over 15
6 years; 40-year amortization period.--The municipality may delay
7 full implementation of the actuarial funding standard specified
8 in section 302 or 303, whichever is applicable, over a period
9 not to exceed 15 years in duration and may calculate that
10 actuarial funding standard on the basis of a 40-year
11 amortization period for the increment of unfunded actuarial
12 accrued liability in existence as of the beginning of the plan
13 year occurring in calendar year 1985. During the delayed
14 implementation period, the municipality shall make a municipal
15 contribution to each municipal pension plan of an amount equal
16 to not less than the municipal contribution to the municipal
17 pension plan made in the immediate prior year and the following
18 percentage of the difference between that amount and the full
19 minimum municipal obligation with respect to the pension plan
20 pursuant to section 302 or 303, whichever is applicable,
21 calculated using the applicable 40-year amortization period:

22	Year	Percentage of Difference
23	1985	6.7%
24	1986	13.4%
25	1987	20.1%
26	1988	26.8%
27	1989	33.5%
28	1990	40.2%
29	1991	46.9%
30	1992	53.6%

1	1993	60.3%
2	1994	67.0%
3	1995	73.7%
4	1996	80.4%
5	1997	87.1%
6	1998	93.8%
7	1999	100.0%

8 The municipality may calculate the annual amortization
9 contribution on the basis of a level percentage of future
10 increasing covered payroll amortization contribution rather than
11 on the basis of the level annual dollar amortization
12 contribution specified in section 202.]

13 (h.1) Reduced minimum municipal obligation.--

14 (1) The time period for use of the reduced minimum
15 municipal obligation and reduced amortization payment shall
16 be limited to the period applicable to the municipality's
17 level of distress as last determined by the commission.

18 (2) If a municipality's distress level becomes worse as
19 of a future filing period, the ~~special~~ REDUCED amortization ←
20 and minimum municipal ~~contribution~~ OBLIGATION remedy shall be ←
21 extended by the difference between:

22 (i) the period allowed for the previous distress
23 level; and

24 (ii) the period applicable to the new level of
25 distress.

26 (3) If a municipality's distress level improves, the
27 reduced minimum municipal obligation and ~~special~~ REDUCED ←
28 amortization period shall continue for the duration of the
29 period applicable to the previous distress level
30 determination.

1 * * *

2 [(j) Supplemental State assistance.--If every pension plan
3 of the municipality which is a defined benefit plan and which is
4 self-insured in whole or in part has filed an actuarial
5 valuation report utilizing the standardized actuarial cost
6 method and economic actuarial assumptions within the range of
7 actuarial assumptions specified in section 202(b) and if the
8 municipality has implemented the aggregation of trust funds
9 pursuant to subsection (b), the municipality may receive
10 supplemental State assistance from the Supplemental State
11 Assistance Fund established pursuant to section 608. The amount
12 of the supplemental State assistance to which the municipality
13 is entitled shall be determined annually based on the
14 determination scoring which the municipality received from the
15 commission pursuant to section 503, as follows:

16 (1) The determination score of the municipality shall be
17 reduced by an amount equal to 25% of the maximum possible
18 determination score.

19 (2) The result calculated pursuant to paragraph (1)
20 shall be expressed as a percentage of the maximum possible
21 determination score.

22 (2.1) For the supplemental State assistance distributed
23 in December of 1997, the percentage calculated pursuant to
24 paragraph (2) shall be applied to the dollar amount of
25 difference between the greater of the amount of the municipal
26 contribution or the amount of the actual municipal deposit to
27 all municipal pension plans in aggregate and the full minimum
28 municipal obligation with respect to the pension plans
29 pursuant to section 302 or 303, whichever is applicable, to
30 determine the amount of supplemental State assistance for the

1 municipality.

2 (3) For the supplemental State assistance distributed in
3 December of 1998 and thereafter, the percentage calculated
4 pursuant to paragraph (2) shall be applied to the dollar
5 amount of difference between the amount of the municipal
6 contribution to all municipal pension plans in aggregate and
7 the full minimum municipal obligation with respect to the
8 pension plan pursuant to section 302 or 303, whichever is
9 applicable, to determine the amount of supplemental State
10 assistance for the municipality. For the purposes of this
11 paragraph, the municipal contribution of a municipality that
12 has issued bonds or notes to fund an unfunded actuarial
13 accrued liability under the act of July 12, 1972 (P.L.781,
14 No.185), known as the Local Government Unit Debt Act, or
15 under other laws applicable to the municipality, shall
16 include debt service on the bonds or notes, or both, issued
17 to fund an unfunded actuarial accrued liability.

18 In the event that the total amount of supplemental State
19 assistance determined as payable to all municipalities entitled
20 to receive supplemental State assistance exceeds the maximum
21 appropriation provided for in section 608(b), the amount of
22 supplemental State assistance which shall be payable to each
23 municipality shall be proportionately reduced. The supplemental
24 State assistance shall be distributed annually on the first
25 business day occurring in December. For the purposes of this
26 subsection, the term "municipal contribution" shall mean the sum
27 of the current year's minimum municipal obligation, the annual
28 interest payable on any current or prior period funding
29 deficiencies and the total amount of any discretionary deposits
30 to the pension fund in the current year.

1 (k) Emergency loan procedures.--The municipality may receive
2 a loan from the Supplemental State Assistance Fund in any year
3 during the existence of the fund in an amount certified by the
4 commission. The loan amount shall be sufficient to eliminate the
5 possibility of imminent default during the next 12 consecutive
6 calendar months in the payment of retirement and other benefits
7 by one or more of the pension plans maintained by the
8 municipality. Terms for the repayment of any loan shall be
9 established by agreement between the municipality and the
10 commission prior to the loan.]

11 Section 12. Section 608 of the act is amended to read:
12 [Section 608. Supplemental State Assistance Program and Fund.

13 (a) Establishment.--There is hereby established a
14 Supplemental State Assistance Program and Fund. The Supplemental
15 State Assistance Fund shall be comprised of a Supplemental State
16 Assistance Account. The Supplemental State Assistance Program
17 and Fund shall be administered by the Auditor General.

18 (b) Supplemental State Assistance Account.--Supplemental
19 State assistance payable pursuant to section 607(j) shall be
20 paid from the Supplemental State Assistance Account. The
21 Supplemental State Assistance Account shall be funded from an
22 appropriation by the Commonwealth from the General Fund of the
23 Commonwealth. Annually the commission shall calculate the amount
24 of supplemental State assistance payable to all eligible
25 municipalities and shall certify the required amount to the
26 General Assembly. The amount of any annual certification of an
27 appropriation by the commission shall not exceed \$35,000,000.
28 The General Assembly shall make an appropriation to the
29 Supplemental State Assistance Account sufficient to provide for
30 the amount certified by the commission. The appropriation shall

1 be deposited on the last business day in November annually.

2 (c) Preconditions.--As a precondition for the receipt of any
3 supplemental State assistance, the municipality shall
4 demonstrate prior good faith compliance with any applicable
5 municipal pension plan actuarial funding standard in effect. .
6 The municipality shall also implement any mandatory aspects of
7 the applicable recovery program level.

8 (d) Warrants.--Any supplemental State assistance shall be
9 payable on warrants drawn by the Auditor General based on
10 certifications of the commission.

11 (e) Expiration.--The Supplemental State Assistance Program
12 and Fund shall terminate in 2003 or in the first year in which
13 there are no municipalities entitled to receive supplemental
14 State assistance, whichever occurs earlier.]

15 ~~Section 13. The act is amended by adding sections to read:~~ ←
16 ~~Section 608.1. Municipal Pension Recovery Program.~~

17 ~~(a) Establishment. The Municipal Pension Recovery Program~~
18 ~~is established. The program shall be administered by the~~
19 ~~Pennsylvania Municipal Retirement Board.~~

20 ~~(b) Membership. Once a municipality is determined to~~
21 ~~qualify for the level III recovery program under section 606,~~
22 ~~any and all pension plans and assets then maintained by the~~
23 ~~municipality shall be transferred to the Pennsylvania Municipal~~
24 ~~Retirement System for administration under the program; and all~~
25 ~~pension rights, privileges and benefits, except hospital,~~
26 ~~medical and other health insurance coverage, shall be governed~~
27 ~~solely and exclusively by the program. No other statute,~~
28 ~~ordinance, contract, arbitration award or practice shall permit~~
29 ~~or authorize any deviation from or alteration of the terms of~~
30 ~~the legislative enactments specifically governing the terms of~~

1 ~~the program.~~

2 ~~(c) Exclusions. For purposes of this section, multiemployer~~
3 ~~jointly trustee Taft Hartley collectively bargained pension~~
4 ~~plans shall not be considered as pension plans and assets then~~
5 ~~maintained by the municipality, and employees subject to~~
6 ~~multiemployer collectively bargained pension plans shall not be~~
7 ~~included in the program.~~

8 ~~(d) Liability.~~

9 ~~(1) The liability to continue payment of pension~~
10 ~~benefits shall remain the exclusive responsibility of the~~
11 ~~employing municipality.~~

12 ~~(2) Except as set forth in paragraph (3), the minimum~~
13 ~~municipal obligation of each municipality qualified for the~~
14 ~~level III recovery program shall be determined on the basis~~
15 ~~of actuarial valuation reports utilizing the actuarial~~
16 ~~assumptions adopted by the Pennsylvania Municipal Retirement~~
17 ~~Board.~~

18 ~~(3) The investment earnings assumption shall be 1.5%~~
19 ~~higher than the assumption applicable to municipalities~~
20 ~~participating under Article II, III or IV of act of February~~
21 ~~1, 1974 (P.L.34, No.15), known as the Pennsylvania Municipal~~
22 ~~Retirement Law.~~

23 ~~Section 608.2. Cooperative Municipal Pension Program.~~

24 ~~(a) Establishment. The Cooperative Municipal Pension~~
25 ~~Program is established. The program shall be administered by the~~
26 ~~Pennsylvania Municipal Retirement Board.~~

27 ~~(b) Membership. Once a municipality is determined to~~
28 ~~qualify for the level III recovery program under section 606,~~
29 ~~all employees subsequently hired or returning to employment~~
30 ~~after separation from service and all employees to whom pension~~

~~coverage is newly extended by the municipality shall be enrolled in the program; and all pension rights, privileges and benefits, except hospital, medical and other health insurance coverage, shall be governed solely and exclusively thereby. No other statute, ordinance, contract, arbitration award or practice shall permit or authorize any deviation from or alteration of the terms of the legislative enactments specifically governing the terms of the program.~~

~~(c) Benefits.— Superannuation retirement benefits shall be calculated as follows:~~

~~(1) In all cities subject to this section, public safety employees in the police, fire or emergency services departments shall be entitled to superannuation retirement upon attainment of age 50 and completion of not less than 20 years of service, calculated at the rate of 2.25% of final average salary earned during the three highest consecutive years of service.~~

~~(2) In all cities subject to this section, general municipal employees shall be entitled to superannuation retirement upon attainment of age 60 and completion of not less than 30 years of service, calculated at the rate of 2% of final average salary earned during the three highest consecutive years of service.~~

~~(3) In all municipalities other than cities subject to this section, public safety employees in the police, fire or emergency services departments shall be entitled to superannuation retirement upon attainment of age 55 and completion of not less than 25 years of service, calculated at the rate of 2% of final average salary earned during the three highest consecutive years of service.~~

~~(4) In all municipalities other than cities subject to these provisions, general municipal employees shall be entitled to superannuation retirement upon attainment of age 60 and completion of not less than 30 years of service, calculated at the rate of 1.5% of final average salary earned during the three highest consecutive years of service.~~

~~(5) If positions covered by this section are included in an agreement under the Social Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), the benefit set forth in paragraph (1), (2), (3) or (4) shall, upon the member's attainment of eligibility to receive full Social Security old age benefits, be offset by 50% of the member's Social Security old age insurance benefit calculated in accordance with the provisions of the Social Security Act in effect on the date of termination of employment. Only compensation for services actually rendered by the member and covered by the pension system created by this section shall be included in calculating the offset under this paragraph.~~

~~(6) As used in this subsection, the term "salary" means the fixed amount of compensation paid at regular, periodic intervals by a municipality to the member and from which pension contributions have been deducted. The term does not include overtime.~~

~~(d) Contributions.~~

~~(1) Except as set forth in paragraph (2), all members of the cooperative municipal pension and security program shall contribute to their pension, by payroll deduction, an amount equal to three times the accrual rate appropriate to their class of service.~~

~~(2) Members subject to the Social Security offset of~~

~~subsection (c) (5) shall contribute to their pension, by payroll deduction, an amount equal to the accrual rate appropriate to their class of service.~~

~~(e) Retirement options. At the time of retirement, a member may elect to receive benefits in a retirement allowance payable throughout the member's life. This election is known as a single life annuity. Instead of receiving a single life annuity, the member may elect to receive the equivalent actuarial value at the time of retirement in a lesser allowance, payable throughout life with provisions that, upon the member's death:~~

~~(1) the member's retirement allowance shall be continued throughout the life of and paid to the member's survivor annuitant, if then living; or~~

~~(2) one half of the member's retirement allowance shall be continued throughout the life of and paid to the member's survivor annuitant, if then living.~~

~~(f) Disability retirement.~~

~~(1) This subsection applies to all of the following members:~~

~~(i) An active municipal employee who has accumulated at least five years of total credited service.~~

~~(ii) An active municipal police officer or municipal firefighter regardless of credited years of service.~~

~~(2) A member subject to this subsection under paragraph (1) may, upon application, be retired by the board of pensions and retirement on a disability allowance if determined to be mentally or physically permanently incapable of continuing to perform the duties for which the member is employed. The disability annuity shall be determined under the following paragraphs.~~

~~(3) Multiply:~~

~~(i) the benefit accrual rate applicable to the member's retirement plan; by~~

~~(ii) the member's total number of years of credited service.~~

~~(4) If the product under paragraph (3) is more than 16.667, the disability annuity is the product of:~~

~~(i) a standard single life annuity; and~~

~~(ii) the benefit accrual rate applicable to the member's retirement plan.~~

~~(5) If the product under paragraph (3) is not more than 16.667, the disability annuity is determined as follows:~~

~~(i) Multiply:~~

~~(A) the accrual rate applicable to the member on the effective date of the disability; by~~

~~(B) either:~~

~~(I) the total years and partial years of credited service the member would have earned if the member were to continue as an employee until attaining eligibility for a superannuation retirement allowance; or~~

~~(II) if the member has attained eligibility for a superannuation retirement allowance at the time of the disability, the number of years of credited service.~~

~~(ii) Divide:~~

~~(A) the product under subparagraph (i); by~~

~~(B) the number of years and partial years of credited service earned by the member as of the effective date of the disability.~~

~~(iii) Divide:~~
~~(A) 16.667; by~~
~~(B) the number of years and partial years of~~
~~credited service earned by the member as of the~~
~~effective date of the disability.~~
~~(iv) Multiply the standard single life annuity by~~
~~the lesser of:~~
~~(A) the quotient under subparagraph (ii); or~~
~~(B) the quotient under subparagraph (iii).~~
~~(g) Service connected disability.~~
~~(1) This subsection applies if:~~
~~(i) a member has been found to be eligible for a~~
~~disability annuity; and~~
~~(ii) the disability has been found to be a service~~
~~connected disability.~~
~~(2) A member subject to this subsection under paragraph~~
~~(1) shall receive a supplement equal to:~~
~~(i) 70% of the member's final average salary; minus~~
~~(ii) the sum of:~~
~~(A) the annuity as determined under subsection~~
~~(f); and~~
~~(B) payments paid or payable on account of the~~
~~disability under:~~
~~(I) the act of June 2, 1915 (P.L.736,~~
~~No.338), known as the Workers' Compensation Act;~~
~~(II) the act of June 21, 1939 (P.L.566,~~
~~No.284), known as The Pennsylvania Occupational~~
~~Disease Act; and~~
~~(III) the Social Security Act (49 Stat. 620,~~
~~42 U.S.C. § 301 et seq.).~~

~~(h) Vesting. A member who ceases to be an active member for any reason after having completed at least ten years of credited service but before meeting the superannuation retirement service requirement shall be entitled to vest retirement benefits until the member attains superannuation retirement age.~~

~~(i) Alternative retirement program.~~

~~(1) A municipal employee may, within 30 days of initiating employment covered by this section, make an irrevocable election to participate in an alternative independent defined contribution retirement program approved by the board.~~

~~(2) To be approved, the alternative defined contribution program must:~~

~~(i) centralize management and investment;~~

~~(ii) offer a variety of investment asset allocations;~~

~~(iii) mandate both the employee and employer to contribute 6% of the member's covered payroll; and~~

~~(iv) Annuitize benefits of retirement.~~

~~(3) An election by an employee to participate shall be final, binding and irrevocable and shall apply to all future employment with any municipality subject to these provisions.~~

Section ~~14~~ 13. Section 609 of the act is amended to read: ←

Section 609. Rules and regulations.

The commission may issue any rules [and], regulations, policies and procedures necessary for the effective administration and operation of the provisions of this act.

SECTION 14. (RESERVED). ←

Section 15. The act is amended by adding a chapter to read:

CHAPTER 7-A

1 STANDARDS FOR MUNICIPAL PENSION SYSTEMS

2 Section 701-A. Definitions.

3 The following words and phrases when used in this chapter
4 shall have the meanings given to them in this section unless the
5 context clearly indicates otherwise:

6 "Affiliated entity." Any of the following:

7 (1) A subsidiary or holding company of a lobbying firm
8 or other business entity owned in whole or in part by a
9 lobbying firm.

10 (2) An organization recognized by the Internal Revenue
11 Service as a tax-exempt organization under section 501(c) of
12 the Internal Revenue Code of 1986 (Public Law 99-514, 26
13 U.S.C. § 501(c)) established by a lobbyist or lobbying firm
14 or an affiliated entity.

15 "Contributions." As defined in section 1621 of the act of
16 June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania
17 Election Code.

18 "Executive level employee." An employee of a person or the
19 person's affiliated entity who:

20 (1) can affect or influence the outcome of the person's
21 or affiliated entity's actions, policies or decisions

22 RELATING TO PENSIONS AND THE CONDUCT OF BUSINESS WITH A ←
23 MUNICIPALITY OR A MUNICIPAL PENSION SYSTEM; or

24 (2) is DIRECTLY involved in the implementation or ←
25 development of policies relating to PENSIONS, investments, ←
26 contracts or procurement OR TO THE CONDUCT OF BUSINESS WITH A ←
27 MUNICIPALITY OR A MUNICIPAL PENSION SYSTEM.

28 "Municipal pension system." Includes the Pennsylvania
29 Municipal Retirement System.

30 "Political committee." As defined in section 1621 of the act

1 of June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania
2 Election Code.

3 "Professional services contract." A contract to which the
4 municipal pension system is a party that is:

5 (1) for the purchase or provision of professional
6 services, including investment services, legal services, real
7 estate services and other consulting services; and

8 (2) not subject to a requirement that the lowest bid be
9 accepted.

10 Section 702-A. Procurement for professional services contracts.

11 (a) Procedures.--Each municipal pension system, including
12 the Pennsylvania Municipal Retirement System, shall develop
13 procedures to select the most qualified person to enter into a
14 professional services contract. The procedures shall ensure that
15 the availability of a professional services contract is
16 advertised to potential participants in a timely and efficient
17 manner. Procedures shall include applications and disclosure
18 forms to be used to submit a proposal for review and to receive
19 the award of a professional services contract.

20 (b) Advertisement.--An advertisement of the availability of
21 a proposal for a professional services contract shall set forth:

22 (1) The services that are the subject of the proposed
23 contract.

24 (2) Specifications relating to the services.

25 (3) Procedures to compete for the contracts.

26 (4) Required disclosures.

27 (c) Review.--Procedures to select the most qualified person
28 shall include a review of the person's qualifications,
29 experience and expertise and the compensation to be charged.

30 (d) Personnel.--

1 (1) Prior to entering into a professional services
2 contract with a municipal pension system, the contractor
3 shall disclose the names and titles of each individual who
4 will be providing professional services to the municipal
5 pension system, including advisors or subcontractors of the
6 contractor.

7 (2) Disclosure under this subsection shall include all
8 of the following:

9 (i) Whether the individual is a current or former
10 official or employee of the municipality entering into
11 the contract.

12 (ii) Whether the individual has been a registered
13 Federal or State lobbyist.

14 (iii) A description of the responsibilities of each
15 individual with regard to the contract.

16 (3) The resume of an individual included in the
17 disclosure shall be provided to the municipality upon
18 request.

19 (4) The information under this subsection shall be
20 updated as changes occur.

21 (e) Conflict of interest.--The municipal pension system
22 shall adopt policies relating to potential conflicts of interest
23 in the review of a proposal or the negotiation of a contract.
24 The policies shall include a minimum one-year restriction on:

25 (1) Participation by a former employee of a contractor
26 or potential contractor in the review of a proposal or
27 negotiation of a contract with that contractor.

28 (2) Participation by a former employee of the municipal
29 pension system in the submission of a proposal or the
30 performance of a contract.

1 (f) Public information.--Following the award of a
2 professional services contract, all applications and disclosure
3 forms shall be public except for proprietary information or
4 other information protected by law.

5 (g) Increase.--A professional services contract shall not be
6 amended to increase the cost of the contract by more than 10% or
7 \$10,000, whichever is greater, unless the increase and a written
8 justification for the increase are public and posted on the
9 municipal pension system's Internet website, if an Internet
10 website is maintained, at least seven days prior to the
11 effective date of the amendment.

12 (h) Notice and summary.--The relevant factors that resulted
13 in the award of the professional services contract must be
14 summarized in a written statement to be included in or attached
15 to the documents awarding the contract. Within ten days of the
16 award of the professional services contract, the original
17 application, a summary of the basis for the award and all
18 required disclosure forms must be transmitted to all
19 unsuccessful applicants and posted on the municipal pension
20 system's Internet website, if an Internet website is maintained,
21 at least seven days prior to the execution of the professional
22 services contract.

23 Section 703-A. Agents; solicitation.

24 (a) ~~Prohibition~~ DISCLOSURE.--A person or an affiliated ←
25 entity that intends to enter or that enters into a professional
26 services contract may not directly or indirectly hire, engage, ←
27 utilize, retain or compensate any CONTRACT SHALL DISCLOSE THE ←
28 EMPLOYMENT OR COMPENSATION OF A third party intermediary, agent
29 or lobbyist to directly or indirectly communicate with a
30 municipal pension system official or employee or a municipal

official or employee in connection with any transaction or
investment involving the contractor and the municipal pension
system. The prohibition shall include the solicitation of an
investment or investment management services from a municipal
pension system or influencing or attempting to influence the
outcome of an investment or other financial decision by the
system. The prohibition DISCLOSURE shall not apply to an officer
or employee of the investment firm who is acting within the
scope of the firm's standard professional duties on behalf of
the firm, including the actual provision of legal, accounting,
engineering, real estate or other professional advice, services
or assistance pursuant to a professional services contract with
the municipal pension system.

(b) Solicitation.--A person that enters into, or has applied
for, submitted an offer or bid for, responded to a request for
proposal on or otherwise solicited, a professional services
contract with a municipal pension system or an agent, officer,
director or employee of that person may not solicit a
contribution to any municipal official or candidate for
municipal office in the municipality where the municipal pension
system is organized or to the political party or political
action committee of that official or candidate.

(c) Limitation on communication.--Upon the advertisement for
a professional services contract by the municipal pension
system, the contractor may not cause or agree to allow a third
party to communicate with officials or employees of the
municipal pension system except for requests for technical
clarification. Requests for technical clarification shall be
made by a designated employee of the municipal pension system.
Nothing in this subsection shall preclude a potential contractor

1 from responding to requests for clarification or additional
2 information from the municipal pension system.

3 Section 704-A. Disqualification.

4 (a) Contributors.--A person or an affiliated entity that,
5 within the past two years, has made a contribution to a
6 municipal official or candidate for municipal office in the
7 municipality which controls the municipal pension system may not
8 enter into a professional services contract with the municipal
9 pension system, except that the two-year restriction shall not
10 apply to any contribution made prior to the effective date of
11 this subsection.

12 (b) Relationships.--A person or an affiliated entity that
13 enters into a professional services contract with a municipal
14 pension system may not have a direct financial, commercial or
15 business relationship with any official of the municipal pension
16 system or the municipality which controls the municipal pension
17 system unless the municipal pension system consents in writing
18 to the relationship following full disclosure.

19 (c) Gifts.--A person with a professional services contract
20 may not offer or confer a gift having more than a nominal value,
21 including money, services, loans, travel, lodging,
22 entertainment, discount or other thing of value, to any
23 official, employee or fiduciary of a municipal pension system.

24 Section 705-A. Disclosure.

25 (a) Contractors.--

26 (1) A person or an affiliated entity that has a
27 professional services contract with a municipal pension
28 system shall disclose all contributions to which all of the
29 following apply:

30 (i) The contribution was made within the last five

years.

(ii) The contribution was made by an officer, director, executive-level employee or owner of at least 5% of the person or affiliated entity.

(iii) The amount of the contribution was at least \$500 in the form of:

(A) A single contribution by a person included in subparagraph (ii).

(B) The aggregate of all contributions by all persons listed in subparagraph (ii).

(iv) The contribution was made to:

(A) A candidate for any public office in the Commonwealth or to an individual who holds that office.

(B) A political committee of a candidate for public office in the Commonwealth or of an individual who holds that office.

(2) The information provided under this subsection shall be updated annually.

(b) Additional disclosure.--A person or an affiliated entity that has a professional services contract with a municipal pension system shall disclose all of the following:

(1) Information relating to individuals making contributions. This paragraph includes:

(i) The name and address of the contributor.

(ii) The contributor's relationship to the contractor.

(iii) The name and office or position of each person receiving a contribution.

(iv) The amount of the contribution.

1 (v) The date of the contribution.

2 (2) Gifts to an official or employee of the municipal
3 pension system or the municipality which controls the
4 municipal pension system.

5 (3) The employment or retention of any third-party
6 intermediary, agent or lobbyist and the duties of that
7 person.

8 (4) The existence of any financial relationship under
9 section 704-A(b).

10 (c) Applicability.--The provisions of subsection (a) shall
11 apply to a person and an affiliated entity that has applied for,
12 submitted an offer or bid for, responded to a request for
13 proposal or otherwise solicited a professional services contract
14 with a municipal pension system.

15 (d) Forms.--Required disclosure shall be made on a form
16 prepared by the municipal pension system. The form shall be
17 attached to the contract and posted on the system's Internet
18 website, if an Internet website is maintained. During the term
19 of the contract, an updated form shall be filed annually in
20 accordance with procedures adopted by the plan.

21 (e) Penalties.--The following shall apply:

22 (1) A municipal pension system shall void the
23 professional services contract of a person that knowingly
24 makes a material misstatement or omission in a disclosure
25 form under this chapter and shall prohibit the person from
26 entering into a contract for a period of up to three years.

27 (2) If a contractor or person that has submitted a
28 proposal or bid in violation of paragraph (1) more than two
29 times in a 36-month period, all contracts between that
30 contractor and the municipal pension plan shall be void, and

the person shall be debarred for a period of at least three years from the date of the last violation.

Section 706-A. Duty to act.

If a person that enters into, or has applied for, submitted an offer or bid for, responded to a request for proposal on or otherwise solicited, a contract with a municipal pension system or an officer, director or employee of a municipal pension system is aware, or reasonably should be aware, of an apparent, potential or actual conflict of interest, the person shall disclose the conflict and promptly eliminate the conflict.

Section 707-A. No preemption.

If a municipality establishes a code of ethics which is stricter than this chapter, that code is not preempted by this chapter.

Section 15.1. The act is amended by adding ~~sections~~ A SECTION to read:

Section 902. Second class cities.

(a) Taxing authority.--In taxable years beginning after December 31, 2008, the following apply to a city of the second class which is a home rule municipality:

(1) The city may impose on each parking transaction in the city a tax at a rate not to exceed 37.5% of the cost of the transaction.

(2) If the Department of Community and Economic Development determines that the city has leased or sold all of its parking authority ~~facilities~~ GARAGES and that net proceeds from the lease or sale have been deposited into the Pennsylvania Municipal Retirement System and credited to the municipality's account and transmits notice of the determination to the Legislative Reference Bureau for

publication in the Pennsylvania Bulletin, IN TAXABLE YEARS
BEGINNING AFTER DECEMBER 31, 2009, the city may impose on
each parking transaction in the city an additional tax at a
rate not to exceed 2.5% of the cost of the transaction.

(b) Use of revenue.--Notwithstanding any other law to the
contrary, 6.75% of the revenue received under subsection (a)(1)
and 100% of the revenue received under subsection (a)(2) shall
be used to pay the city's minimum municipal obligation required
under section 302 and any interest accrued in any plan year.

(C) MANDATORY ADMINISTRATION BY PENNSYLVANIA MUNICIPAL
RETIREMENT BOARD.--A CITY OF THE SECOND CLASS THAT IS DETERMINED
TO BE IN LEVEL III DISTRESS BASED UPON THE REQUIRED ACTUARIAL
VALUATION REPORTS FOR A PLAN YEAR BEGINNING ON JANUARY 1, 2011,
SHALL TRANSFER ALL EXISTING BENEFIT PLANS ESTABLISHED BY THE
CITY TO THE PENNSYLVANIA MUNICIPAL RETIREMENT BOARD SOLELY FOR
ADMINISTRATION. THE BIENNIAL ACTUARIAL VALUATION REPORTS FOR THE
PLAN YEAR BEGINNING ON JANUARY 1, 2011, SHALL BE FILED BY THE
CITY WITH THE COMMISSION BY SEPTEMBER 1, 2011. THE TRANSFER, IF
APPLICABLE, SHALL BE ACCOMPLISHED WITHIN TWO YEARS OF THE
EFFECTIVE DATE OF THIS SUBSECTION. PENSION BENEFITS AND
ELIGIBILITY REQUIREMENTS SHALL CONTINUE TO BE SUBJECT TO
COLLECTIVE BARGAINING, IF APPLICABLE. SUCH PLANS SHALL NOT BE
SUBJECT TO THE CONTROL OR INPUT OF THE BOARD. NO PRIOR
DETERMINATION OF LEVEL III DISTRESS BASED UPON THE REQUIRED
ACTUARIAL VALUATION REPORTS FOR PRIOR PLAN YEARS SHALL RESULT IN
TRANSFER OF THE ADMINISTRATION TO THE BOARD. FROM AND AFTER A
DETERMINATION OF LEVEL III DISTRESS BASED UPON THE REQUIRED
ACTUARIAL VALUATION REPORTS FOR A PLAN YEAR BEGINNING ON JANUARY
1, 2011, THE BIENNIAL ACTUARIAL VALUATION REPORT FILED ON BEHALF
OF THE CITY SHALL UTILIZE AN ACTUARIAL ASSUMPTION AS TO

1 INVESTMENT EARNINGS EQUAL TO THE REGULAR INTEREST RATE FIXED BY
2 THE BOARD PLUS 1.5%.

3 ~~Section 903. Level III administration in cities of the second~~ ←
4 ~~class.~~

5 ~~For a period not to exceed 12 months from the effective date~~
6 ~~of this section, the employees of the respective pension boards~~
7 ~~of a home rule municipality that is a city of the second class~~
8 ~~shall continue to provide member benefit administration for~~
9 ~~members from the home rule municipality on behalf of the~~
10 ~~Pennsylvania Municipal Retirement System. During the 12-month~~
11 ~~period, a pool comprised of the employees of the respective~~
12 ~~pension boards shall be granted priority and preference in~~
13 ~~hiring to fill positions with the system that the employee is~~
14 ~~qualified to fill. No new employee may be hired by the system~~
15 ~~until the position has been offered, in order of seniority, to~~
16 ~~all properly certified members of the pool.~~

17 Section 16. Chapter 10 heading of the act, added June 18,
18 1998 (P.L.626, No.82), is amended to read:

19 CHAPTER 10

20 [ALTERNATIVE FUNDING MECHANISM]

21 PROVISIONS RELATING TO

22 CERTAIN CITIES AND COUNTIES ←

23 CITIES OF THE FIRST CLASS ←

24 Section 17. Section 1001(b) of the act, added June 18, 1998
25 (P.L.626, No.82), is amended and the section is amended by
26 adding a subsection to read:

27 Section 1001. Alternative funding mechanism.

28 * * *

29 (b) Period of payment requirements prior to July 1, 2009.--
30 The period of the city's payment requirements under an

alternative funding mechanism implemented prior to December 31, 2002, shall be the greater of:

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

(2) 30 years.

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

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

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

(2) 30 years.

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

* * *

1 Section 18. The act is amended by adding sections to read:

2 Section 1002. Cities of the first class.

3 ~~(a) General rule. A city of the first class may elect to~~
4 ~~use the deferrals of required payments authorized under this~~
5 ~~section in lieu of the mandatory provisions of the Financially~~
6 ~~Distressed Municipal Pension System Recovery Program contained~~
7 ~~in sections 606, 608.1 and 608.2.~~

8 ~~(b) Limitation. The following shall apply:~~

9 ~~(1) In order to be eligible to use the deferrals of~~
10 ~~required payments authorized under this section, the city may~~
11 ~~not increase pension benefits for existing employees. In~~
12 ~~addition, by September 10, 2009, the city shall submit a~~
13 ~~revised benefit plan applicable to any employee first hired~~
14 ~~on or after the effective date of the establishment of the~~
15 ~~revised benefit plan. The revised benefit plan for newly~~
16 ~~hired employees:~~

17 ~~(i) shall have a normal cost of no more than 80% of~~
18 ~~the normal cost of the preexisting plan;~~

19 ~~(ii) may provide for defined benefits, defined~~
20 ~~contributions or a combination of both;~~

21 ~~(iii) shall be developed with consultation with~~
22 ~~representatives of the collective bargaining unit~~
23 ~~applicable to the affected type of municipal employee, if~~
24 ~~any; and~~

25 ~~(iv) shall be within the scope of collective~~
26 ~~bargaining subsequent to the establishment of the revised~~
27 ~~benefit plan.~~

28 ~~(2) Member contributions under a revised defined benefit~~
29 ~~plan shall be equal to 50% of the normal cost of the pension~~
30 ~~plan, expressed as a percentage of covered payroll, as~~

~~reported in the most recent actuarial valuation report of the pension plan. Any defined contribution plan shall provide for matching employer contributions and employee contributions not to exceed 4% of compensation per employee.~~

~~(b.1) Modification prohibited. No other statute, ordinance, contract, arbitration award or practice shall permit or authorize any deviation from or alteration of the terms of this section governing the freeze of benefits for existing employees and the terms of the revised benefit plan for newly hired employees.~~

~~(c) Verification. In order to implement subsection (b), the city shall submit evidence of collective bargaining proposals to freeze existing benefits and to revise benefit plans for newly hired employees and a schedule of payments to be deferred under subsection (c) to the commission by September 10, 2009. Within 14 days of the receipt of the collective bargaining proposals and payment schedule from the city under this subsection, the commission shall issue a written determination that collective bargaining proposals meet the requirements of subsection (b). A written determination that the freeze and proposal meet the requirements of subsection (b) shall constitute compliance by the city with subsection (j)(1) and (2).~~

(A) GENERAL RULE; BENEFIT PLAN STUDY.--

(1) A CITY OF THE FIRST CLASS MAY ELECT TO USE THE DEFERRALS OF REQUIRED PAYMENTS AUTHORIZED UNDER THIS SECTION IN LIEU OF THE MANDATORY PROVISIONS OF THE FINANCIALLY DISTRESSED MUNICIPAL PENSION SYSTEM RECOVERY PROGRAM CONTAINED IN SECTION 606 UNTIL JANUARY 1, 2016. NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT OR OTHER LAW, THE PROVISIONS OF CHAPTERS 5 AND 6 IN EFFECT ON JULY 1, 2009,



1 SHALL CONTINUE IN EFFECT FOR, SHALL APPLY TO AND SHALL BE
2 UTILIZED WITH RESPECT TO CITIES OF THE FIRST CLASS UNTIL
3 JANUARY 1, 2016.

4 (2) BENEFIT PLAN STUDIES OF EACH BENEFIT PLAN MAINTAINED
5 OR TO BE ESTABLISHED BY A CITY OF THE FIRST CLASS SHALL BE
6 CONDUCTED BY A SPECIAL COMMISSION COMPRISED OF THE MEMBERS OF
7 THE CITY'S PENSION AND RETIREMENT BOARD, THE MAYOR OF THE
8 CITY, THE CHAIR OF THE COMMISSION AND THE CHAIR OF THE
9 GOVERNING BOARD OF THE PENNSYLVANIA INTERGOVERNMENTAL
10 COOPERATION AUTHORITY. THE CHAIR OF THE GOVERNING BOARD OF
11 THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
12 SHALL SERVE AS CHAIR OF THE SPECIAL COMMISSION. THE CITY'S
13 PENSION AND RETIREMENT BOARD SHALL PROVIDE AND PAY FOR
14 ACTUARIAL AND ADMINISTRATIVE SUPPORT TO THE SPECIAL
15 COMMISSION. THE FIRST STUDY SHALL BE COMPLETED WITHIN TWO
16 YEARS FOLLOWING THE EFFECTIVE DATE OF THIS SECTION.
17 SUBSEQUENT REPORTS SHALL BE COMPLETED EVERY TWO YEARS
18 THEREAFTER UNTIL JANUARY 1, 2016. COPIES OF THE REPORTS SHALL
19 BE SUBMITTED TO THE CHAIR AND MINORITY CHAIR OF THE
20 APPROPRIATIONS COMMITTEE OF THE SENATE, THE CHAIR AND
21 MINORITY CHAIR OF THE FINANCE COMMITTEE OF THE SENATE, THE
22 CHAIR AND MINORITY CHAIR OF THE APPROPRIATIONS COMMITTEE OF
23 THE HOUSE OF REPRESENTATIVES AND THE CHAIR AND MINORITY CHAIR
24 OF THE FINANCE COMMITTEE OF THE HOUSE OF REPRESENTATIVES AND
25 SHALL BE AVAILABLE FOR INSPECTION BY THE PUBLIC.

26 ~~(d)~~ (B) Amortization.--Notwithstanding any other law to the ←
27 contrary, the city may amortize its entire unfunded actuarial
28 accrued liability, as measured on a valuation date selected by
29 the city that occurs in the plan year commencing July 1, 2009,
30 as a level dollar amount with the amortization target date being

1 the end of the plan year occurring 30 years after the plan year
2 commencing July 1, 2009, with payments to commence in the next
3 plan year. In order to extend the amortization schedule provided
4 under this subsection, the city must comply with the following:

5 (1) File a revised actuarial valuation report reflecting
6 the amortization period extension and the actuarial assumed
7 rate in effect on the valuation date with the commission no
8 later than March 31, 2010.

9 (2) The revised actuarial valuation under paragraph (1)
10 may not be filed in lieu of the actuarial valuation ~~reported~~ ←
11 REPORT required under section 202(b)(4)(v)(A) ~~required to be~~ ←
12 filed ~~May 3~~ MARCH 31, 2010, and may be used only for the ←
13 purposes of recalculating the minimum municipal obligation of
14 the city for the plan year commencing July 1, 2009, and
15 calculating the minimum municipal obligation of the city for
16 the plan year commencing July 1, 2010, to reflect the
17 amortization period extension. The revisions in the revised
18 report shall supersede comparable information in the original
19 report.

20 (3) ~~Except as provided in subsection (b), a~~ A revised ←
21 actuarial valuation report under this subsection shall not
22 affect distributions under the General Municipal Pension
23 System State Aid Program under Chapter 4.

24 ~~(e)~~ (C) Revised obligation.--Notwithstanding any other ←
25 provision of law to the contrary, the city is authorized to
26 defer a portion of the minimum municipal funding obligation
27 required under section 302 in accordance with the following:

28 (1) For the plan year ending June 30, 2010, deferral may
29 be in an amount not to exceed \$155,000,000.

30 (2) For the plan year ending June 30, 2011, deferral may

be in an amount not to exceed \$80,000,000.

~~(f)~~ (D) Interest.--Amounts deferred under subsection ~~(e)~~ (C)
shall bear interest at the rate of 8.25% which shall be
calculated from the beginning of the plan year in which the
deferral was made. Accrued interest on amounts deferred shall be
paid annually on or before June 30 of the years 2010, 2011 and
2012.

~~(g)~~ (E) Repayment.--On or before June 30, 2013, the city
shall repay the following:

(1) If the amount deferred is equal to or greater than
\$90,000,000, at least \$90,000,000 plus interest accrued on
all amounts deferred.

(2) If the total amount deferred is less than
\$90,000,000, the total amount deferred, plus interest accrued
on that amount.

~~(h)~~ (F) Balance.--The balance of all amounts deferred,
including interest accrued and unpaid on amounts deferred shall
be repaid by June 30, 2014.

~~(i)~~ (G) Unpaid amounts.--Amounts deferred and interest under
subsections ~~(e)~~ and ~~(f)~~ (C) AND (D) which are not repaid under
subsection ~~(h)~~ (F) shall be added to the minimum municipal
obligation of the city for the following plan year, with
interest calculated and due until the date the amounts due are
paid.

~~(j)~~ (H) Requirements.--In order to retain the authority to
utilize the deferrals under this section, the city must ~~comply~~
~~with the following:~~

~~(1) Freeze all pension benefits for any current employee~~
~~in accordance with subsection (b).~~

~~(2) Submit and collectively bargain for a revised~~

~~benefit plan applicable to any newly hired employee in accordance with subsection (b).~~

~~(3) Exhaust the judicial appellate procedures to challenge any arbitration, adjudication or other award which is inconsistent with the freeze or revised benefit plan.~~

~~(4) Repay REPAY the deferred amount required under subsection (g) (E) by June 30, 2013, and the deferred amount required under subsection (h) (F) by June 30, 2014.~~

~~(k) (I) Withholding.--If the city fails to meet any of the requirements of subsection (j)(4) (H), the following apply:~~

~~(1) The commission shall notify the Secretary of the Budget and the State Treasurer of the city's failure to comply with subsection (j)(4) (H) and send a copy of the notice to the chair and minority chair of the Appropriations Committee and the Finance Committee of the Senate and the Appropriations Committee and the Finance Committee of the House of Representatives.~~

~~(2) The secretary shall assist the State Treasurer in the identification of grants, loans, entitlements and payments made to the city by the Commonwealth.~~

~~(3) Except as set forth in paragraph (4) or (5), within 30 days of receipt of the notice, the State Treasurer shall withhold any grant, loan, entitlement, payment or combination of grants, loans, entitlements and payments to the city by the Commonwealth, or any of its agencies, in an amount equal to deferral amounts not repaid under subsections (g) and (h) (E) AND (F). The amount withheld shall be deposited into the city's pension fund.~~

~~(4) Paragraph (3) shall not apply if the failure is due to compliance following exhaustion of the judicial appellate~~

~~procedures to challenge any arbitration, adjudication or other award, which is inconsistent with the requirements of subsection (b) as determined by the commission under section 1003(g).~~

~~(5)~~ (4) The State Treasurer shall not withhold the following:

(i) Funds for capital projects under contract.

(ii) Funds granted from the Federal Government or the Commonwealth relating to a declaration of disaster.

(iii) Pension fund payments.

(iv) Funds administered by the city's department of human services or department of health.

(v) Funds pledged to repay bonds or notes issued under the act of October 18, 1972 (P.L.955, No.234), known as The First Class City Revenue Bond Act.

~~(1) Verification in order to comply with section 1003(e).~~

~~The city shall submit evidence of the freeze of existing benefits and of collective bargaining proposals to reduce the benefit plan for newly hired employees to the commission by September 10, 2009. Within 14 days of the receipt of the information and proposals from the city, the commission shall issue a written determination that the bargaining proposals meet the requirements of subsection (b). A written determination from the commission that current benefits are frozen and the collective bargaining proposals meet the requirements of subsection (b) shall constitute compliance with section 1003(e) (1) and (2). The commission shall issue a written determination regarding any arbitration award or judicial decision as to consistency with the requirements of subsection (b). If the commission determines that the award or decision is inconsistent~~

~~with the requirements of subsection (b), the city shall appeal the decision in order to comply with section 1003(e)(3). The city shall provide notice to the commission of all appeals.~~

~~(m)~~ (J) Reports.--During a period in which deferrals of the minimum municipal obligation or interest on the obligation are outstanding, the city shall file actuarial valuation reports annually with the commission.

~~(n)~~ (K) Calculation.--The calculation of the unfunded actuarial accrued liability made and certified by an approved actuary under section 202 shall not include any amounts deferred under this subsection so long as the city is paying interest accrued on the deferred amounts and repaying the deferred amounts in accordance with the terms of this subsection.

~~(o)~~ (L) Binding obligation.--The repayment of amounts deferred, including interest accrued on deferred amounts, as and when required under this subsection shall constitute a binding and absolute commitment on the city. The city shall include all amounts due to be paid under this subsection in the budget of the city and all amounts due to be paid shall be appropriated and paid in order to make timely repayment of any amounts deferred, including interest accrued on deferred amounts. Payment shall be unconditional and without setoff.

~~(p)~~ (M) Standing.--A person who is beneficially interested in the city paying its minimum municipal obligation, including amounts deferred, under this subsection shall have standing to institute a legal proceeding for mandamus to enforce the obligation of the city to make required repayments in the same manner as a proceeding to enforce payment requirements of an alternative funding mechanism under section 1001. A beneficially interested person is a person who meets the qualifications set

1 forth in section 1001(f).

2 ~~(g)~~ (N) Payment.--The city shall be required to pay the ←
3 balance of its minimum municipal obligation in full when due in
4 each plan year.

5 Section 1003. Special taxing authority.

6 (a) Imposition of tax.--

7 (1) ~~Except as provided in subsection (e),~~ a A city of ←
8 the first class may elect to impose a tax on the "sale at
9 retail" of "tangible personal property" or services or "use"
10 of "tangible personal property" or services "purchased at
11 retail," as defined in section 201 of the act of March 4,
12 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

13 (2) The tax imposed under this section shall be in
14 addition to the tax authorized under section 503(a) and (b)
15 of the act of June 5, 1991 (P.L.9, No.6), known as the
16 Pennsylvania Intergovernmental Cooperation Authority Act for
17 Cities of the First Class.

18 (3) The tax authorized under this subsection shall not
19 be levied, assessed and collected upon the occupancy of a
20 room in a hotel in the city of the first class.

21 (4) This subsection shall expire July 1, 2014.

22 (5) Notwithstanding paragraph (4), all tax imposed under
23 this subsection on sales or uses occurring before July 1,
24 2014, shall be paid to and received by the Department of
25 Revenue and, along with interest and penalties, less any
26 refunds and credits paid, shall be credited to the local
27 sales and use tax fund created under the Pennsylvania
28 Intergovernmental Cooperation Authority Act for Cities of the
29 First Class. Money in the fund shall be disbursed as provided
30 in section 509 of the Pennsylvania Intergovernmental

1 Cooperation Authority Act for Cities of the First Class.

2 (b) Rate.--The tax authorized under subsection (a) shall be
3 imposed and collected at the rate of 1% and shall be computed as
4 set forth in section 503(e)(2) of the Pennsylvania
5 Intergovernmental Cooperation Authority Act for Cities of the
6 First Class.

7 (c) Collection.--The tax authorized under subsection (a)
8 shall be administered, collected, deposited and disbursed in the
9 same manner as the tax imposed under Chapter 5 of the
10 Pennsylvania Intergovernmental Cooperation Authority Act for
11 Cities of the First Class and the situs of the tax shall be
12 determined in accordance with the Pennsylvania Intergovernmental
13 Cooperation Authority Act and Article II-A of act of March 4,
14 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971. The
15 Department of Revenue shall use the money received by the
16 Department of Revenue from the tax authorized under Chapter 5 of
17 the Pennsylvania Intergovernmental Cooperation Authority Act for
18 Cities of the First Class to cover costs for the administration
19 of the tax authorized under subsection (a). The Department of
20 Revenue shall not retain any additional amounts for the cost of
21 collecting the tax authorized under subsection (a). No
22 additional fee shall be charged for a license or license renewal
23 other than the license or renewal fee authorized and imposed
24 under Article II of the Tax Reform Code of 1971.

25 (d) Municipal action.--In order to impose the tax, the
26 governing body of the city shall adopt an ordinance stating the
27 tax rate. The ordinance may be adopted prior to the effective
28 date of this subsection. The ordinance shall be effective no
29 earlier than 20 days after the adoption of the ordinance or 20
30 days after the effective date of this section, whichever is

1 later. A certified copy of the city ordinance shall be delivered
2 to the Department of Revenue within ten days prior to or after
3 the effective date of the ordinance. A certified copy of an
4 ordinance to repeal the tax authorized under subsection (a)
5 shall be delivered to the Department of Revenue at least 30 days
6 prior to the effective date of repeal.

7 ~~(e) Retention of authority. In order to retain the~~ ←
8 ~~authority to impose and collect the tax authorized under~~
9 ~~subsection (a), the city shall comply with the following:~~

10 ~~(1) Freeze all pension benefits for any current employee~~
11 ~~in accordance with section 1002(b).~~

12 ~~(2) Submit and bargain for a revised benefit plan~~
13 ~~applicable to any newly hired employee in accordance with~~
14 ~~section 1002(b).~~

15 ~~(3) Exhaust the judicial appellate procedures to~~
16 ~~challenge any arbitration, adjudication or other award which~~
17 ~~is inconsistent with the freeze of the revised benefit plan.~~

18 ~~(f) Expiration of authority. If the city fails to meet any~~
19 ~~of the requirements of subsection (e), the authority to impose~~
20 ~~and collect the tax authorized under subsection (a) shall~~
21 ~~expire.~~

22 ~~(g) (Reserved).~~

23 ~~(h) (E) Use of tax receipts.--All money received by the city~~ ←
24 ~~from the levy, assessment and collection of the tax authorized~~
25 ~~under subsection (a) may only be used for the following~~
26 ~~purposes:~~

27 ~~(1) To pay any amounts of the city's minimum municipal~~
28 ~~obligation required under section 302, including amounts~~
29 ~~deferred under section 1002(e) 1002(C) and interest accrued~~ ←
30 ~~on deferred amounts when the amounts are due in any plan~~

1 year.

2 (2) To reimburse the city for payments of the minimum
3 municipal obligation for fiscal year 2009-2010 and any fiscal
4 year during which the tax is imposed made by the city from
5 sources other than the tax authorized under subsection (a).
6 No tax receipts shall be used to reimburse the city of the
7 first class for any contribution to the city minimum
8 municipal obligation made in any year other than the year in ←
9 which the tax was collected. PRIOR TO FISCAL YEAR 2009-2010. ←

10 (i) Beginning January 1, 2016, the mandatory provisions of ←
11 sections 608, 608.1 and 608.2 shall apply to the city.

12 (F) CERTIFICATION OF CONTINUED NECESSITY.--ON OR BEFORE JUNE ←
13 30 OF EACH YEAR BEGINNING IN 2010 AND ENDING IN 2013, THE MAYOR
14 OF A CITY IMPOSING A TAX AUTHORIZED UNDER SUBSECTION (A) SHALL
15 SUBMIT A CERTIFICATION TO THE CHAIR AND MINORITY CHAIR OF THE
16 APPROPRIATIONS COMMITTEE OF THE SENATE, THE CHAIR AND MINORITY
17 CHAIR OF THE FINANCE COMMITTEE OF THE SENATE, THE CHAIR AND
18 MINORITY CHAIR OF THE APPROPRIATIONS COMMITTEE OF THE HOUSE OF
19 REPRESENTATIVES AND THE CHAIR AND MINORITY CHAIR OF THE FINANCE
20 COMMITTEE OF THE HOUSE OF REPRESENTATIVES STATING THAT
21 IMPOSITION OF THE TAX IMPOSED UNDER SUBSECTION (A) IS NECESSARY
22 TO IMPLEMENT THE FINANCIAL PLAN OF THE CITY AS SUBMITTED BY THE
23 CITY TO THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
24 PURSUANT TO SECTION 209(E) OF THE ACT OF JUNE 5, 1991 (P.L.9,
25 NO.6), KNOWN AS THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION
26 AUTHORITY ACT FOR CITIES OF THE FIRST CLASS. THE CERTIFICATION
27 REQUIRED BY THIS SUBSECTION SHALL BE AVAILABLE FOR INSPECTION BY
28 THE PUBLIC.

29 Section 19. The act is amended by adding a chapter to read:

30 CHAPTER 11

1 DEFERRED RETIREMENT OPTION PLANS

2 SUBCHAPTER A

3 PRELIMINARY PROVISIONS

4 Section 1101. Scope.

5 (a) Applicability.--This chapter shall apply to all of the ←
6 following:

7 (1) A local government which does not have a deferred
8 retirement option plan on the effective date of this section.

9 (2) Newly hired employees admitted to a deferred
10 retirement option plan established by a local government
11 prior to the effective date of this section. A LOCAL ←
12 GOVERNMENT WHICH DOES NOT HAVE A DEFERRED RETIREMENT OPTION
13 PLAN ON THE EFFECTIVE DATE OF THIS SECTION.

14 (b) Elected officials.--

15 (1) A deferred retirement option plan established on or
16 after the effective date of this paragraph shall not be
17 available to an elected official.

18 (2) A deferred retirement option plan established prior
19 to the effective date of this paragraph shall be available to
20 an official elected prior to the effective date of this
21 section who runs for reelection.

22 Section 1102. Definitions.

23 The following words and phrases when used in this chapter
24 shall have the meanings given to them in this section unless the
25 context clearly indicates otherwise:

26 "Normal retirement benefit." The retirement benefit payable
27 to a member of a defined benefit pension plan on or after the
28 date on which the member first satisfies the age and service
29 requirements for full, unreduced retirement benefits, including
30 supplemental amounts provided to the member after retirement as

1 cost-of-living increases.

2 "Subsidiary DROP participant account." The separate,
3 interest-bearing, subsidiary DROP participant account
4 established for a DROP participant under section 1121.
5 Section 1104. Employment status.

6 Participation in a DROP does not guarantee the DROP
7 participant's employment by the local government during the
8 specified period of the DROP.

9 SUBCHAPTER B

10 GENERAL PROVISIONS

11 Section 1111. Establishment of DROP.

12 (a) Local governments.--A local government that has
13 established or maintains a defined benefit pension plan for a
14 group of its employees which is self-insured in whole or in part
15 under section 202(b), except for a local government that has
16 joined the Pennsylvania Municipal Retirement System, may
17 establish by ordinance a DROP for those employees as part of the
18 pension plan. The ordinance establishing the DROP shall specify
19 a uniform participation period of not more than five years in
20 duration.

21 (b) Participants.--A local government that has established
22 or maintains a defined benefit plan for a group of its employees
23 which is self-insured in whole or in part under section 202(b)
24 and has joined the Pennsylvania Municipal Retirement System may
25 establish a DROP for those employees as a part of the pension
26 plan only through participation in the DROP established and
27 administered by the Pennsylvania Municipal Retirement System.

28 (c) Standards.--The Pennsylvania Municipal Retirement Board
29 shall establish a DROP for local government-defined benefit
30 pension plans that have joined the Pennsylvania Municipal

Retirement System. The DROP shall be uniform, in compliance with the provisions of this chapter, open to any local government and applicable to any of the defined benefit pension plans administered by the Pennsylvania Municipal Retirement System.

Section 1112. Eligibility.

An active member of a local government retirement system that has a DROP as a part of its defined benefit pension plan who is eligible for a normal retirement benefit under the pension plan or will be eligible for a normal retirement benefit under the pension plan prior to participation in the DROP and who is not an elected official is eligible to participate in the DROP by filing a written application with the retirement system at least 30 days before the member's effective date of retirement.

Section 1113. Participation in DROP.

(a) Election.--An eligible active member may elect to participate in a DROP for the period specified in the ordinance under section 1111(a).

(b) DROP participation election.--Upon deciding to participate in a DROP, a member shall submit on forms provided and required by the retirement system:

(1) A binding and irrevocable letter of resignation from regular employment with the local government that discloses the member's intent to retire and specifies the member's retirement date.

(2) An irrevocable written election to participate in the DROP that:

(i) Details a DROP participant's rights and obligations under the DROP.

(ii) Includes an agreement to forgo:

(A) Active membership in the retirement system.

1 (B) Any growth in the salary base used for
2 calculating the regular retirement benefit.

3 (C) Any additional benefit accrual for
4 retirement purposes, including length-of-service
5 increments.

6 (iii) Specifies the effective date of DROP
7 participation that shall be the day after the specified
8 retirement date.

9 (iv) Specifies the DROP termination date that
10 satisfies the limitation in subsection (a).

11 (3) Any other information required by the retirement
12 system.

13 (c) DROP termination.--

14 (1) A DROP participant may change the DROP termination
15 date to an earlier date within the limitations of subsection
16 (a). No penalty shall be imposed for early termination of
17 DROP participation.

18 (2) Upon either early or regular termination of DROP
19 participation:

20 (i) The DROP participant shall be separated from
21 employment by the local government.

22 (ii) The retirement system shall pay the balance in
23 the DROP participant's subsidiary DROP participant
24 account to the terminating DROP participant as provided
25 in section 1114(d).

26 (iii) The DROP participant shall be ineligible to
27 reenroll in the DROP thereafter even if the former DROP
28 participant is reemployed by the local government with
29 renewed active membership in the retirement system.

30 Section 1114. Benefits payable under DROP.

1 (a) Fixing retirement benefit, retirement date, retirement
2 benefits and DROP dates.-- Effective with the date of
3 retirement, which shall be the day before the effective date of
4 DROP participation, the member's monthly, normal retirement
5 benefit under the pension plan, the member's effective date of
6 retirement and the member's effective dates of beginning and
7 terminating employment as a DROP participant shall be fixed.

8 (b) Effective dates.--

9 (1) A retired member's effective date of participation
10 in a DROP shall begin the day following the effective date of
11 the member's regular retirement.

12 (2) A retired member's participation in a DROP shall end
13 on the last day of the participation period specified in the
14 ordinance establishing the DROP that is in effect on the
15 effective date of the retired member's participation in the
16 DROP.

17 (c) Benefit payments and accruals.--All of the retired
18 member's monthly, normal retirement benefit and interest thereon
19 at the assigned rate shall be credited to the DROP participant's
20 subsidiary DROP participant account in the pension trust fund
21 and a separate accounting of the DROP participant's accrued
22 benefit accumulation under the DROP shall be calculated annually
23 and provided to the DROP participant.

24 (d) Payment.--On the effective date of a DROP participant's
25 termination of employment with the local government as a DROP
26 participant, participation in the DROP shall cease and the
27 retirement system shall calculate and pay to the participant the
28 participant's total accumulated DROP benefits in the DROP
29 participant's subsidiary DROP participant account subject to the
30 following provisions:

1 (1) Except as provided in paragraph (2), the terminating
2 DROP participant or, if deceased, the participant's survivor
3 as provided by the enabling pension statute applicable to the
4 appropriate class of employees of the municipality or, in
5 lieu thereof, the participant's named beneficiary, shall
6 elect on a form provided by the retirement system to receive
7 payment of the DROP benefits in accordance with one of the
8 following options:

9 (i) The balance in the DROP participant's subsidiary
10 DROP participant account less withholding taxes, if any,
11 remitted to the Internal Revenue Service shall be paid
12 within 45 days by the retirement system from the account
13 to the DROP participant or surviving beneficiary.

14 (ii) The balance in the DROP participant's
15 subsidiary DROP participant account shall be paid within
16 45 days by the retirement system from the account
17 directly to the custodian of an eligible retirement plan
18 as defined in section 402(c)(8)(b) of the Internal
19 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
20 402(c)(8)(b)), or, in the case of an eligible rollover
21 distribution to the surviving spouse of a deceased DROP
22 participant, an eligible retirement plan that is an
23 individual retirement account or an individual retirement
24 annuity as described in section 402(c)(9) of the Internal
25 Revenue Code of 1986 (26 U.S.C. § 402(c)(9)).

26 (2) If the DROP participant or beneficiary fails to
27 elect a method of payment within 60 days after the
28 participant's termination date, the retirement system shall
29 pay the balance as a lump sum as provided in paragraph (1).

30 (3) The form of payment selected by the DROP participant

1 or surviving beneficiary shall comply with the minimum
2 distribution requirements of the Internal Revenue Code.

3 (e) Taxation, attachment and assignment.--

4 (1) Except as provided in paragraphs (2), (3) and (4),
5 the right of a DROP participant to any benefit or right
6 accrued or accruing under the provisions of this chapter and
7 the moneys in the DROP participant's subsidiary DROP
8 participant account are exempt from any State or municipal
9 tax, levy and sale, garnishment, attachment, spouse's
10 election or any other process whatsoever.

11 (2) Rights under this chapter shall be subject to
12 forfeiture as provided by the act of July 8, 1978 (P.L.752,
13 No.140), known as the Public Employee Pension Forfeiture Act.
14 Forfeitures under this subsection or under any other
15 provision of law may not be applied to increase the benefits
16 that any DROP participant otherwise would receive under this
17 chapter.

18 (3) Rights under this chapter shall be subject to
19 attachment in favor of an alternate payee as set forth in a
20 qualified domestic relations order.

21 (4) (i) Under subsection (d)(1)(ii), a distributee may
22 elect to have an eligible rollover distribution paid
23 directly to an eligible retirement plan by way of a
24 direct rollover.

25 (ii) For purposes of this paragraph, a "distributee"
26 includes a DROP participant, a DROP participant's
27 survivor as provided by the enabling pension statute
28 applicable to the appropriate class of employees of the
29 municipality or, in lieu thereof, the participant's
30 designated beneficiary and a DROP participant's former

1 spouse who is an alternate payee under a qualified
2 domestic relations order.

3 (iii) For purposes of this paragraph, "eligible
4 rollover distribution" has the meaning given the term by
5 section 402(f)(2)(A) of the Internal Revenue Code of 1986
6 (26 U.S.C. § 402(f)(2)(A)), except that a qualified trust
7 shall be considered an eligible retirement plan only if
8 it accepts the distributee's eligible rollover
9 distribution and, in the case of an eligible rollover
10 distribution to a surviving spouse, an eligible
11 retirement plan is an "individual retirement account" or
12 an "individual retirement annuity" as those terms are
13 defined in section 408(a) and (b) of the Internal Revenue
14 Code of 1986 (26 U.S.C. § 408(a) and (b)).

15 (f) Disability.--If a DROP participant becomes eligible for
16 a disability pension benefit and terminates employment, the
17 monthly normal retirement benefit of the DROP participant shall
18 terminate.

19 (g) Eligibility.--Except for those benefits specified under
20 section 1113(b)(2)(ii) as forgone by the member, a DROP
21 participant shall be eligible for any employee benefits provided
22 to active employees before retirement as set forth in the
23 ordinance instituting the DROP.

24 (h) Eligibility for other benefits.--A DROP participant
25 shall be eligible for all preretirement benefits for employees
26 otherwise provided by law, including, but not limited to,
27 benefits under:

28 (1) the act of June 2, 1915 (P.L.736, No.338), known as
29 the Workers' Compensation Act;

30 (2) the act of June 28, 1935 (P.L.477, No.193), referred

1 to as the Enforcement Officer Disability Benefits Law;

2 (3) the act of December 5, 1936 (2nd Sp.Sess., 1937 P.L.
3 2897, No.1), known as the Unemployment Compensation Law;

4 (4) the act of June 24, 1976 (P.L.424, No.101), referred
5 to as the Emergency and Law Enforcement Personnel Death
6 Benefits Act; and

7 (5) the Public Safety Officers' Benefit Act of 1976
8 (Public Law 94-430, 42 U.S.C. § 90 Stat. 1347).

9 Section 1115. Death benefits under DROP.

10 (a) Named beneficiary.--If a DROP participant dies, the DROP
11 participant's named beneficiary shall be entitled to apply for
12 and receive the benefits accrued in the DROP participant's
13 subsidiary DROP participant account as provided in section
14 1114(d).

15 (b) Final benefit.--The monthly retirement system benefit
16 accrued in the DROP participant's subsidiary DROP participant
17 account during the month of a DROP participant's death shall be
18 the final monthly retirement system benefit credited for DROP
19 participation.

20 (c) Termination of eligibility.--A DROP participant's
21 eligibility to participate in the DROP terminates upon the death
22 of the DROP participant. If a DROP participant dies on or after
23 the effective date of participation in the DROP but before the
24 monthly retirement system benefit of the participant accruable
25 for the month has accrued in the DROP participant's subsidiary
26 DROP participant account, the local government shall pay the
27 monthly retirement system benefits as though the participant had
28 not elected DROP participation and had died after the member's
29 effective date of retirement but before receipt of the retired
30 member's first regular retirement benefit.

1 (d) Survivors ineligible for death benefit.--Except for
2 those benefits specifically payable as a result of death
3 incurred in the course of performing a hazardous public duty,
4 the survivors of a DROP participant who dies shall not be
5 eligible to receive retirement system death benefits payable in
6 the event of the death of an active member.

7 (e) Survivors eligible for retired member's death benefit.--
8 The DROP participant's survivor shall be eligible to receive
9 retirement system death benefits normally payable in the event
10 of the death of a retired employee.

11 Section 1116. Subsequent employment.

12 After both the termination of a DROP participant's employment
13 as a DROP participant by the local government and the expiration
14 of the DROP participation period, a former DROP participant
15 shall be subject to such reemployment limitations as other
16 retired members and shall be eligible for renewed membership as
17 an active member in the local government employees' retirement
18 system.

19 SUBCHAPTER C

20 ADMINISTRATIVE PROVISIONS

21 Section 1121. DROP participant account.

22 (a) General rule.--If a local government creates a DROP, it
23 shall establish a DROP participant account as an interest-
24 bearing ledger account in its pension trust fund. The account
25 balance shall be accounted for separately but need not be
26 physically segregated from other pension trust fund assets.

27 (b) Subsidiary DROP participant accounts.--A separate
28 interest-bearing subsidiary DROP participant account shall be
29 established for each DROP participant. While a retired member is
30 employed as a DROP participant, the member's monthly, normal

retirement benefit and interest thereon shall be credited to the
DROP participant's subsidiary DROP participant account under
section 1114(c). The interest shall be compounded and credited
monthly at an annual rate specified in the ordinance
establishing the DROP that shall be not less than 1% nor more
MONTHLY AT THE ACTUAL RATE EARNED BY THE DROP PARTICIPANT
ACCOUNT THAT SHALL NOT BE LESS THAN 0% NOR MORE than 4 1/2%.

~~(c) Termination of employment.~~

~~(1) When~~

(C) TERMINATION OF EMPLOYMENT.--WHEN a DROP participant
terminates employment with the local government as a DROP
participant, the DROP participant's total accumulated benefits
shall be calculated, charged to the DROP participant account and
paid out of the pension trust fund under section 1114(d) (2).

~~(2) Under section 202(b), the balance in the DROP~~
~~participant account shall be excluded from actuarial~~
~~valuation reports of the retirement system prepared and filed~~
~~under this act.~~

(d) Account held in trust.--A DROP participant account shall
be held in trust for the exclusive benefit of DROP retired
members who are or were DROP participants and for the
beneficiaries of the members.

Section 1122. Audit.

The DROP established by the Pennsylvania Municipal Retirement
Board shall be subject to financial and compliance audits
conducted by the Auditor General with the initial audit
conducted within one year of establishment of the DROP.

Section 1123. Existing DROPs.

A local government that established a DROP prior to or on the
effective date of this section that does not conform to the

provisions of this chapter RELATING TO ELECTED OFFICIALS shall
amend its plan within 180 days of the effective date of this
section or when the current labor-management contract creating
the plan expires, whichever is later, to conform with the
provisions of this chapter with respect to future DROP
participants WHO ARE ELECTED OFFICIALS.

Section 1124. Noncompliance.

(a) General rule.--If a local government that established a
DROP under section 1111(a) or the Pennsylvania Municipal
Retirement Board that established a DROP under section 1111(c)
fails to comply within 90 days with a finding by the Auditor
General of noncompliance with this chapter or if the finding is
appealed within 90 days of conclusion of the appeal process, the
failure to comply shall be deemed sufficient refusal by the
local government or the Pennsylvania Municipal Retirement Board
to comply with its duty antecedent to the commencement of a
mandamus action and the Auditor General shall refer the finding
to the Attorney General.

(b) Mandamus action.--Upon receipt of the finding from the
Auditor General, the Attorney General, ~~following an~~
~~administrative proceeding in accordance with 2 Pa.C.S. (relating~~
~~to administrative law and procedure),~~ shall proceed in the name
of the Commonwealth to institute a legal proceeding for mandamus
and no other remedy at law shall be deemed to be sufficiently
adequate and appropriate to bar the commencement of this action.

SUBCHAPTER D

DESIGNATIONS

Section 1131. Spouse.

(a) Authorization.--Notwithstanding any ordinance or any
rule, regulation, procedure or policy of a municipal pension

1 system to the contrary, an active member of a municipal pension
2 system may designate the member's spouse to be the beneficiary
3 of the member's pension, regardless of the date of the marriage.

4 (b) Applicability.--The authorization under subsection (a)
5 shall apply retroactively to designations made after December
6 31, 2006.

7 Section 19.1. The PROVISIONS OF THE act of July 9, 1981 ←
8 (P.L.208, No.66), known as the Public Employee Retirement
9 Commission Act, ARE HEREBY WAIVED AND shall not apply to this ←
10 act. ~~The Pennsylvania Employee Retirement Commission shall~~ ←
11 ~~prepare a letter supplementing the actuarial note, dated July~~
12 ~~15, 2009, relating to House Bill No. 1828, Printer's No. 2384~~
13 ~~(2009), and the actuarial note, dated July 28, 2009, relating to~~
14 ~~House Bill No. 1874, Printer's No. 2522 (2009), and transmit the~~
15 ~~letter to the Governor within five days of this act being signed~~
16 ~~in either chamber of the General Assembly.~~

17 Section 20. Repeals are as follows:

18 (1) The General Assembly declares that the repeal under
19 paragraph (2) is necessary to effectuate the addition of
20 section 902 of the act.

21 (2) Section 308 of the act of December 31, 1965
22 (P.L.1257, No.511), known as The Local Tax Enabling Act, is
23 repealed.

24 Section 21. This act shall take effect as follows:

25 (1) The addition of Chapter 7 7-A of the act shall take ←
26 effect in 90 days.

27 (2) The remainder of this act shall take effect
28 immediately.