AN ACT

Providing for management of municipal pension plans and for penalties.

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

Section 1. Short title.

This act shall be known and may be cited as the Municipal Pension Plan Sustainability Act.

Section 2. Definitions.

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:

"Board." The Pennsylvania Municipal Retirement Board.

"Compensation." As follows:

(1) A member's base salary or wages paid by an employer, including overtime payments to the member up to an amount no greater than 10% of the member's base salary.

(2) A member's compensation for a calendar year may not
exceed the limit prescribed by section 401(a)(17) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)).

(3) The term includes any disability pay paid by an employer as a result of a service-based disability.

(4) The term does not include reimbursements, bonuses, incentive pay, longevity increases, payments in lieu of benefits, allowances paid for food or clothing, overtime, payments in excess of 10% of base salary or payouts of accrued sick or vacation pay or any other form of used or unused paid time off.

"Final average salary." The average monthly salary determined by computing the compensation paid to a member by the employer during the last 60 months of qualified employment and dividing by 60.

"Municipal pension plan." A retirement plan created by a municipality for its police officers or firefighters under any of the following:

(1) The act of May 28, 1915 (P.L.596, No.259), referred to as the Second Class City Employe Pension Law.

(2) The act of May 29, 1956 (1955 P.L.1804, No.600), referred to as the Municipal Police Pension Law.

(3) The act of September 23, 1959 (P.L.970, No.400), referred to as the Second Class A City Employe Pension Law.

(4) Any other legal authority, excluding the act of February 1, 1974 (P.L.34, No.15), known as the Pennsylvania Municipal Retirement Law.

(5) The provision of 11 Pa.C.S. Pt. 5 (relating to third class cities).

"Municipality." A city of the second class, city of the
second class A, city of the third class, home rule municipality,
borough, town or township.

"Pension plan." A pension plan established under the act of December 18, 1984 (P.L.1005, No.205), known as the Municipal Pension Plan Funding Standard and Recovery Act, the act of May 29, 1956 (1955 P.L.1804, No.600), referred to as the Municipal Police Pension Law, or any other pension plan established under a municipal code.

"Superannuation age." As follows:

(1) For uniformed employees, any age with the accrual of 25 years of credited service and age 55.

(2) For nonuniformed employees, any age with the accrual of 30 years of credited service or age 65.

Section 3. Management of pension plans.

The governing body of each pension plan that has fewer than 100 active members shall select the most qualified person to enter into a contract to administer, manage or service the pension plan. To ensure that the availability of the contract is provided to potential participants, the governing body shall:

(1) Announce the availability of the contract at two consecutive regularly scheduled public meetings.

(2) Post the availability of the contract on the municipality's publicly accessible Internet website, if any, for a period of no less than two weeks.

Section 4. Assumed actuarial rate of return.

(a) General rule.--Except as provided under subsection (d), within 10 years of the effective date of this section and each year thereafter, a municipality shall use an assumed actuarial rate of return not to exceed the actuarial rate of return established by the board plus 1%.
(b) Transition.--Within the 10-year period provided under subsection (a), a municipality shall adjust its assumed actuarial rate of return and reduce the assumed rate of return in 10 equal installments to comply with subsection (a).

(c) Adjustment.--A pension shall adjust its assumed actuarial rate of return to the assumed actuarial rate of return established by the board for calculating all mandatory minimum obligations.

(d) Exception.--A municipality with a municipal pension plan that is managed by the board shall be exempt from the requirements under this section.

Section 5. Mandatory minimum obligation.

(a) General rule.--By the end of each fiscal year, a municipality shall submit proof to the Auditor General that the municipality has made the necessary mandatory minimum obligation payment consistent with its reporting obligations under existing law.

(b) Funding.--If the Auditor General determines that a municipality has failed to make the mandatory minimum obligation payment as determined under this act, the Auditor General shall withhold an appropriate portion of the State aid for which the municipality is eligible under this act for the succeeding fiscal year.

(c) Penalty.--If a municipality fails to meet its mandatory minimum obligation payments, and if the Auditor General withholds a portion of the municipality's State aid, then the municipality must satisfy their minimum payment plus an additional 20% before the Auditor General may release the State aid funds being withheld from the municipality.

Section 6. Restriction on State aid.
State aid received by a municipality may not be used for the payment of administrative fees expended for the management of the municipality's pension.

Section 7. Changes to pension plans.

(a) Plan terms.--A pension plan negotiated after the effective date of this act shall comply with the provisions for compensation, final average salary and superannuation age under this act and shall apply to employees hired after the effective date of this act.

(b) Plan changes.--A proposed change to a pension plan shall comply with all of the following:

(1) No municipality may make a change to the municipality's pension plan document that would cause the pension plan's fund ratio to be below 80%.

(2) A municipality shall submit proposed changes to the municipality's pension plan documents to the Auditor General for approval if the pension plan has an actuarial funding ratio under 80% for two consecutive actuarial evaluations.

(3) The Auditor General shall reject changes to the pension plan only if the changes would fail to improve the overall funding ratio of the pension plan.

(4) A change to the pension plan that is rejected by the Auditor General shall be returned to the municipality with recommendations on how the municipality may improve the funding ratio of the existing pension plan.

(5) Any award through collective bargaining or arbitration under the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, shall comply with the provisions of this section.
Section 8. General accounting standards.

At the beginning of each evaluation period a municipality shall certify in writing to the Auditor General that the municipality is using generally accepted accounting principals as outlined by the Governmental Accounting Standards Board with the mandatory minimum obligation payments under section 5.

Section 9. Public disclosure.

(a) Publication.--By January 1 of each year, as part of its annual budget report, a municipality shall disclose the information under subsection (b):

   (1) on the municipality's publicly accessible Internet website; or

   (2) in a local newspaper of general circulation, if the municipality does not maintain a publicly accessible Internet website.

(b) Contents.--A municipality shall disclose the following information regarding the cost of any pension plan controlled by the municipality:

   (1) An itemization of the administrative fees.

   (2) The mandatory minimum obligation payment amount.

   (3) Any other pension-related expenses, including those that are contained in the municipality's adopted general fund budget.

Section 10. Deferred retirement option plans.

A member of a pension plan shall be ineligible for participation in a deferred retirement option plan under Chapter 11 of the act of December 18, 1984 (P.L.1005, No.205), known as the Municipal Pension Plan Funding Standard and Recovery Act after the effective date of this section.

Section 11. Effective date.
This act shall take effect immediately.