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JACKSON, GEIST, O'BRIEN, WOGAN AND LEHR, APRIL 26, 1983

REFERRED TO COMMITTEE ON FINANCE, APRIL 26, 1983

AN ACT

1 Mandating actuarial funding standards for all municipal pension
2 systems; establishing a recovery program for municipal
3 pension systems determined to be financially distressed; and
4 making a repeal.

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

18 CHAPTER 1
19 PRELIMINARY PROVISIONS

20 Section 101. Short title.

21 This act shall be known and may be cited as the Municipal
22 Pension Plan Funding Standard and Recovery Act.

23 Section 102. Definitions.

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

27 "Actuarial accrued liability." That portion of the actuarial
28 present value of the pension plans benefits and expenses which
29 is allocated to the period ending at the beginning day of the
30 current plan year by the actuarial cost method.

1 "Actuarial assumptions." The demographic actuarial
2 assumptions and the economic actuarial assumptions when
3 considered together.

4 "Actuarial cost method." The procedure for determining the
5 actuarial present value of the benefits and expenses of the
6 pension plan and for developing an actuarially equivalent
7 allocation of that value to various time periods, usually in the
8 form of a normal cost and an actuarial accrued liability.

9 "Actuarial present value." The value of an amount or series
10 of amounts payable or receivable at various times, determined as
11 of a given date by the application of a particular set of
12 actuarial assumptions.

13 "Actuarial valuation report." A report which summarizes the
14 calculations used to determine the normal cost and actuarial
15 accrued liabilities of a benefit plan according to a stated
16 actuarial cost method and based upon stated demographic and
17 economic actuarial assumptions, the payment necessary to
18 amortize over a stated period any unfunded actuarial accrued
19 liability disclosed, the payment necessary to prevent any
20 increase in any disclosed unfunded actuarial accrued liability,
21 the actuarial balance sheet of the pension plan and any other
22 relevant financial and demographic data.

23 "Actuarial value of assets." The value of cash, investments
24 and other property belonging to a pension plan, as used by an
25 approved actuary for the purpose of preparing an actuarial
26 valuation report.

27 "Approved actuary." A person who has at least five years of
28 actuarial experience with public pension plans and who is either
29 enrolled as a member of the American Academy of Actuaries or
30 enrolled as an actuary pursuant to the Federal Employee

1 Retirement Income Security Act of 1974.

2 "Benefit plan." That portion of a pension plan which deals
3 specifically with the retirement annuity and benefit coverage
4 provided by the pension plan, including, but not limited to, the
5 types of coverage, the eligibility for and entitlement to
6 retirement annuities and benefits, and the amount of retirement
7 annuities and benefits.

8 "Chief administrative officer." The person who has primary
9 responsibility for the execution of the administrative affairs
10 of the municipality, or the designee of that person.

11 "Commission." The Public Employee Retirement Study
12 Commission established pursuant to the act of July 9, 1981
13 (P.L.208, No.66), known as the Public Employee Retirement Study
14 Commission Act.

15 "Defined benefit pension plan." A type of pension benefit
16 plan which provides for periodic benefit payments at retirement
17 which are predeterminable and which have a variable financing
18 requirement dependent upon the actuarial calculation of
19 actuarial present value requirements for projected benefits.

20 "Defined contribution pension plan." A type of pension
21 benefit plan which provides for a fixed contribution rate or
22 amount and which provides for periodic benefit payments
23 calculable at retirement dependent on the accumulated
24 contributions, investment income, experience gains and losses
25 credited to the member and the expected mortality of the member.

26 "Demographic actuarial assumptions." Estimates of rates of
27 future occurrences concerning, but not necessarily limited to,
28 mortality, terminations, disablements and ages at retirement
29 used in the preparation of actuarial valuations of the pension
30 plan and other actuarial calculations.

1 "Economic actuarial assumptions." Estimates of rates of
2 future occurrences concerning, but not necessarily limited to,
3 increases in salary, post retirement adjustments, increases in
4 benefits payable from the Federal old age, survivors, disability
5 and health insurance program and investment earnings, asset
6 appreciation or depreciation and procedures to determine the
7 actuarial value of assets used in the preparation of actuarial
8 valuations of the pension plan and other actuarial calculations.

9 "Establishment and maintenance of pension plan." Any of the
10 following relationships between a municipality and a public
11 employee pension plan:

12 (1) Specifications of the provisions which comprise the
13 benefit plan of the pension plan in an ordinance or
14 resolution of the municipality or contract to which the
15 municipality is a party.

16 (2) Provision by the municipality of the principal
17 amount of the financing of a pension plan received from any
18 municipality.

19 (3) Employment by the municipality of the largest number
20 of persons who are members of the pension plan.

21 (4) Any combination of paragraphs (1), (2) and (3).

22 "Experience investigation." A report which furnishes data on
23 the experience of the pension plan and an analysis which
24 substantiates the actuarial assumptions on which actuarial
25 valuations are based.

26 "Firefighter." A municipal employee who holds a position or
27 an office in the fire department of the municipality and has
28 retirement coverage provided by the firefighters pension plan.

29 "Fully insured pension plan." A pension plan for which an
30 insurance carrier has, or a number of insurance carriers have,

1 underwritten the total actuarial accrued liability of the
2 benefit plan.

3 "General municipal pension system State aid." The State aid
4 program established pursuant to Chapter 5.

5 "Insurance carrier." Any company which is in the business of
6 assuming the risk of various types of occurrences pursuant to
7 contract or agreement and which is licensed to do business by
8 the Commonwealth.

9 "Multiemployer pension plan or system." A pension plan which
10 provides retirement coverage for employees of more than one
11 municipality.

12 "Municipal employee." Any person other than an independent
13 contractor who provides regular services for a municipality in
14 return for compensation from the municipality.

15 "Municipality." Any county, city, borough, town, township,
16 home rule municipality, association of municipalities
17 cooperating pursuant to the act of July 12, 1972 (P.L.762,
18 No.180), referred to as the Intergovernmental Cooperation Law,
19 or authority established by the actions of any county, city,
20 borough, town or township or jointly by any such political
21 subdivisions.

22 "Normal cost." That portion of the actuarial present value
23 of the pension plan benefits and expenses which is allocated to
24 the plan year by the actuarial cost method.

25 "Partially insured pension plan." A pension plan for which
26 an insurance carrier has, or a number of insurance carriers
27 have, underwritten a portion of the actuarial accrued liability
28 of the benefit plan, but less than the total actuarial accrued
29 liability.

30 "Pension fund." The entity which is the repository for the

1 assets amassed by a pension plan as reserves for present and
2 future periodic retirement payments and benefits of active and
3 retired members of the pension plan.

4 "Pension plan or system." The various aspects of the
5 relationship between a municipality and its employees with
6 respect to the retirement coverage provided by a municipality to
7 the employees.

8 "Plan document." The law, ordinance, resolution or related
9 document or documents which governs the various aspects of the
10 retirement coverage provided by a municipality to its employees,
11 including periodic retirement payments and benefits,
12 administration and funding.

13 "Plan year." The 12 consecutive month period applicable to
14 pension plan which is utilized for various actuarial and
15 financial purposes and which, unless otherwise specified in the
16 plan document prior to December 31, 1982, shall be a calendar
17 year commencing on January 1 and ending on December 31.

18 "Police officer." A municipal employee who holds a position
19 or an office in the police department of the municipality and
20 has retirement coverage provided by the police pension plan.

21 "Premium tax surcharge." The tax on premiums for fire
22 insurance issued by foreign insurance carriers imposed pursuant
23 to Chapter 5.

24 "Self-insured pension plan." A pension plan for which all or
25 a portion of the accrued actuarial liability of the benefit plan
26 is underwritten by current or future accumulations of pension
27 plan assets.

28 "Unfunded actuarial accrued liability." The excess of the
29 actuarial accrued liability over the actuarial value of assets.

30 CHAPTER 2

1 MUNICIPAL PENSION PLAN ACTUARIAL REPORTING

2 Section 201. Requirement to file actuarial valuation report or
3 experience investigation.

4 (a) Actuarial valuation report required.--Each municipality
5 which has established or maintains a pension plan for its
6 employees, including any municipality which participates in the
7 Pennsylvania Municipal Retirement System, shall cause to be made
8 actuarial valuation reports. Actuarial valuation reports shall
9 be made biennially, unless the applicable municipality is
10 applying or has previously applied for supplemental State
11 assistance pursuant to section 603, whereupon actuarial
12 valuation reports shall be made annually. Each municipality
13 which has established or maintains a pension plan for its
14 employees which is self-insured in whole or in part shall also
15 cause experience investigations to be made. Experience
16 investigations shall be made quadrennially.

17 (b) Filing date for actuarial valuation report.--The
18 biennial actuarial valuation report required pursuant to
19 subsection (a) shall be made as of the beginning of each plan
20 year occurring in an even-numbered calendar year and shall be
21 filed with the executive director of the commission no later
22 than the last business day of March occurring in the following
23 calendar year. For the initial filing pursuant to this chapter,
24 the actuarial valuation report shall be made as of the beginning
25 of the plan year occurring in calendar year 1984.

26 (c) Filing date for experience investigation.--The
27 quadrennial experience investigation required pursuant to
28 subsection (a) shall accompany every other actuarial valuation
29 report and shall cover the five-year period ending as of the end
30 of the plan year preceding the plan year for which the actuarial

1 valuation report is filed. For the initial filing pursuant to
2 this chapter, the experience investigation shall be made for the
3 five-year period ending as of the end of the plan year occurring
4 on or after December 31, 1983, and before December 31, 1984. The
5 experience investigation shall be filed with the executive
6 director of the commission.

7 (d) Responsibility for preparation and filing of reports and
8 investigations.--The actuarial valuation report or experience
9 investigation required pursuant to subsection (a) shall be
10 prepared under the supervision and at the direction of the chief
11 administrative officer of the municipality, who shall also be
12 responsible for the filing of the document. The actuarial
13 valuation report or experience investigation shall be signed by
14 the chief administrative officer, indicating that to the extent
15 of the understanding and knowledge of the officer, the report or
16 investigation represents a true and accurate portrayal of the
17 actuarial, financial and demographic condition of the pension
18 plan of the municipality.

19 (e) Actuarial valuation report and experience investigation
20 as public record.--Each actuarial valuation report and
21 experience investigation is a public record. The chief
22 administrative officer of the municipality to which the pension
23 plan is associated shall take whatever steps are deemed
24 necessary to insure that the information contained in the
25 actuarial valuation report or experience investigation is made
26 available to active members or benefit recipients of the pension
27 plan.

28 Section 202. Contents of actuarial valuation report.

29 (a) Generally.--The actuarial valuation report shall contain
30 actuarial exhibits, financial exhibits and demographic exhibits.

1 The actuarial exhibits shall be prepared and certified by an
2 approved actuary. The remaining exhibits may be prepared by a
3 qualified person other than an approved actuary. The financial
4 and demographic exhibits shall be prepared as of the end of the
5 plan year. The submission by a municipality of a single report
6 setting forth the various required contents items in total for
7 the various pension plans associated with the Pennsylvania
8 Municipal Retirement System shall be deemed to be compliance by
9 that municipality with the requirements of this chapter only if
10 the report also separately sets forth the various required
11 contents items for the municipality.

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

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

15 The actuarial valuation report shall contain the following
16 actuarial exhibits:

17 (1) An exhibit of the normal cost of the benefits
18 provided by the benefit plan as of the date of the actuarial
19 valuation, expressed as a percentage of the future covered
20 payroll of the active membership of the pension plan as of
21 the date of the actuarial valuation.

22 (2) An exhibit of the actuarial accrued liability of the
23 benefit plan as of the date of the actuarial valuation in
24 total which shall be the actuarial present value of all
25 benefits provided by the benefit plan reduced by the
26 actuarial present value of future normal costs, and in
27 particular, which shall include the following required
28 actuarial present values for pension plan benefits of related
29 items:

30 (i) Required actuarial present values on account of

active members:

(A) Retirement benefits.

(B) Disability benefits.

(C) Survivor benefits.

(D) Refund liability due to withdrawal from
active service or death.

(E) Other benefits, specifying the nature of
each type.

This item shall include a footnote indicating the amount
of accumulated member contributions without accrued
interest.

(ii) Required actuarial present values on account of
former members with a deferred, vested or otherwise
nonforfeitable right to a retirement benefit.

(iii) Required actuarial present values on account
of former members without a deferred, vested or otherwise
nonforfeitable right to the retirement benefit.

(iv) Required actuarial present values on account of
benefit recipients:

(A) Retirement benefits.

(B) Disability benefits.

(C) Surviving spouse benefits.

(D) Surviving child benefits.

(E) Other benefits, specifying the nature of
each type.

(v) Required actuarial present values for other
benefits provided by the benefit plan, specifying the
nature of each type.

(vi) Actuarial present value of future normal cost.

(3) An exhibit of the unfunded actuarial accrued

1 liability of the pension plan in total, which shall be the
2 actuarial accrued liability of the pension plan calculated
3 pursuant to paragraph (2) less the actuarial value of assets
4 of the pension plan calculated pursuant to subsection (e)(1),
5 and which in particular shall include the following:

6 (i) The remaining balance of the unfunded actuarial
7 accrued liability in existence as of the first actuarial
8 valuation report required by this section occurring next
9 following the date of enactment of this section.

10 (ii) The remaining balance of each increment of
11 unfunded actuarial accrued liability attributable to
12 modifications in the benefit plan governing the pension
13 plan which were applicable to active members, separately
14 indicating each and designating each by the plan year in
15 which the benefit plan modification was made effective.

16 (iii) The remaining balance of each increment of
17 unfunded actuarial accrued liability attributable to
18 modifications in the benefit plan governing the pension
19 plan which were applicable to retired members and other
20 benefit recipients, separately indicating each and
21 designating each by the plan year in which the benefit
22 plan modification was made effective.

23 (iv) The remaining balance of each increment of net
24 unfunded actuarial accrued liability attributable to
25 modifications in the actuarial assumptions used to
26 calculate the actuarial accrued liability of the pension
27 plan separately indicating each and designating each by
28 the plan year in which the actuarial assumption
29 modification was made effective.

30 (v) The remaining balance of each increment of net

1 unfunded actuarial accrued liability attributable to
2 actuarial experience losses, separately indicating each
3 and designating each by the plan year in which the
4 actuarial experience loss was recognized.

5 The initial determination of the unfunded actuarial accrued
6 liability attributable to a modification in the benefit plan
7 governing the pension plan or to a modification in the
8 actuarial assumptions used to calculate the actuarial accrued
9 liability of the pension plan shall be made by calculating
10 the unfunded actuarial accrued liability of the pension plan
11 in accordance with the benefit plan provisions and actuarial
12 assumptions which were in effect prior to the modification
13 and by calculating the unfunded actuarial accrued liability
14 of the pension plan in accordance with the modification in
15 the provisions of the benefit plan governing the pension plan
16 or the actuarial assumptions used to calculate the actuarial
17 accrued liability of the pension plan, whichever is
18 applicable, and the remaining benefit plan provisions and
19 actuarial assumptions. The initial determination of the
20 unfunded actuarial accrued liability attributable to an
21 actuarial loss shall be made in conjunction with the analysis
22 of increases or decreases in the unfunded actuarial accrued
23 liability of the pension plan required pursuant to paragraph
24 (6).

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 increment of unfunded actuarial
8 accrued liability shall be as follows:

9 (i) Unfunded actuarial accrued liability in
10 existence as of the beginning of the plan year occurring
11 in calendar year 1984, at the end of the plan year
12 occurring in calendar year 2014.

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

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

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

29 (v) Increment or decrement of net unfunded actuarial
30 accrued liability attributable to an actuarial experience

1 loss or gain, at the end of plan year occurring 15 years
2 after the calendar year in which the actuarial experience
3 loss or gain was recognized.

4 The exhibit shall indicate the total dollar amount of
5 additional funding costs associated with the amortization of
6 any unfunded actuarial accrued liability of the pension plan
7 applicable for that plan year and any subsequent plan year
8 occurring prior to the preparation of the next required
9 actuarial valuation report, which shall be the total of the
10 additional funding costs associated with the amortization of
11 each increment of unfunded actuarial accrued liability. The
12 exhibit shall also indicate the plan year in which any
13 unfunded actuarial accrued liability of the pension plan
14 would be fully amortized if the total annual additional
15 funding cost calculated pursuant to this paragraph were met
16 continuously without increase or decrease in amount until the
17 total unfunded actuarial accrued liability currently existing
18 was fully amortized.

19 (5) An exhibit of the total administrative cost of the
20 pension plan for the plan year occurring immediately prior to
21 the plan year for which the actuarial valuation report is
22 made.

23 (6) An exhibit containing an analysis of the increase or
24 decrease in the unfunded actuarial accrued liability of the
25 pension plan since the most recent prior actuarial valuation
26 report, including specifically an indication of increases or
27 decreases due to the following:

28 (i) Modifications in the benefit plan or plans of
29 the pension plan.

30 (ii) Changes in actuarial assumptions.

(iii) Deviations in the actual experience of the pension plan from the experience expected by virtue of the actuarial assumptions.

(iv) Presence or absence of payments to amortize the unfunded accrued liability of the pension plan.

(v) Other reasons.

If, in the opinion of the approved actuary, the inclusion of any portion of this information is not appropriate, that portion of the analysis may be omitted with the provision of adequate explanation or justification of the appropriateness of the omission.

(7) An exhibit summarizing the economic and demographic actuarial assumptions used in the preparation of the actuarial exhibits.

(8) A summary of the principal provisions of the benefit plan of the pension plan upon which the actuarial exhibits are based.

(c) Contents of actuarial exhibits; defined contribution plans self-insured in whole or in part.--For any pension plan which is a defined contribution plan and which is self-insured in whole or in part, the actuarial valuation report shall contain the following actuarial exhibits:

(1) An exhibit of the required actuarial present values on account of benefit recipients and annuitants, which shall include the following required actuarial present values:

(i) Retirement benefits.

(ii) Disability benefits.

(iii) Surviving spouse benefits.

(iv) Surviving child benefits.

(v) Other benefits, specifying the nature of each

1 type.

2 (2) An exhibit indicating the member contributions
3 accumulated at interest as apportioned to member accounts to
4 the date of the valuation report, which shall be itemized as
5 follows:

6 (i) Balance of member contributions and interest
7 attributable to benefits recipients.

8 (ii) Member contributions and interest attributable
9 to active members.

10 (iii) Member contributions and interest attributable
11 to former members with a deferred, vested or otherwise
12 nonforfeitable right to a retirement benefit.

13 (iv) Member contributions and interest attributable
14 to former members without a deferred, vested or otherwise
15 nonforfeitable right to a retirement benefit.

16 The accumulations shall be separated in a manner which
17 properly reflects any differences in retirement benefit
18 purchase or calculation rates which may apply.

19 (3) An exhibit of the total administrative cost of the
20 pension plan for the plan year occurring immediately prior to
21 the plan year for which the actuarial valuation report is
22 made.

23 (4) An exhibit summarizing the actuarial assumptions as
24 to preretirement mortality, post retirement mortality,
25 disablement and investment income used in the preparation of
26 the actuarial exhibits.

27 (5) A summary of the principal provisions of the benefit
28 plan of the pension plan upon which the actuarial exhibits
29 are based.

30 (d) Contents of actuarial exhibits; defined benefit or

1 defined contribution plans insured in whole by an insurance
2 carrier.--For any pension plan which is a defined benefit plan
3 or a defined contribution plan and which is insured in whole by
4 an insurance carrier authorized to do business in the
5 Commonwealth, the actuarial valuation report shall contain the
6 following actuarial exhibits:

7 (1) An exhibit indicating the type, nature and issuer of
8 the insurance coverage, as follows:

9 (i) Type of insurance coverage.

10 (A) Individual policies.

11 (B) Group master contract.

12 (ii) Nature of insurance coverage.

13 (A) Retirement annuity.

14 (B) Retirement income endowment.

15 (C) Combination of retirement annuities and
16 endowment.

17 (iii) Issuer of insurance coverage for each policy
18 or contract.

19 (2) A certification by an approved actuary that the
20 aggregate insurance and annuity coverage applicable to the
21 pension plan is in the opinion of the actuary sufficient to
22 fully assume the risk of the provision of all retirement
23 annuities and other retirement benefits applicable to the
24 benefit plan of the pension plan.

25 (3) A summary of the principal provisions of the benefit
26 plan of the pension plan upon which the certification of
27 sufficiency is based.

28 (4) An exhibit summarizing any relevant material
29 assumptions and methods used by the actuary in formulating
30 the opinion of sufficiency.

1 (e) Contents of financial exhibits.-- Each financial exhibit
2 shall be prepared in a manner which is consistent with the other
3 financial exhibits contained in the actuarial valuation report
4 and the financial exhibits contained in most recent prior
5 actuarial report. The accounting basis for the financial
6 exhibits shall be disclosed. The financial exhibits shall be
7 prepared in a fashion which is reasonably calculated to fairly
8 and accurately disclose the financial condition and affairs of
9 the pension plan. In the event that there is implemented a
10 change in the manner in which the financial exhibits are
11 prepared the financial exhibits for inclusion in the actuarial
12 valuation report for the year in which the change is implemented
13 shall be prepared in accordance with both the change and the
14 manner previously employed. The actuarial valuation report shall
15 include the following financial exhibits:

16 (1) An exhibit of the assets of the pension plan valued
17 pursuant to rules and regulations issued by the commission,
18 which shall reflect variations in asset mix and reduce the
19 impact of market fluctuations.

20 (2) An exhibit of the current liabilities of the pension
21 plan in total and in particular, which shall include the
22 following items:

23 (i) Accounts payable.

24 (ii) Retirement benefit payments.

25 (iii) Disability benefit payments.

26 (iv) Survivor benefit payments.

27 (v) Refunds to members.

28 (vi) Accrued administrative expenses.

29 (vii) Suspense items.

30 (viii) Other current liabilities, if any, specifying

1 the nature of each type.

2 (3) A statement of the accumulated member contributions,
3 if any are required, without interest credited to them.

4 (4) An exhibit of the income of the pension plan, in
5 total and in particular, which shall include the following
6 items:

7 (i) Member contributions.

8 (ii) Allocations from the Commonwealth dedicated to
9 pension plan purposes, if any.

10 (iii) Municipal contributions.

11 (iv) Interest on debt securities.

12 (v) Dividends on equity securities.

13 (vi) Realized capital gains on equity securities.

14 (vii) Recognized unrealized capital gains on equity
15 securities.

16 (viii) Other income, if any, specifying the nature
17 of each type.

18 (5) An exhibit of the deductions from the income of the
19 pension plan in total and in particular, which shall include
20 the following items:

21 (i) Pension plan benefit payments.

22 (A) Retirement benefits.

23 (B) Disability benefits.

24 (C) Surviving spouse benefits.

25 (D) Surviving child benefits.

26 (E) Refunds to members terminating employment.

27 (F) Refunds on behalf of deceased active, former
28 or retired members.

29 (G) Other benefit payments, if any.

30 (ii) Administrative expenses incurred.

1 (iii) Increase in total required actuarial present
2 values for pension benefits.

3 (iv) Realized capital losses on equity securities.

4 (v) Recognized unrealized capital losses on equity
5 securities.

6 (vi) Other deductions from income, if any,
7 specifying the nature of each type.

8 The exhibit shall indicate the accounting basis on which the
9 information presented in the exhibit was prepared.

10 (6) An exhibit indicating the administrative cost
11 incurred by the pension plan in such detail as is deemed
12 appropriate by the chief administrative officer of the
13 pension plan.

14 (f) Contents of demographic exhibits.--Each actuarial
15 valuation report shall include the following demographic
16 exhibits:

17 (1) A tabulation of the active members of the pension
18 plan, which shall include the following items, expressing the
19 number and the annual payroll for each:

20 (i) Active members as of last valuation date.

21 (ii) New entrants since last valuation date.

22 (iii) Total of subparagraphs (i) and (ii).

23 (iv) Separations from active service receiving
24 refund of member contributions.

25 (v) Separations from service with deferred or vested
26 retirement benefit.

27 (vi) Separations from active service by reason of
28 disability.

29 (vii) Separations from active service by reason of
30 receipt of retirement benefit.

(viii) Separations from active service by reason of death.

(ix) Separations from active service for reasons other than death, disablement, or receipt of a retirement benefit and without receipt of refund of member contributions or without deferred or vested retirement benefit.

(x) Total of subparagraphs (iv) through (ix).

(xi) Total active members as of current valuation date.

(2) A tabulation of the retirement annuitants of the pension plan, which shall include the following items, expressing the number and the annual benefit amount for each:

(i) Retirement benefit recipients as of last valuation date.

(ii) New retirement benefit recipients since last valuation date.

(iii) Total of subparagraphs (i) and (ii).

(iv) Terminations of receipt of retirement benefits by reason of death.

(v) Terminations of receipt of retirement benefits by reasons other than death.

(vi) Total of subparagraphs (iv) and (v).

(vii) Total retirement benefit recipients as of current valuation date.

(3) A tabulation of the disability benefit recipients of the pension plan, which shall include the following items, expressing the number and the annual benefit amount for each:

(i) Disability benefit recipients as of the last valuation date.

(ii) New disability benefit recipients since last valuation date.

(iii) Total of subparagraphs (i) and (ii).

(iv) Terminations of receipt of disability benefits by reason of death.

(v) Terminations of receipt of disability benefits by reasons other than death.

(vi) Total of subparagraphs (iv) and (v).

(vii) Total disability benefit recipients as of current valuation date.

(4) A tabulation of the surviving spouse benefit recipients of the pension plan, which shall include the following items, expressing the number and the annual benefit amount for each:

(i) Surviving spouse benefit recipients as of the last valuation date.

(ii) New surviving spouse benefit recipients since last valuation date.

(iii) Total of subparagraphs (i) and (ii).

(iv) Terminations of receipt of surviving spouse benefits by reason of death.

(v) Terminations of receipt of surviving spouse benefits by reasons other than death.

(vi) Total of subparagraphs (iv) and (v).

(vii) Total surviving spouse benefit recipients as of current valuation date.

(5) A tabulation of the surviving child benefit recipients of the pension plan, which shall include the following items, expressing the number and the annual benefit amount for each:

(i) Surviving child benefit recipients as of the last valuation date.

(ii) New surviving child benefit recipients since last valuation date.

(iii) Total of subparagraphs (i) and (ii).

(iv) Terminations of receipt of surviving child benefits by reason of death.

(v) Terminations of receipt of surviving child benefits by reason other than death.

(vi) Total of subparagraphs (iv) and (v).

(vii) Total surviving child benefit recipients as of current valuation date.

(6) A tabulation of persons with a deferred or vested entitlement to a retirement benefit from the pension plan, which shall include the following items, expressing the number and the prospective annual benefit amount for each:

(i) Deferred or vested retirement benefit recipients as of the last valuation date.

(ii) New deferred or vested retirement benefit recipients as of the last valuation date.

(iii) Total of subparagraphs (i) and (ii).

(iv) Terminations of entitlement to deferred or vested retirement benefit by reason of death.

(v) Terminations of entitlement to deferred or vested retirement benefit by reasons other than death.

(vi) Total of subparagraphs (iv) and (v).

(vii) Total of deferred or vested retirement benefit recipients as of current valuation date.

(7) A tabulation of recipients of other retirement benefits of the pension plan, which shall specify the nature

1 of the other retirement benefit and which shall include the
2 following items, expressing the number and the annual benefit
3 amount for each:

4 (i) Recipient of other retirement benefits as of the
5 last valuation date.

6 (ii) New recipients of other retirement benefits
7 since last valuation date.

8 (iii) Total of subparagraphs (i) and (ii).

9 (iv) Terminations of receipt of other retirement
10 benefits by reasons of death.

11 (v) Terminations of receipt of other retirement
12 benefits by reasons other than death.

13 (vi) Total of subparagraphs (iv) and (v).

14 (vii) Total recipients of other retirement benefits
15 as of current valuation date.

16 (8) A tabulation of inactive members of the pension plan
17 who are not entitled to a deferred or vested retirement
18 benefit and who have not received a refund of accumulated
19 member contributions, which shall include the following
20 items, expressing the number and the amount of accumulated
21 member contributions for each:

22 (i) Inactive members not entitled to a deferred or
23 vested retirement benefit and not in receipt of refund as
24 of last valuation date.

25 (ii) New inactive members not entitled to a deferred
26 or vested retirement benefit and not in receipt of refund
27 since last valuation date.

28 (iii) Total of subparagraphs (i) and (ii).

29 (iv) Terminations of inactive members by reason of
30 death.

(v) Terminations of inactive members by reasons other than death.

(vi) Total of subparagraphs (iv) and (v).

(vii) Total inactive numbers not entitled to a deferred or vested retirement benefit and not in receipt of refund as of current valuation date.

If the pension plan has more than one benefit plan, separate tabulations shall be made for the active, inactive, retired and benefit recipient membership of each benefit plan.

Section 203. Contents of experience investigation.

(a) Generally.--The experience investigation shall contain sufficient information to substantiate the actuarial assumptions upon which the actuarial exhibits of the most recent actuarial report shall be based. The experience investigation shall be prepared by only an approved actuary.

(b) Contents of experience investigation; defined benefit plans self-insured in whole or in part.--For any pension plan which is a defined benefit plan and which is self-insured in whole or in part, the experience investigation shall contain the following items:

(1) A comparison for each year of the last five-year period of the actual experience of the pension plan and the experience of the pension plan expected pursuant to the actuarial assumptions other than entry age or retirement age which were used in preparing the actuarial exhibits of the actuarial valuation report of the pension plan and which in the judgment of the actuary significantly affect the results contained in those actuarial exhibits.

(2) A statement of the average entry age at the time of employment for the following groups:

1 (i) All current active members of the pension plan
2 as of the date of the experience study.

3 (ii) New entrants as members of the pension plan as
4 a separate group for each of the last five plan years.

5 (3) A statement of the average ages at which retirement
6 benefit recipients have terminated service as an active
7 member and commenced receipt of retirement benefits for the
8 following groups:

9 (i) All persons currently receiving a retirement
10 benefit as of the date of the experience study.

11 (ii) Persons newly becoming retirement benefit
12 recipients as a separate group for each of the last five
13 plan years.

14 (4) A recommendation by the actuary concerning the
15 retention or modification of the actuarial assumptions
16 previously used to prepare the actuarial exhibits of the
17 actuarial valuation report of the pension plan.

18 (c) Contents of experience investigation; defined
19 contribution plans or defined benefit plans insured in whole by
20 an insurance carrier.--For any pension plan which is a defined
21 contribution plan or which is a defined benefit plan and is
22 insured in whole by an insurance carrier, the experience
23 investigation shall provide specific information concerning
24 those items which relate to any actuarial assumptions used in
25 determining the actuarial condition of the pension plan.

26 Section 204. Delinquent actuarial valuation reports and
27 experience investigations.

28 If a complete actuarial valuation report or experience
29 investigation is not filed in a timely fashion, any and all
30 financing which is provided to the municipality by the

1 Commonwealth and is dedicated for pension plan purposes shall be
2 withheld until the report or investigation is filed. If a
3 municipality fails to file an actuarial valuation report or
4 experience investigation, the commission shall have the report
5 or investigation prepared and the municipality shall reimburse
6 the commission for the actual cost of the preparation of the
7 report or investigation. The commission shall issue rules and
8 regulations specifying the procedures which the commission shall
9 follow in obtaining delinquent actuarial valuation reports or
10 experience investigations.

11 Section 205. Modification of requirements for contents of
12 actuarial valuation reports and experience
13 investigations.

14 The commission may issue rules and regulations specifying
15 modifications in, additions to or elimination of requirements
16 for the contents of actuarial valuation reports and experience
17 investigations. Any rules and regulations shall be issued in
18 accordance with any provision of law governing the issuance of
19 rules and regulations by Commonwealth agencies.

20 Section 206. Requirement for additional information in certain
21 instances.

22 The commission may request any additional information, data
23 or calculations in connection with any required actuarial
24 valuation report or experience investigation which it deems
25 necessary or desirable. The requested information, data or
26 calculations shall be transmitted to the commission as soon as
27 is practicable following receipt of the request.

28 Section 207. Actuarial valuation and experience investigation
29 expenses allowable.

30 Notwithstanding any provision of law, municipal ordinance,

1 municipal resolution, municipal charter, pension plan agreement
2 or pension plan contract to the contrary, the expenses
3 attributable to the preparation of any actuarial valuation
4 report or experience investigation required pursuant to this
5 chapter shall be allowable administrative expense payable from
6 the assets of the pension plan.

7 CHAPTER 3

8 MINIMUM FUNDING STANDARD FOR MUNICIPAL
9 PENSION PLANS

10 Section 301. Municipal pension plan minimum funding standard;
11 application and general provisions.

12 (a) Application.--Notwithstanding any provision of law,
13 municipal ordinance, municipal resolution, municipal charter,
14 pension plan agreement or pension plan contract to the contrary,
15 the applicable provisions of this chapter shall apply to any
16 municipality which has established and maintains directly or
17 indirectly a pension plan for the benefit of its employees,
18 irrespective of the manner in which the pension plan is
19 administered, and to the respective pension plan.

20 (b) Disclosure of noncompliance.--In the event that any
21 municipality or pension plan fails in a material way to comply
22 with any applicable provision of this chapter, the commission
23 shall notify the Governor and the General Assembly of that
24 noncompliance in a public report issued annually for this
25 purpose.

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

28 (a) Generally.--This section applies to any municipality
29 which has established and maintains a pension plan which is a
30 defined benefit plan and which is self-insured in whole or in

1 part.

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

3 (1) Annually, the chief administrative officer of the
4 pension plan shall determine the financial requirements of
5 the pension plan for the following plan year. The financial
6 requirements of the pension plan for the following plan year
7 shall be based on the most recent actuarial valuation report
8 of the pension plan prepared pursuant to Chapter 2. The
9 financial requirements of the pension plan shall be the
10 normal cost requirements for the following plan year and, if
11 the pension plan has an unfunded actuarial accrued liability
12 pursuant to the most recent actuarial valuation report, the
13 amortization contribution requirement for the following plan
14 year.

15 (2) The normal cost requirement for the following plan
16 years shall be expressed as a dollar amount and shall be
17 determined by applying the normal cost of the benefit plan,
18 as reported in the actuarial valuation report of the pension
19 plan and expressed as a percentage of covered payroll, to the
20 estimated covered payroll of the active membership of the
21 pension plan including any projected increase in active
22 membership for the following year.

23 (3) The amortization contribution requirement for the
24 following plan year shall be expressed as a dollar amount and
25 shall be the additional amount reported in the actuarial
26 valuation report of the pension plan as sufficient to
27 amortize on a level dollar basis the various increments of
28 the unfunded actuarial accrued liability of the benefit plan
29 by the applicable amortization target dates as established in
30 section 202(b)(4).

(c) Minimum obligation of the municipality.--Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year. The minimum obligation of the municipality with respect to the pension plan shall be equal to the financial requirements of the pension plan reduced by the following amounts:

(1) The amount of any general municipal pension plan State aid from the Commonwealth anticipated as receivable by the municipality pursuant to section 502, and to be allocated to the pension plan for the following plan year.

(2) The amount of any moneys anticipated as receivable from the Commonwealth as the allocation to that municipality of the proceeds of the foreign casualty insurance premium tax pursuant to the act of May 12, 1943 (P.L.259, No.120), for deposit in the pension plan during the following plan year, or that portion of the amount of any moneys anticipated as receivable from the Commonwealth as the allocation to that municipality of the proceeds of the foreign fire insurance premium tax pursuant to the act of June 28, 1895 (P.L.408, No.289), which is attributable to paid firefighters, for deposit in the pension plan during the following plan year.

(3) The amount of any member contributions anticipated as receivable for the following year.

(d) Payment of minimum municipal obligation.--Annually the municipality shall provide for the full amount of the minimum obligation of the municipality in the budget of the municipality. The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality. Payment of the minimum obligation of the

1 municipality shall be made by the municipality and if made
2 during the month of January, shall be payable without any
3 interest, and if made subsequent to the month of January but
4 prior to December 31, shall be payable with interest for the
5 period since January 1 at a rate equal to the interest
6 assumption used for the actuarial valuation report, expressed on
7 a monthly basis.

8 (e) Interest penalty on omitted municipal contributions.--
9 Any amount of the minimum obligation of the municipality which
10 remains unpaid as of December 31 of the year in which the
11 minimum obligation is due shall be added to the minimum
12 obligation of the municipality for the following year, with
13 interest from January 1 of the year in which the minimum
14 obligation was first due until the date the payment is paid at a
15 rate equal to the interest assumption used for the actuarial
16 valuation report or the discount rate applicable to treasury
17 bills issued by the Department of Treasury of the United States
18 with a six month maturity as of the last business day in
19 December of the plan year in which the obligation was due,
20 whichever is greater, expressed as a monthly rate and compounded
21 monthly.

22 Section 303. Minimum funding standard; defined benefit plans
23 wholly insured or defined contribution plans.

24 (a) Generally.--This section applies to any municipality
25 which has established and maintains a pension plan which is one
26 of the following:

27 (1) A defined benefit plan which is fully insured by an
28 authorized insurance carrier.

29 (2) A defined contribution plan which is self-insured in
30 whole or in part.

(3) A defined contribution plan which is fully insured by an authorized insurance carrier.

(b) Financial requirements of the pension plan.--Annually, the chief administrative officer of the pension plan shall determine the financial requirements of the pension plan for the following plan year. The financial requirements of the pension plan shall be determined pursuant to the terms of the contract or policy with the insurance carrier or the plan document governing the pension plan, whichever is applicable.

(c) Minimum obligation of the municipality.--Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year. The minimum obligation of the municipality with respect to the pension plan shall be the employer contribution portion of financial requirements determined pursuant to the terms of the contract or policy with the insurance carrier or the plan document governing the pension plan, whichever is applicable, reduced by the following amounts:

(1) The amount of any general municipal pension plan State aid from the Commonwealth anticipated as receivable by the municipality pursuant to section 502, and to be allocated to the pension plan for the following plan year.

(2) The amount of any moneys anticipated as receivable from the Commonwealth as the allocation to that municipality of the proceeds of the foreign casualty insurance premium tax pursuant to the act of May 12, 1943 (P.L.259, No.120), for deposit in the pension plan during the following plan year, or that portion of the amount of any moneys anticipated as receivable from the Commonwealth as the allocation to that municipality of the proceeds of the foreign fire insurance

1 premium tax pursuant to the act of June 28, 1895 (P.L.408,
2 No.289), which is attributable to paid firefighters, for
3 deposit in the pension plan during the following plan year.

4 (d) Payment of minimum municipal obligation.--Annually, the
5 municipality shall provide for the full amount of the minimum
6 obligation of the municipality in the budget of the
7 municipality. The minimum obligation of the municipality shall
8 be payable to the pension plan from the revenue of the
9 municipality. Payment of the minimum obligation of the
10 municipality shall be made by the municipality.

11 Section 304. Certification of pension plan financial
12 requirements and minimum municipal obligations.

13 The chief administrative officer of each pension plan shall
14 submit the financial requirements of the pension plan and the
15 minimum obligation of the municipality with respect to the
16 pension plan, with appropriate documenting detail, to the
17 governing body of the municipality on or before the last
18 business day in September, annually. The submission shall
19 include a certification by the chief administrative officer as
20 to the accuracy of the calculations and their conformance with
21 the applicable provisions of this chapter.

22 CHAPTER 4

23 GENERAL REVISIONS APPLICABLE TO MUNICIPAL 24 PENSION FUND FINANCING

25 Section 401. Revision of financing from local revenue sources.

26 Prior to applying for any remedy or combination of remedies
27 pursuant to Chapter 6, a municipality shall evaluate the current
28 sources of financing for municipal pension plans and shall
29 identify any revenue sources from which other personnel costs,
30 including, but not limited to, salaries, employer contributions

1 to the Federal old age, survivors, disability and health
2 insurance program or premiums for health insurance coverage, are
3 payable but from which municipal pension plan costs, including
4 the amortization of any unfunded actuarial accrued liability,
5 are not fully allocated. Upon identifying these omitted or
6 underutilized municipal revenue sources, the municipality shall
7 undertake steps to utilize or increase utilization of these
8 revenue sources. Full utilization of these revenue sources shall
9 occur within one year of identification.

10 If a municipal pension plan of the municipality is a
11 multiemployer pension plan, the identification and utilization
12 of omitted or underutilized municipal revenue sources shall
13 include the municipal pension plan financing provided by other
14 participating employers. For any municipality, municipal revenue
15 sources shall include municipal enterprises and Federal, State
16 or private grants.

17 Section 402. Revision of financing from State revenue sources;
18 General Municipal Pension System State Aid
19 Program.

20 (a) Establishment of program.--There is hereby established a
21 General Municipal Pension System State Aid Program.
22 Notwithstanding any provision of the act of June 28, 1895
23 (P.L.408, No.289), the act of May 12, 1943 (P.L.259, No.120), or
24 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform
25 Code of 1971, to the contrary, the provisions of this section
26 and section 607, shall govern with respect to any portions of
27 the insurance premium taxes on foreign fire insurance companies
28 and foreign casualty insurance companies for allocation pursuant
29 to the General Municipal Pension System State Aid program.

30 (b) Financing of the General Municipal Pension System State

1 Aid program.--Except as otherwise provided in this section, the
2 General Municipal Pension System State Aid program shall
3 allocate the entire proceeds of the insurance premium tax on
4 foreign casualty insurance companies, and any investment income
5 earned on those proceeds, and the portion of the proceeds of the
6 insurance premium tax on foreign fire insurance companies
7 payable pursuant to the applicable law to municipalities with
8 fire departments comprised of paid firefighters on account of
9 the paid firefighters, and any investment income earned on that
10 portion of those proceeds.

11 (c) Amount of aid available for allocation.--During the
12 period 1984 to 1987, there shall be a transition from the
13 municipal pension allocation programs specified in the act of
14 June 28, 1895 (P.L.408, No.289), and the act of May 12, 1943
15 (P.L.259, No.120), to the General Municipal Pension System State
16 Aid program, with progressively greater portions of the foreign
17 insurance premium taxes available allocated pursuant to the
18 General Municipal Pension System State Aid program, as follows:

General Municipal			
		Pension System	Municipal Allocation
Year	State Aid Program	Under Prior Acts	
1984	25%	75%	
1985	50%	50%	
1986	75%	25%	
1987	100%	0%	

26 Of the total amount of the General Municipal Pension System
27 State Aid available for allocation, a portion shall be deposited
28 for subsequent distribution in the augmentation account of the
29 Supplemental State Assistance Fund pursuant to section 607.

30 Prior to 1987, the portion shall be 30% of the total. In 1987

1 and subsequent years if the Supplemental State Assistance
2 Program and Fund are in operation, the portion shall be 30% of
3 the total but shall not exceed 60% of the total amount certified
4 by the commission as the required appropriation to the
5 Supplemental State Assistance Fund for distribution in the
6 following year. During the transition, any amount specified as
7 payable to the State Employees' Retirement Fund pursuant to
8 section 1 of the act of May 12, 1943 (P.L.259, No.120), shall
9 instead be deposited for subsequent distribution in the
10 Supplemental Assistance Account of the Supplemental State
11 Assistance Fund pursuant to section 607.

12 (d) Eligible recipients of General Municipal Pension System
13 State Aid.--Any city, borough, town or township which employs
14 one or more full-time municipal employee and provides pension
15 coverage for that employee or those employees by a pension plan
16 which was established and maintained on the effective date of
17 this act or which was established subsequent to the effective
18 date of this act and has been maintained for at least five plan
19 years, shall be entitled to receive General Municipal Pension
20 System State Aid.

21 (e) Allocation of General Municipal Pension System State
22 Aid.--

23 (1) General Municipal Pension System State Aid shall be
24 distributed annually to each eligible recipient municipality
25 on the basis of the number of units attributable to each
26 active employee participating in a pension plan maintained by
27 that municipality. For purposes of the General Municipal
28 Pension System State Aid program, the number of units
29 attributable to each type of municipal employee employed on a
30 full-time basis for a minimum of six consecutive months prior

1 to the December 31 preceding that date of certification shall
2 be as follows:

3 (i) Police officer - two units.

4 (ii) Firefighter - one unit.

5 (iii) Employee other than police officer or
6 firefighter - one unit.

7 (2) The amount of General Municipal Pension System State
8 Aid per unit shall initially be determined by dividing the
9 total amount of the General Municipal Pension System State
10 Aid available after the deposit of the required amount in the
11 augmentation account of the Supplemental State Assistance
12 Fund by the total number of units certified by all eligible
13 municipalities.

14 (3) Except as provided in subsection (f), each eligible
15 municipality shall receive that amount of General Municipal
16 Pension System State Aid determined by multiplying the per
17 unit amount by the number of units certified by that
18 municipality.

19 (4) If the maximum specified in subsection (f) is
20 applicable, then the amount of General Municipal Pension
21 System State Aid per unit applicable to all municipalities
22 other than the municipality or municipalities subject to the
23 maximum aid amount shall be adjusted. The adjusted amount of
24 General Municipal Pension System State Aid per unit
25 attributable to municipalities unaffected by the aid maximum
26 specified in subsection (f) shall be determined by dividing
27 the total amount of the General Municipal Pension System
28 State Aid available after the deposit of the required amount
29 in the augmentation account of the Supplemental State
30 Assistance Fund and excluding 25% of the resulting total for

1 each municipality to which the maximum aid amount is
2 applicable by the total number of units certified by all
3 eligible municipalities unaffected by the aid maximum
4 specified in subsection (f). Each municipality eligible for
5 the adjusted General Municipal Pension System State Aid shall
6 receive that amount of adjusted General Municipal Pension
7 System State Aid determined by multiplying the adjusted per
8 unit amount by the number of units certified by that
9 municipality.

10 (5) The General Municipal Pension System State Aid shall
11 be distributed annually no later than the first business day
12 occurring in the month of October.

13 (f) Maximum General Municipal Pension System State Aid
14 amount.--No municipality shall be entitled to receive an
15 allocation of General Municipal Pension System State Aid in an
16 amount greater than 25% of the total amount of the General
17 Municipal Pension System State Aid available after the deposit
18 of the required amount in the augmentation account of the
19 Supplemental State Assistance Fund.

20 (g) Authorized expenditures of General Municipal Pension
21 System State Aid.--Any General Municipal Pension System State
22 Aid received by a municipality shall only be used to defray the
23 cost of the pension plan or pension plans maintained by the
24 municipality. If only one pension plan is maintained by the
25 municipality, then the total amount of the General Municipal
26 Pension System State Aid received by the municipality shall,
27 within 30 days of receipt by the treasurer of the municipality,
28 be deposited in the pension fund or the alternate funding
29 mechanism applicable to the pension plan. If more than one
30 pension plan is maintained by the municipality, then the

1 governing body of the municipality shall annually determine the
2 proportion of the total amount of the General Municipal Pension
3 System State Aid received by the municipality which shall be
4 credited to each pension plan and the total amount of the
5 General Municipal Pension System State Aid received by the
6 municipality shall, within 30 days of receipt by the treasurer
7 of the municipality, be deposited in the pension funds or
8 alternate funding mechanisms applicable to the respective
9 pension plans in accordance with that determination.

10 (h) Certification of employees by eligible recipient
11 municipalities.--Each eligible recipient municipality shall
12 certify annually to the Auditor General the number of police
13 officers, firefighters and municipal employees other than police
14 officers and firefighters who are employed full time by the
15 municipality and for whom pension coverage is provided by the
16 municipality pursuant to subsection (d), and whatever additional
17 information the Auditor General requires to verify the number of
18 units attributable to the municipality.

19 (i) Warrants.--Warrants for purposes of making the
20 allocation of General Municipal Pension System State Aid shall
21 be drawn by the Auditor General, payable to the treasurers of
22 the eligible recipient municipalities in accordance with this
23 section.

24 (j) Administration.--The Auditor General shall have the duty
25 of administering the General Municipal Pension System State Aid
26 program. The Auditor General may promulgate rules and
27 regulations necessary for the efficient administration of this
28 program and may specify the form and content of any forms
29 applicable to the program. The Auditor General, as deemed
30 necessary, shall make an audit of every municipality which

1 receives General Municipal Pension System State Aid and of every
2 municipal pension plan and fund in which General Municipal
3 Pension System State aid is deposited.

4 Section 403. Surcharge for financially distressed paid
5 firefighters pension plans.

6 (a) Declaration of financial emergency.--The General
7 Assembly finds and declares that a financial emergency exists
8 with respect to municipal pension plans which provide pension
9 coverage for paid firefighters. This act shall be applicable for
10 the duration of that financial emergency. This act shall be
11 construed as a relief measure for any paid firefighters
12 municipal pension plan.

13 (b) Surcharge.--Commencing in 1984, the Department of
14 Revenue shall order and direct a surcharge to be collected on
15 all foreign fire insurance company premiums applicable to
16 property in any municipality which employs full-time paid
17 firefighters who have pension coverage from a paid firefighters
18 municipal pension plan. The surcharge shall be an amount equal
19 to 1% of the foreign fire insurance company premiums on that
20 property. The surcharge shall be due at the same time and shall
21 be payable in the same manner as the foreign fire insurance
22 company premium tax collected pursuant to the act of June 28,
23 1895 (P.L.408, No.289) referred to as the Foreign Fire Insurance
24 Premium Tax Allocation Law.

25 (c) Allocation of the foreign fire insurance surcharge.--The
26 amount of the premium tax surcharge generated pursuant to this
27 section shall be distributed annually to each municipality which
28 employs full-time paid firefighters who have pension coverage
29 from a paid firefighters municipal pension plan on the basis of
30 the number of full-time paid firefighters employed by that

1 municipality. The amount of the premium tax surcharge per full-
2 time paid firefighter shall be determined by dividing the total
3 amount of the premium tax surcharge by the total number of full-
4 time paid firefighters employed by municipalities and having
5 pension coverage from a paid firefighters municipal pension
6 plan. Each municipality shall receive that portion of the
7 premium tax surcharge determined by multiplying the amount of
8 the premium tax surcharge per full-time paid firefighter by the
9 number of full-time paid firefighters with pension coverage from
10 a paid firefighters municipal pension plan certified by that
11 municipality.

12 (d) Authorized expenditures of the premium tax surcharge.--
13 Any premium tax surcharge amount received by a municipality
14 pursuant to this section shall only be used to defray the cost
15 of the paid firefighters municipal pension plan. The total
16 amount of the premium tax surcharge received by the municipality
17 shall, within 30 days of receipt by the treasurer of the
18 municipality, be deposited in the paid firefighters municipal
19 pension fund or the alternate funding mechanism applicable to
20 the paid firefighters municipal pension plan.

21 (e) Certification of paid firefighters by municipalities.--
22 The certification of paid firefighters pursuant to section
23 402(h) shall also be used for purposes of this section.

24 (f) Warrants.--Warrants for purposes of making the
25 distribution of the premium tax surcharge shall be drawn by the
26 Auditor General, payable to the treasurer of the applicable
27 municipalities in accordance with this section.

28 (g) Administration.--The Auditor General shall have the duty
29 of administering the premium tax surcharge. The Auditor General
30 may promulgate rules and regulations necessary for the efficient

1 administration of this program and may specify the form and
2 content of any forms applicable to the program.

3 (h) Disbursement.--The premium tax surcharge shall be
4 distributed annually no later than the first business day
5 occurring in the month of October and shall accompany the
6 distribution of the General Municipal Pension System State Aid.

7 CHAPTER 5

8 FINANCIALLY DISTRESSED MUNICIPAL PENSION

9 PLAN DETERMINATION PROCEDURE

10 Section 501. Initiation of distress determination.

11 Each municipality which wishes to avail itself of any of the
12 provisions of sections 604, 605 and 606 shall apply to the
13 commission for a determination of its status pursuant to this
14 chapter. The application shall be in the form and shall contain
15 the required information as prescribed in rules and regulations
16 issued by the commission. Determinations pursuant to this
17 chapter shall be made annually.

18 Section 502. Pension plans for inclusion in determination.

19 The determination provided for in this chapter shall be made
20 for a municipality taking into account all pension plans which
21 the municipality has established and maintains.

22 Section 503. Determination procedure.

23 The determination provided for in this chapter shall be made
24 pursuant to a procedure as prescribed in rules and regulations
25 issued by the commission. The determination shall be made in a
26 manner which is as uniform as is practicable in its application
27 to various types of municipalities. The procedure shall utilize
28 actuarial considerations and municipal finance considerations.
29 The actuarial considerations shall be based on the most current
30 actuarial valuation report filed with the commission pursuant to

1 law and shall provide one or more scorings based on the
2 imminence of default, the existence of substantial future
3 benefit plan cost and the current and past departure from full
4 actuarial funding. The municipal finance consideration shall be
5 based on the most current municipal financial report filed with
6 the Department of Community Affairs and shall provide one or
7 more scorings based on the current tax burden, the current debt
8 level and financing, the current strength of revenue sources and
9 the current municipal operating position. The actuarial
10 considerations shall be calculated by the executive director of
11 the commission or the designee of the executive director. The
12 municipal finance considerations shall be calculated by the
13 Secretary of the Department of Community Affairs, or the
14 designee of the Secretary, in consultation with the executive
15 director of the commission. Based on the scorings, the total
16 scoring for minimum financial distress, for moderate financial
17 distress and for severe financial distress shall be specified.
18 Section 504. Effect of determination.

19 The determination of the commission with respect to any
20 municipality shall be final. Any appeal of a determination shall
21 be the sole jurisdiction of Commonwealth Court. Any appeal shall
22 be limited to the question of the accuracy of the calculations
23 performed by the commission and the Department of Community
24 Affairs and the question of adherence by the commission with the
25 rules and regulations governing the determination.

26 CHAPTER 6

27 FINANCIALLY DISTRESSED MUNICIPAL PENSION

28 SYSTEM RECOVERY PROGRAM

29 Section 601. Establishment.

30 There is hereby established a recovery program for

1 financially distressed municipal pension systems.

2 Section 602. Application.

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

7 (b) Minimally distressed municipal pension systems.--The
8 remedies contained in level I of the recovery program as
9 specified in section 604 shall apply to any municipality which
10 seeks to utilize them, whether the municipality is not
11 determined to be distressed or is determined to be distressed
12 but elects not to participate in level II of section 605 or
13 level III of section 606 of the recovery program, whichever is
14 applicable.

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

24 (d) Severely distressed municipal pension systems.--The
25 remedies contained in level III of the recovery program as
26 specified in section 606 shall apply to any municipality which
27 is determined to be severely distressed, as that status is
28 defined in rules and regulations issued by the commission
29 pursuant to section 503 which complies with any applicable
30 preconditions for participation in this level of the recovery

1 program and which elects to participate in this level of the
2 recovery program.

3 Section 603. Election procedure.

4 The election to utilize the various remedies contained in one
5 of the levels of the recovery program shall be made by the
6 governing body of the municipality. The election process shall
7 be initiated by an application filed with the commission for the
8 determination of financial distress with respect to the
9 municipal pension system pursuant to section 501. Upon
10 notification of the determination of financial distress by the
11 commission, the municipality shall elect whether or not to
12 utilize the remedies of any level of the recovery program which
13 may be applicable to the municipality. Any election to utilize
14 the remedies contained in a level of the recovery program shall
15 be made on forms prescribed by the commission and shall include
16 any information required by the commission.

17 Section 604. Recovery program level I.

18 Any municipality to which level I of the recovery program
19 applies may utilize the following remedies:

20 (1) The aggregation of trust funds pursuant to section
21 607(b).

22 (2) The establishment of minimum member contribution
23 pursuant to section 607(c).

24 Section 605. Recovery program level II.

25 Any municipality to which level II of the recovery program
26 applies may utilize the following remedies:

27 (1) The aggregation of trust funds pursuant to section
28 607(b).

29 (2) The establishment of minimum member contributions
30 pursuant to section 607(c).

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

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

5 (5) The special municipal taxing authority pursuant to
6 section 607(f).

7 (6) The delayed implementation of funding standard over
8 ten years pursuant to section 607(g).

9 (7) Supplemental State assistance pursuant to section
10 607(k) and augmentation of supplemental State assistance
11 pursuant to section 607(l).

12 Section 606. Recovery program level III.

13 (a) Optional remedies.--Any municipality to which level III
14 of the recovery program applies may utilize the following
15 remedies:

16 (1) The establishment of minimum member contributions
17 pursuant to section 607(c).

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

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

22 (4) The delayed implementation of funding standard over
23 ten years pursuant to section 607(g) or the delayed
24 implementation of funding standard over 15 years with 40 year
25 amortization period pursuant to section 607(h).

26 (5) Supplemental State assistance pursuant to section
27 607(k) and augmentation of supplemental State assistance
28 pursuant to section 607(l).

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

1 remedies:

2 (1) The aggregation of trust funds pursuant to section
3 607(b).

4 (2) The establishment of a revised benefit plan for
5 newly hired municipal employees pursuant to section 607(e).
6 The revised benefit plan shall have a normal cost which is
7 less than the normal cost of the benefit plan applicable to
8 current municipal employees as reported in the most recent
9 prior actuarial valuation report for the pension plan. In
10 making this determination, the normal cost for the revised
11 benefit plan shall be calculated by applying the revised
12 benefit plan to the current active membership demographics.

13 (3) The preparation submission and implementation of a
14 plan for improvement of the administration of the pension
15 plan or plans pursuant to section 607(i).

16 (4) The stabilization of pension plan cost pursuant to
17 section 607(j).

18 Section 607. Remedies applicable to various recovery program
19 levels.

20 (a) Generally.--Notwithstanding any provision of law,
21 municipal charter, municipal ordinance, municipal resolution,
22 collective bargaining agreement, or pension plan agreement, the
23 remedies specified in this section shall be available to the
24 applicable municipalities.

25 (b) Aggregation of trust funds.--If the municipality has
26 established and maintained more than one pension plan for its
27 employees and there are pension funds associated with those
28 pension plans, the municipality may aggregate the assets to the
29 credit of the various pension funds into a single pension trust
30 fund. Subsequent to the aggregation, the pension trust fund

1 shall be the funding mechanism for all pension plans connected
2 with the aggregation.

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

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

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

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

17 (4) Investment earnings shall be allocated to each
18 associated pension plan in proportion to the most recently
19 determined participation value.

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

23 (6) The aggregated pension trust fund shall be managed
24 by a board drawn from the managing boards or entities of the
25 associated pension plans.

26 (c) Minimum member contributions.--The municipality may
27 specify minimum member contributions to the pension plan. The
28 member contributions shall be specified as a percentage of
29 covered salary. For the benefit plan in existence on the
30 effective date of this subsection, the minimum member

1 contribution shall not exceed 50% of the normal cost of the
2 pension plan, expressed as a percentage of covered payroll, as
3 reported in the most recent actuarial valuation report of the
4 pension plan. For any benefit plan which is revised subsequent
5 to the effective date of this subsection, the minimum member
6 contribution shall not be less than 30%, nor more than 50%, of
7 the normal cost of the revised pension plan, expressed as a
8 percentage of covered payroll, as reported in the most recent
9 actuarial valuation report of the revised pension plan.

10 (d) Deviation from municipal contribution limitations.--The
11 municipality may exceed any limitations on municipal
12 contributions to municipal pension plans otherwise applicable to
13 the municipality.

14 (e) Establishment of a revised benefit plan for newly hired
15 municipal employees.--The municipality may establish a revised
16 benefit plan of the pension plan applicable to any employee
17 first hired on or after the effective date of the instrument
18 establishing the revised benefit plan. At the option of the
19 municipality, the revised benefit plan may be extended to
20 include an employee first hired prior to the effective date of
21 the instrument establishing the revised benefit who elects the
22 coverage. Member contributions with respect to the revised
23 benefit plan of the pension plan shall at a minimum be equal to
24 or exceed 30% and at a maximum not to exceed 50%, of the normal
25 cost of the pension plan, expressed as a percentage of covered
26 payroll, as reported in the most recent actuarial valuation
27 report of the pension plan.

28 (f) Special municipal taxing authority.--If the tax rates
29 set by the municipality on earned income and on real property
30 are at the maximum provided by applicable law, the municipality

1 may increase its tax on either earned income or real property
2 above those maximum rates. The proceeds of this special
3 municipal tax increase shall be used solely to defray costs
4 related to the pension plans of the municipality. The
5 municipality utilizing this special municipal taxing authority
6 shall not reduce the level of municipal contributions to the
7 pension plans from revenue sources utilized for this purpose
8 prior to the implementation of the special municipal taxing
9 authority. The average level of municipal contributions to the
10 pension plans from all revenue sources utilized for this purpose
11 for the three years immediately prior to the implementation of
12 the special municipal taxing authority shall be expressed as a
13 percentage of the average covered payroll for that same three-
14 year period. In each year subsequent to the implementation of
15 the special municipal taxing authority, the municipal
16 contributions to the pension plan from all revenue sources
17 existing prior to the implementation of the special existing
18 municipal taxing authority shall equal or exceed this average
19 percentage of the current covered payroll.

20 (g) Delayed implementation of funding standard over ten
21 years.--The municipality may delay full implementation of the
22 actuarial funding standard specified in section 302 or 303,
23 whichever is applicable, over a period not to exceed ten years
24 in duration. During the delayed implementation period, the
25 municipality shall make a municipal contribution to each
26 municipal pension plan of an amount equal to not less than the
27 municipal contribution to the municipal pension plan made in the
28 immediate prior year and the following percentage of the
29 difference between that amount and the full minimum municipal
30 obligation with respect to the pension plan pursuant to section

1 302 or 303, whichever is applicable:

2	Year	Percentage of Difference
3	1984	10%
4	1985	20%
5	1986	30%
6	1987	40%
7	1988	50%
8	1989	60%
9	1990	70%
10	1991	80%
11	1992	90%
12	1993 and thereafter	100%

13 (h) Delayed implementation of funding standard over 15
14 years; 40-year amortization period.--The municipality may delay
15 full implementation of the actuarial funding standard specified
16 in section 302 or 303, whichever is applicable, over a period
17 not to exceed 15 years in duration and may calculate that
18 actuarial funding standard on the basis of a 40-year
19 amortization period for the increment of unfunded actuarial
20 accrued liability in existence as of the beginning of the plan
21 year occurring in calendar year 1984. During the delayed
22 implementation period, the municipality shall make a municipal
23 contribution to each municipal pension plan of an amount equal
24 to not less than the municipal contribution to the municipal
25 pension plan made in the immediate prior year and the following
26 percentage of the difference between that amount and the full
27 minimum municipal obligation with respect to the pension plan
28 pursuant to section 302 or 303, whichever is applicable,
29 calculated using the applicable 40-year amortization period.

30	Year	Percentage of Difference
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1	1984	6.7%
2	1985	13.4%
3	1986	20.1%
4	1987	26.8%
5	1988	33.5%
6	1989	40.2%
7	1990	46.9%
8	1991	53.6%
9	1992	60.3%
10	1993	67.0%
11	1994	73.7%
12	1995	80.4%
13	1996	87.1%
14	1997	93.8%
15	1998	100.0%

16 (i) Plan for administrative improvement.--The municipality
 17 shall prepare and submit to the commission a comprehensive plan
 18 for administrative improvements in the pension plans, including,
 19 but not limited to, an improvement in investment performance, an
 20 increase in the liquidity of invested assets, an improved
 21 projection of future cash flow requirements, a reduction in any
 22 time delays for the deposit of member deductions and municipal
 23 contributions in the funding mechanism for the pension plan or
 24 an improvement in the collection of any other accounts
 25 receivable. Upon approval of the commission, the municipality
 26 shall implement the plan for administrative improvements.

27 (j) Pension plan cost stabilization.--The municipality shall
 28 not modify any provision of the benefit plan applicable to
 29 active members or retirement or other benefit recipients which
 30 results in an increase in either the normal cost or the

1 amortization contribution of the pension plan.

2 (k) Supplemental State assistance.--The municipality may
3 receive supplemental State assistance from the Supplemental
4 State Assistance Fund established pursuant to section 608. The
5 amount of the supplemental State assistance to which the
6 municipality is entitled shall be determined annually based on
7 the determination scoring which the municipality received from
8 the commission pursuant to section 503, as follows:

9 (1) The determination score of the municipality shall be
10 reduced by an amount equal to 25% of the maximum possible
11 determination score.

12 (2) The result calculated pursuant to paragraph (1)
13 shall be expressed as a percentage of the maximum possible
14 determination score.

15 (3) The percentage calculated pursuant to paragraph (2)
16 shall be applied to the dollar amount of difference between
17 the amount of the municipal contribution to all municipal
18 pension plans in aggregate and the full minimum municipal
19 obligation with respect to the pension plan pursuant to
20 section 302 or 303, whichever is applicable, to determine the
21 amount of supplemental State assistance for the municipality.

22 In the event that the total amount of supplemental State
23 assistance determined as payable to all municipalities entitled
24 to receive supplemental State assistance exceeds the maximum
25 appropriation provided for in section 608(b), the amount of
26 supplemental State assistance which shall be payable to each
27 municipality shall be proportionately reduced. The supplemental
28 State assistance shall be distributed annually on the first
29 business day occurring in December.

30 (l) Augmentation of supplemental State assistance.--The

1 municipality may receive an allocation from the augmentation
2 account of the Supplemental State Assistance Fund established
3 pursuant to section 608. The amount of the augmentation
4 allocation to which the municipality is entitled shall be
5 determined annually based on the amount of the supplemental
6 State assistance to which the municipality is entitled pursuant
7 to subsection (k). The amount of supplemental State assistance
8 to which the municipality is entitled pursuant to subsection (k)
9 shall be expressed as a percentage of the total amount of
10 supplemental State assistance to which all municipalities are
11 entitled, and that percentage shall be applied to the total
12 amount of augmentation available for distribution to determine
13 the amount of augmentation to be allocated to the municipality.
14 Prior to 1988, the augmentation allocation so determined shall
15 be the augmentation of the supplemental State assistance payable
16 to the municipality. Commencing in 1988, the augmentation
17 allocation so determined, or an amount equal to 60% of the
18 amount of the supplemental State assistance to which the
19 municipality is entitled, whichever is less, shall be the
20 augmentation of supplemental State assistance payable to the
21 municipality. The augmentation of the supplemental State
22 assistance shall be distributed annually on the first business
23 day occurring in December, with the supplemental State
24 assistance.

25 (m) Emergency loan procedures.--The municipality may receive
26 a loan from the Supplemental State Assistance Fund in an amount
27 certified by the commission. The loan amount shall be sufficient
28 to eliminate the possibility of imminent default in the payment
29 of retirement and other benefits by one or more of the pension
30 plans maintained by the municipality. Terms for the repayment of

1 any loan shall be established by agreement between the
2 municipality and the commission prior to the loan.

3 Section 608. Supplemental State Assistance Program and Fund;
4 augmentation account.

5 (a) Establishment.--There is hereby established a
6 Supplemental State Assistance Program and Fund. The Supplemental
7 State Assistance Fund shall be comprised of a Supplemental State
8 Assistance Account and an augmentation account. The Supplemental
9 State Assistance Program and Fund shall be administered by the
10 Auditor General.

11 (b) Supplemental State Assistance Account.--Supplemental
12 State assistance payable pursuant to section 607(k) shall be
13 paid from the Supplemental State Assistance Account. The
14 Supplemental State Assistance Account shall be funded from an
15 appropriation by the Commonwealth from the General Fund of the
16 Commonwealth. Annually the commission shall calculate the amount
17 of supplemental State assistance payable to all eligible
18 municipalities and shall certify the required amount to the
19 General Assembly. The amount of any annual certification of an
20 appropriation by the commission shall not exceed \$35,000,000.
21 The General Assembly shall make an appropriation to the
22 Supplemental State Assistance Account sufficient to provide for
23 the amount certified by the commission. The appropriation shall
24 be deposited on the last business day in November annually.

25 (c) Augmentation account.--Augmentation of supplemental
26 State assistance payable pursuant to section 607(l) shall be
27 paid from the augmentation account. The augmentation account
28 shall be funded from the applicable portion of the insurance
29 premium tax funding the General Municipal Pension System State
30 Aid pursuant to section 402(c). Commencing in 1988, any balance

1 in the augmentation account remaining after the augmentation
2 allocation annually shall be credited to the General Municipal
3 Pension System State Aid program for subsequent distribution
4 pursuant to section 607.

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

11 (e) Warrants.--Any supplemental State assistance or
12 augmentation of supplemental State assistance amounts shall be
13 payable on warrants drawn by the Auditor General based on
14 certifications of the commission.

15 (f) Expiration.--The Supplemental State Assistance Program
16 and Fund shall terminate in 1998 or in the first year in which
17 there are no municipalities entitled to receive supplemental
18 State assistance, whichever occurs earlier.

19 Section 609. Rules and regulations.

20 The commission may issue any rules and regulations necessary
21 for the effective administration and operation of the provisions
22 of this act.

23 CHAPTER 7

24 MISCELLANEOUS PROVISIONS

25 Section 701. Repeal.

26 The act of December 6, 1972 (P.L.1383, No.293), entitled "An
27 act requiring municipal pension systems to have an actuarial
28 investigation of the fund made by an actuary who shall report
29 his findings to the Department of Community Affairs," is
30 repealed.

1 Section 702. Recommendations.

2 The commission shall within one year of the date of enactment
3 of this act, formulate and recommend to the General Assembly and
4 to the Governor the specific legislation amending the current
5 laws governing municipal pension plans which is required to
6 effect conformity of those laws with the provisions of this act.

7 Section 703. Effective dates.

8 (a) In general.--Except as provided in subsections (b) and
9 (c), this act shall take effect immediately.

10 (b) Chapter 3.--The provisions of Chapter 3 relating to the
11 calculation of the financial requirements of the pension plan
12 and the minimum obligation of the municipality with respect to
13 the pension plan shall take effect on July 1 next following the
14 date of enactment. The provisions of Chapter 3 relating to the
15 payment by a municipality of the minimum obligation of the
16 municipality with respect to the pension plan shall take effect
17 January 1 next following the date on which the provisions
18 relating to the calculation of the financial requirements of the
19 pension plan and the minimum obligation of the municipality with
20 respect to the pension plan are effective.

21 (c) Chapter 6.--The emergency loan procedure established
22 pursuant to section 607(m) and the establishment of the
23 Supplemental State Assistance Fund pursuant to section 608 shall
24 take effect January 1, 1984. Allocations of supplemental State
25 assistance or augmentation of supplemental State assistance
26 amounts pursuant to section 607(k) and (l) shall take effect
27 December 1, 1987.