

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 857

Session of  
1983

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APRIL 25, 1983

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AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES,  
AS AMENDED, MAY 29, 1984

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## 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.

## 5 TABLE OF CONTENTS

6 Chapter 1. Preliminary provisions

7 Section 101. Short title.

8 Section 102. Definitions.

9 Chapter 2. Municipal Pension Plan Actuarial Reporting

10 Section 201. Requirement to file actuarial valuation report or  
11 experience investigation.

12 Section 202. Contents of actuarial valuation report.

13 Section 203. Contents of experience investigation.

14 Section 204. Delinquent actuarial valuation reports and  
15 experience investigations.

16 Section 205. Modification of requirements for contents of

1                   actuarial valuation reports and experience  
2                   investigations.

3   Section 206.   Requirement for additional information in  
4                   certain instances.

5   Section 207.   Actuarial valuation and experience investigation  
6                   expenses allowable.

7   SECTION 208.   MODIFICATION OF ACTUARIAL REPORTING REQUIREMENT IN   <—  
8                   CERTAIN INSTANCES.

9   Chapter 3.   Minimum Funding Standard for Municipal Pension Plans

10   Section 301.   Municipal Pension Plan Minimum Funding Standard;  
11                   application and general provisions.

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

14   Section 303.   Minimum funding standard; defined benefit plans  
15                   wholly insured or defined contribution plans.

16   Section 304.   Certification of pension plan financial  
17                   requirements and minimum municipal obligations.

18   SECTION 305.   ACTUARIAL COST ESTIMATE REQUIRED FOR BENEFIT PLAN   <—  
19                   MODIFICATION.

20   SECTION 306.   ENFORCEMENT OF FUNDING STANDARD BY MANDAMUS  
21                   ACTION.

22   SECTION 307.   ENFORCEMENT PROCEEDINGS BY COMMISSION.

23   Chapter 4.   ~~General~~ Revisions Applicable to Municipal Pension   <—  
24                   Fund Financing

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

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

29   Section 403.   Surcharge for financially distressed paid  
30                   firefighters pension plans.

1 SECTION 404. DETERMINATION OF UNUSED GENERAL MUNICIPAL PENSION <—  
2 SYSTEM STATE AID MONEYS.  
3 Chapter 5. Financially Distressed Municipal Pension Plan  
4 Determination Procedure  
5 Section 501. Initiation of distress determination.  
6 Section 502. Pension plans for inclusion in determination.  
7 Section 503. Determination procedure.  
8 Section 504. Effect of determination.  
9 Chapter 6. Financially Distressed Municipal Pension System  
10 Recovery Program  
11 Section 601. Establishment.  
12 Section 602. Application.  
13 Section 603. Election procedure.  
14 Section 604. Recovery program level I.  
15 Section 605. Recovery program level II.  
16 Section 606. Recovery program level III.  
17 Section 607. Remedies applicable to various recovery program  
18 levels.  
19 Section 608. Supplemental State Assistance Program and Fund. <—  
20 ~~augmentation account.~~ <—  
21 Section 609. Rules and regulations.  
22 Chapter 7. Miscellaneous Provisions  
23 ~~Section 701. Repeal.~~ <—  
24 Section ~~702~~ 701. Recommendations. <—  
25 Section ~~703~~ 702. Effective dates. <—  
26 The General Assembly of the Commonwealth of Pennsylvania  
27 hereby enacts as follows:  
28 CHAPTER 1  
29 PRELIMINARY PROVISIONS  
30 Section 101. Short title.

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

3 Section 102. Definitions.

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

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

11 "Actuarial assumptions." The demographic actuarial  
12 assumptions and the economic actuarial assumptions when  
13 considered together.

14 "Actuarial cost method." The procedure for determining the  
15 actuarial present value of the benefits and expenses of the  
16 pension plan and for developing an actuarially equivalent  
17 allocation of that value to various time periods, usually in the  
18 form of a normal cost and an actuarial accrued liability.

19 "Actuarial present value." The value of an amount or series  
20 of amounts payable or receivable at various times, determined as  
21 of a given date by the application of a particular set of  
22 actuarial assumptions.

23 "Actuarial valuation report." A report which summarizes the  
24 calculations used to determine the normal cost and actuarial  
25 accrued liabilities of a benefit plan according to a stated  
26 actuarial cost method and based upon stated demographic and  
27 economic actuarial assumptions, the payment necessary to  
28 amortize over a stated period any unfunded actuarial accrued  
29 liability disclosed, the payment necessary to prevent any  
30 increase in any disclosed unfunded actuarial accrued liability,

1 the actuarial balance sheet of the pension plan and any other  
2 relevant financial and demographic data.

3 "Actuarial value of assets." The value of cash, investments  
4 and other property belonging to a pension plan, as used by an  
5 approved actuary for the purpose of preparing an actuarial  
6 valuation report.

7 "Approved actuary." A person who has at least five years of  
8 actuarial experience with public pension plans and who is either  
9 enrolled as a member of the American Academy of Actuaries or  
10 enrolled as an actuary pursuant to the Federal Employee  
11 Retirement Income Security Act of 1974.

12 "Benefit plan." That portion of a pension plan which deals  
13 specifically with the retirement annuity and benefit coverage  
14 provided by the pension plan, including, but not limited to, the  
15 types of coverage, the eligibility for and entitlement to  
16 retirement annuities and benefits, and the amount of retirement  
17 annuities and benefits.

18 "Chief administrative officer." The person who has primary  
19 responsibility for the execution of the administrative affairs  
20 of the municipality IN THE CASE OF A MUNICIPALITY, OR OF THE  
21 PENSION PLAN IN THE CASE OF A PENSION PLAN, or the designee of  
22 that person.

23 "Commission." The Public Employee Retirement Study  
24 Commission established pursuant to the act of July 9, 1981  
25 (P.L.208, No.66), known as the Public Employee Retirement Study  
26 Commission Act.

27 "Defined benefit pension plan." A type of pension benefit  
28 plan which provides for periodic benefit payments at retirement  
29 which are predeterminable and which have a variable financing  
30 requirement dependent upon the actuarial calculation of

1 actuarial present value requirements for projected benefits.

2 "Defined contribution pension plan." A type of pension  
3 benefit plan which provides for a fixed contribution rate or  
4 amount and which provides for periodic benefit payments  
5 calculable at retirement dependent on the accumulated  
6 contributions, investment income, experience gains and losses  
7 credited to the member and the expected mortality of the member.

8 "Demographic actuarial assumptions." Estimates of rates of  
9 future occurrences concerning, but not necessarily limited to,  
10 mortality, terminations, disablements and ages at retirement  
11 used in the preparation of actuarial valuations of the pension  
12 plan and other actuarial calculations.

13 "Economic actuarial assumptions." Estimates of rates of  
14 future occurrences concerning, but not necessarily limited to,  
15 increases in salary, post retirement adjustments, increases in  
16 benefits payable from the Federal old age, survivors, disability  
17 and health insurance program and investment earnings, asset  
18 appreciation or depreciation and procedures to determine the  
19 actuarial value of assets used in the preparation of actuarial  
20 valuations of the pension plan and other actuarial calculations.

21 "Establishment and maintenance of pension plan." Any of the  
22 following relationships between a municipality and a public  
23 employee pension plan:

24 (1) ~~Specifications~~ SPECIFICATION of the provisions which <—  
25 comprise the benefit plan of the pension plan in an ordinance  
26 or resolution of the municipality or contract to which the  
27 municipality is a party.

28 (2) Provision by the municipality of the principal  
29 amount of the financing of a pension plan received from any  
30 municipality.

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

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

4 "Experience investigation." A report which furnishes data on  
5 the experience of the pension plan and an analysis which  
6 substantiates the actuarial assumptions on which actuarial  
7 valuations are based.

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

11 "Fully insured pension plan." A pension plan for which an  
12 insurance carrier has, or a number of insurance carriers have,  
13 underwritten the total actuarial accrued liability of the  
14 benefit plan.

15 "General municipal pension system State aid." The State aid  
16 program established pursuant to Chapter 5.

17 "Insurance carrier." Any company which is in the business of  
18 assuming the risk of various types of occurrences pursuant to  
19 contract or agreement and which is licensed to do business by  
20 the Commonwealth.

21 "Multiemployer pension plan or system." A pension plan which  
22 provides retirement coverage for employees of more than one  
23 municipality.

24 "Municipal employee." Any person other than an independent  
25 contractor who provides regular services for a municipality in  
26 return for compensation from the municipality.

27 "Municipality." Any ~~county~~, city, borough, INCORPORATED  
28 town, township, home rule municipality, association of  
29 municipalities cooperating pursuant to the act of July 12, 1972  
30 (P.L.762, No.180), referred to as the Intergovernmental

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1 Cooperation Law, or authority established by the actions of any  
2 county, city, borough, town or township or jointly by any such  
3 political subdivisions.

4 "Normal cost." That portion of the actuarial present value  
5 of the pension plan benefits and expenses which is allocated to  
6 the plan year by the actuarial cost method.

7 "Partially insured pension plan." A pension plan for which  
8 an insurance carrier has, or a number of insurance carriers  
9 have, underwritten a portion of the actuarial accrued liability  
10 of the benefit plan, but less than the total actuarial accrued  
11 liability.

12 "Pension fund." The entity which is the repository for the  
13 assets amassed by a pension plan as reserves for present and  
14 future periodic retirement payments and benefits of active and  
15 retired members of the pension plan.

16 "Pension plan or system." The various aspects of the  
17 relationship between a municipality and its employees with  
18 respect to the retirement coverage provided by a municipality to  
19 the employees.

20 "Plan document." The law, ordinance, resolution or related  
21 document or documents which governs the various aspects of the  
22 retirement coverage provided by a municipality to its employees,  
23 including periodic retirement payments and benefits,  
24 administration and funding.

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

30 "Police officer." A municipal employee who holds a position



1 or an office in the police department of the municipality and  
2 has retirement coverage provided by the police pension plan.

3 "Premium tax surcharge." The tax on premiums for fire  
4 insurance issued by foreign insurance carriers imposed pursuant  
5 to ~~Chapter 5~~ SECTION 403. <—

6 "Self-insured pension plan." A pension plan for which all or  
7 a portion of the accrued actuarial liability of the benefit plan  
8 is underwritten by current or future accumulations of pension  
9 plan assets.

10 "Unfunded actuarial accrued liability." The excess of the  
11 actuarial accrued liability over the actuarial value of assets.

## 12 CHAPTER 2

### 13 MUNICIPAL PENSION PLAN ACTUARIAL REPORTING

14 Section 201. Requirement to file actuarial valuation report or  
15 experience investigation.

16 (a) Actuarial valuation report required.--Each municipality  
17 which has established or maintains a pension plan for its  
18 employees, including any municipality which participates in the  
19 Pennsylvania Municipal Retirement System, shall cause to be made  
20 actuarial valuation reports. Actuarial valuation reports shall  
21 be made biennially, unless the applicable municipality is  
22 applying or has previously applied for supplemental State  
23 assistance pursuant to section 603, whereupon actuarial  
24 valuation reports shall be made annually. Each municipality  
25 which has established or maintains a pension plan for its  
26 employees ~~which is self insured in whole or in part~~ AND HAS AN <—  
27 ACTIVE, VESTED INACTIVE AND BENEFIT RECIPIENT MEMBERSHIP EQUAL  
28 TO OR GREATER THAN 1,000 shall also cause experience  
29 investigations to be made. Experience investigations shall be  
30 made quadrennially.

1 (b) Filing date for actuarial valuation report.--The  
2 biennial actuarial valuation report required pursuant to  
3 subsection (a) shall be made as of the beginning of each plan  
4 year occurring in an ~~even-numbered~~ ODD-NUMBERED calendar year <—  
5 and shall be filed with the executive director of the commission  
6 no later than the last business day of March occurring in the  
7 following calendar year. For the initial filing pursuant to this  
8 chapter, the actuarial valuation report shall be made as of the  
9 beginning of the plan year occurring in calendar year ~~1984~~ 1985. <—

10 (c) Filing date for experience investigation.--The  
11 quadrennial experience investigation required pursuant to  
12 subsection (a) shall accompany every other actuarial valuation  
13 report and shall cover the five-year period ending as of the end  
14 of the plan year preceding the plan year for which the actuarial  
15 valuation report is filed. For the initial filing pursuant to  
16 this chapter, the experience investigation shall be made for the  
17 five-year period ending as of the end of the plan year occurring  
18 on or after December 31, ~~1983, and before December 31, 1984~~ <—  
19 1984, AND BEFORE DECEMBER 31, 1985. The experience investigation <—  
20 shall be filed with the executive director of the commission.

21 (d) Responsibility for preparation and filing of reports and  
22 investigations.--The actuarial valuation report or experience  
23 investigation required pursuant to subsection (a) shall be  
24 prepared under the supervision and at the direction of the chief  
25 administrative officer of the municipality, who shall also be  
26 responsible for the filing of the document. The actuarial  
27 valuation report or experience investigation shall be signed by  
28 the chief administrative officer, indicating that to the extent  
29 of the understanding and knowledge of the officer, the report or  
30 investigation represents a true and accurate portrayal of the

1 actuarial, financial and demographic condition of the pension  
2 plan of the municipality.

3 (e) Actuarial valuation report and experience investigation  
4 as public record.--Each actuarial valuation report and  
5 experience investigation is a public record. The chief  
6 administrative officer of the municipality to which the pension  
7 plan is associated shall take whatever steps are deemed  
8 necessary to insure that the information contained in the  
9 actuarial valuation report or experience investigation is made  
10 available to active members or benefit recipients of the pension  
11 plan.

12 Section 202. Contents of actuarial valuation report.

13 (a) Generally.--The actuarial valuation report shall contain  
14 actuarial exhibits, financial exhibits and demographic exhibits.  
15 The actuarial exhibits shall be prepared and certified by an  
16 approved actuary. The remaining exhibits may be prepared by a  
17 qualified person other than an approved actuary. The financial  
18 and demographic exhibits shall be prepared as of the end of the  
19 PRIOR year. The submission by a municipality of a single report <—  
20 setting forth the various required contents items in total for  
21 the various pension plans associated with the Pennsylvania  
22 Municipal Retirement System shall be deemed to be compliance by  
23 that municipality with the requirements of this chapter only if  
24 the report also separately sets forth the various required  
25 contents items for the municipality.

26 (b) Contents of actuarial exhibits; defined benefit plans  
27 self-insured in whole or in part.--For any pension plan which is  
28 a defined benefit plan and which is self-insured in whole or in  
29 part, all applicable actuarial exhibits shall be prepared in  
30 accordance with the entry age normal actuarial cost method with

1 entry age established as the actual entry age for all plan  
2 members unless the municipality applies for and is granted  
3 authorization by the commission to use an alternative actuarial  
4 cost method. Authorization shall be granted if the municipality  
5 demonstrates on an individual pension plan basis that there are  
6 compelling reasons of an actuarial nature for the use of an  
7 alternative actuarial cost method. The commission shall issue  
8 rules and regulations specifying the criteria which the  
9 commission will use to determine the question of the existence  
10 of compelling reasons for the use of an alternative actuarial  
11 cost method, the documentation which a municipality seeking the  
12 authorization will be required to supply and the acceptable  
13 alternative actuarial cost methods which the commission may  
14 authorize. The actuarial cost method shall be used to value all  
15 aspects of the benefit plan or plans of the pension plan UNLESS <—  
16 THE MUNICIPALITY APPLIES FOR AND IS GRANTED AUTHORIZATION BY THE  
17 COMMISSION TO USE APPROXIMATION TECHNIQUES OTHER THAN THE  
18 ACTUARIAL COST METHOD FOR ASPECTS OF THE BENEFIT PLAN OR PLANS  
19 OF THE PENSION PLAN OTHER THAN THE RETIREMENT BENEFIT.  
20 AUTHORIZATION SHALL BE GRANTED IF THE MUNICIPALITY DEMONSTRATES  
21 ON AN INDIVIDUAL PENSION PLAN BASIS THAT THERE ARE COMPELLING  
22 REASONS OF AN ACTUARIAL NATURE FOR THE USE OF THESE  
23 APPROXIMATION TECHNIQUES. THE COMMISSION SHALL ISSUE RULES AND  
24 REGULATIONS SPECIFYING THE CRITERIA WHICH THE COMMISSION WILL  
25 USE TO DETERMINE THE QUESTION OF THE EXISTENCE OF COMPELLING  
26 REASONS FOR THE USE OF APPROXIMATION TECHNIQUES, THE  
27 DOCUMENTATION WHICH A MUNICIPALITY SEEKING THE AUTHORIZATION  
28 WILL BE REQUIRED TO SUPPLY AND THE ACCEPTABLE APPROXIMATION  
29 TECHNIQUE WHICH THE COMMISSION MAY AUTHORIZE. The actuarial  
30 exhibits shall use actuarial assumptions which are, in the

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

13 The actuarial valuation report shall contain the following  
14 actuarial exhibits:

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

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

28 (i) Required actuarial present values on account of  
29 active members:

30 (A) Retirement benefits.

- 1 (B) Disability benefits.
- 2 (C) Survivor benefits.
- 3 (D) Refund liability due to withdrawal from
- 4 active service or death.
- 5 (E) Other benefits, specifying the nature of
- 6 each type.

7 This item shall include a footnote indicating the amount

8 of accumulated member contributions without accrued

9 interest.

10 (ii) Required actuarial present values on account of

11 former members with a deferred, vested or otherwise

12 nonforfeitable right to a retirement benefit.

13 (iii) Required actuarial present values on account

14 of former members ~~without~~ WHO DO NOT HAVE a deferred, <—

15 vested or otherwise nonforfeitable right to the

16 retirement benefit AND WHO HAVE NOT WITHDRAWN ANY <—

17 ACCUMULATED MEMBER CONTRIBUTIONS.

18 (iv) Required actuarial present values on account of

19 benefit recipients:

- 20 (A) Retirement benefits.
- 21 (B) Disability benefits.
- 22 (C) Surviving spouse benefits.
- 23 (D) Surviving child benefits.
- 24 (E) Other benefits, specifying the nature of
- 25 each type.

26 (v) Required actuarial present values for other

27 benefits provided by the benefit plan, specifying the

28 nature of each type.

29 (vi) Actuarial present value of future normal cost.

30 (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 OR

<—

1           DECREMENT of net unfunded actuarial accrued liability  
2           attributable to NET actuarial experience losses OR GAINS, <—  
3           separately indicating each and designating each by the  
4           plan year in which the actuarial experience loss OR GAIN <—  
5           was recognized.

6           The initial determination of the unfunded actuarial accrued  
7           liability attributable to a modification in the benefit plan  
8           governing the pension plan or to a modification in the  
9           actuarial assumptions used to calculate the actuarial accrued  
10          liability of the pension plan shall be made by calculating  
11          the unfunded actuarial accrued liability of the pension plan  
12          in accordance with the benefit plan provisions and actuarial  
13          assumptions which were in effect prior to the modification  
14          and by calculating the unfunded actuarial accrued liability  
15          of the pension plan in accordance with the modification in  
16          the provisions of the benefit plan governing the pension plan  
17          or the actuarial assumptions used to calculate the actuarial  
18          accrued liability of the pension plan, whichever is  
19          applicable, and the remaining benefit plan provisions and  
20          actuarial assumptions. The initial determination of the  
21          unfunded actuarial accrued liability attributable to an  
22          actuarial loss shall be made in conjunction with the analysis  
23          of increases or decreases in the unfunded actuarial accrued  
24          liability of the pension plan required pursuant to paragraph  
25          (6).

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



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

10 (i) Unfunded actuarial accrued liability in  
11 existence as of the beginning of the plan year occurring  
12 in calendar year ~~1984~~ 1985, at the end of the plan year <—  
13 occurring in calendar year ~~2014~~ 2015. <—

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

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

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

30 (v) Increment or decrement of net unfunded actuarial

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

5 WITH RESPECT TO ANY APPLICABLE PENSION PLAN OTHER THAN A PLAN <—  
6 WHICH COMPRISES ALL OR PART OF A SEVERELY DISTRESSED  
7 MUNICIPAL PENSION SYSTEM, IF THE REMAINING AVERAGE PERIOD  
8 BETWEEN THE CURRENT AVERAGE ATTAINED AGE OF ACTIVE MEMBERS AS  
9 OF THE VALUATION DATE AND THE LATER OF THEIR EARLIEST AVERAGE  
10 NORMAL RETIREMENT AGE OR THEIR AVERAGE ASSUMED RETIREMENT AGE  
11 IS LESS THAN THE APPLICABLE PERIOD OR PERIODS ENDING WITH THE  
12 AMORTIZATION TARGET DATE OR DATES SPECIFIED IN SUBPARAGRAPH  
13 (I), (II), (III) OR (V), THE APPROPRIATE AMORTIZATION TARGET  
14 DATE FOR THE APPLICABLE SUBPARAGRAPH DETERMINED WITH  
15 REFERENCE TO THE LONGEST APPLICABLE REMAINING AVERAGE PERIOD  
16 ROUNDED TO THE NEXT LARGEST WHOLE NUMBER SHALL BE USED. The  
17 exhibit shall indicate the total dollar amount of additional  
18 funding costs associated with the amortization of any  
19 unfunded actuarial accrued liability of the pension plan  
20 applicable for that plan year and any subsequent plan year  
21 occurring prior to the preparation of the next required  
22 actuarial valuation report, which shall be the total of the  
23 additional funding costs associated with the amortization of  
24 each increment of unfunded actuarial accrued liability. The  
25 exhibit shall also indicate the plan year in which any  
26 unfunded actuarial accrued liability of the pension plan  
27 would be fully amortized if the total annual additional  
28 funding cost calculated pursuant to this paragraph were met  
29 continuously without increase or decrease in amount until the  
30 total unfunded actuarial accrued liability currently existing

1 was fully amortized. IN CALCULATING THE ADDITIONAL FUNDING <—  
2 COSTS ASSOCIATED WITH THE AMORTIZATION OF ANY UNFUNDED  
3 ACTUARIAL ACCRUED LIABILITY OF THE PENSION PLAN IN ANY PLAN  
4 YEAR, ANY AMORTIZATION CONTRIBUTION MADE IN THE INTERVAL  
5 SINCE THE LAST ACTUARIAL VALUATION REPORT SHALL BE ALLOCATED  
6 TO EACH TYPE OF INCREMENT OF UNFUNDED ACTUARIAL ACCRUED  
7 LIABILITY IN PROPORTION TO THE REMAINING DOLLAR AMOUNT OF  
8 EACH TYPE.

9 (5) An exhibit of the total administrative cost of the  
10 pension plan for the plan year occurring immediately prior to  
11 the plan year for which the actuarial valuation report is  
12 made.

13 (6) An exhibit containing an analysis of the increase or  
14 decrease in the unfunded actuarial accrued liability of the  
15 pension plan since the most recent prior actuarial valuation  
16 report, including specifically an indication of increases or  
17 decreases due to the following:

18 (i) Modifications in the benefit plan or plans of  
19 the pension plan.

20 (ii) Changes in actuarial assumptions.

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

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

26 (v) Other reasons.

27 THE ANALYSIS SHALL BE BASED ON THE BEST PROFESSIONAL JUDGMENT <—  
28 OF THE APPROVED ACTUARY REACHED AFTER PREPARING THE VARIOUS  
29 APPLICABLE ACTUARIAL EXHIBITS OF THE ACTUARIAL VALUATION  
30 REPORT. If, in the opinion of the approved actuary, the

1 inclusion of any portion of this information is not  
2 appropriate, that portion of the analysis may be omitted with  
3 the provision of adequate explanation or justification of the  
4 appropriateness of the omission.

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

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

11 (c) Contents of actuarial exhibits; defined contribution  
12 plans self-insured in whole or in part.--For any pension plan  
13 which is a defined contribution plan and which is self-insured  
14 in whole or in part FOR THE LIABILITY ATTRIBUTABLE TO BENEFIT  
15 RECIPIENTS AND ANNUITANTS, the actuarial valuation report shall  
16 contain the following actuarial exhibits:

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

20 (i) Retirement benefits.

21 (ii) Disability benefits.

22 (iii) Surviving spouse benefits.

23 (iv) Surviving child benefits.

24 (v) Other benefits, specifying the nature of each  
25 type.

26 (2) An exhibit indicating the member contributions  
27 accumulated at interest as apportioned to member accounts to  
28 the date of the valuation report, which shall be itemized as  
29 follows:

30 (i) Balance of member contributions and interest

1           attributable to benefits recipients.

2           (ii) Member contributions and interest attributable  
3           to active members.

4           (iii) Member contributions and interest attributable  
5           to former members with a deferred, vested or otherwise  
6           nonforfeitable right to a retirement benefit.

7           (iv) Member contributions and interest attributable  
8           to former members without a deferred, vested or otherwise  
9           nonforfeitable right to a retirement benefit.

10          The accumulations shall be separated in a manner which  
11          properly reflects any differences in retirement benefit  
12          purchase or calculation rates which may apply.

13          (3) An exhibit of the total administrative cost of the  
14          pension plan for the plan year occurring immediately prior to  
15          the plan year for which the actuarial valuation report is  
16          made.

17          (4) An exhibit summarizing the actuarial assumptions as  
18          to preretirement mortality, post retirement mortality,  
19          disablement and investment income used in the preparation of  
20          the actuarial exhibits.

21          (5) A summary of the principal provisions of the benefit  
22          plan of the pension plan upon which the actuarial exhibits  
23          are based.

24          (d) Contents of actuarial exhibits; defined benefit or  
25          defined contribution plans insured in whole by an insurance  
26          carrier.--For any pension plan which is a defined benefit plan  
27          or a defined contribution plan and which is insured in whole by  
28          an insurance carrier authorized to do business in the  
29          Commonwealth, the actuarial valuation report shall contain the  
30          following actuarial exhibits:

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

3 (i) Type of insurance coverage.

4 (A) Individual policies.

5 (B) Group master contract.

6 (ii) Nature of insurance coverage.

7 (A) Retirement annuity.

8 (B) Retirement income endowment.

9 (C) Combination of retirement annuities and  
10 endowment.

11 (iii) Issuer of insurance coverage for each policy  
12 or contract.

13 (2) AN EXHIBIT INDICATING THE FOLLOWING: <—

14 (I) ACTUARIAL PRESENT VALUE OF ALL BENEFITS PROVIDED  
15 BY THE BENEFIT PLAN.

16 (II) ACTUARIAL VALUE OF THE CURRENT INSURANCE  
17 COVERAGE.

18 (III) ACTUARIAL PRESENT VALUE OF FUTURE INSURANCE  
19 PREMIUM PAYMENTS.

20 (IV) ADMINISTRATIVE COST INCLUDED IN CURRENT  
21 INSURANCE PREMIUM PAYMENTS.

22 ~~(2)~~ (3) A certification by an approved actuary that the <—  
23 aggregate insurance and annuity coverage applicable to the  
24 pension plan is in the opinion of the actuary sufficient to  
25 fully assume the risk of the provision of all retirement  
26 annuities and other retirement benefits applicable to the  
27 benefit plan of the pension plan.

28 ~~(3)~~ (4) A summary of the principal provisions of the <—  
29 benefit plan of the pension plan upon which the certification  
30 of sufficiency is based.

1           ~~(4)~~ (5) An exhibit summarizing any relevant material           <—  
2           SIGNIFICANT ACTUARIAL assumptions and methods used by the           <—  
3           actuary in formulating the opinion of sufficiency.

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

19           (1) An exhibit of the assets of the pension plan AT           <—  
20           THEIR FAIR MARKET VALUE AND valued pursuant to rules and  
21           regulations issued by the commission, which shall reflect  
22           variations in asset mix and reduce the impact of market  
23           fluctuations.

24           (2) An exhibit of the current liabilities of the pension  
25           plan in total and in particular, which shall include the  
26           following items:

- 27                   (i) Accounts payable.  
28                   (ii) Retirement benefit payments.  
29                   (iii) Disability benefit payments.  
30                   (iv) Survivor benefit payments.

1 (v) Refunds to members.

2 (vi) Accrued administrative expenses.

3 (vii) Suspense items.

4 (VIII) OUTSTANDING LOANS AGAINST INSURANCE POLICIES <—

5 OR CONTRACTS.

6 ~~(viii)~~ (IX) Other current liabilities, if any, <—

7 specifying the nature of each type.

8 (3) A statement of the accumulated member contributions,

9 if any are required, without interest credited to them.

10 (4) An exhibit of the income of the pension plan, in

11 total and in particular, which shall include the following

12 items:

13 (i) Member contributions.

14 (ii) Allocations from the Commonwealth dedicated to

15 pension plan purposes, if any.

16 (iii) Municipal contributions.

17 (iv) Interest on debt securities.

18 (v) Dividends on equity securities.

19 (vi) Realized capital gains on equity securities.

20 (vii) Recognized unrealized capital gains on equity

21 securities.

22 (VIII) DIVIDENDS ON INSURANCE POLICIES OR CONTRACTS. <—

23 ~~(viii)~~ (IX) Other income, if any, specifying the <—

24 nature of each type.

25 (5) An exhibit of the deductions from the income of the

26 pension plan in total and in particular, which shall include

27 the following items:

28 (i) Pension plan benefit payments.

29 (A) Retirement benefits.

30 (B) Disability benefits.



- 1 (C) Surviving spouse benefits.
- 2 (D) Surviving child benefits.
- 3 (E) Refunds to members terminating employment.
- 4 (F) Refunds on behalf of deceased active, former  
5 or retired members.
- 6 (G) Other benefit payments, if any.
- 7 (ii) Administrative expenses incurred.
- 8 ~~(iii) Increase in total required actuarial present~~ <—  
9 ~~values for pension benefits.~~
- 10 ~~(iv)~~ (III) Realized capital losses on equity <—  
11 securities.
- 12 ~~(v)~~ (IV) Recognized unrealized capital losses on <—  
13 equity securities.
- 14 ~~(vi)~~ (V) Other deductions from income, if any, <—  
15 specifying the nature of each type.
- 16 The exhibit shall indicate the accounting basis on which the  
17 information presented in the exhibit was prepared.
- 18 (6) An exhibit indicating the administrative cost  
19 incurred by the pension plan in such detail as is deemed  
20 appropriate by the chief administrative officer of the  
21 pension plan.
- 22 (f) Contents of demographic exhibits.--Each actuarial  
23 valuation report shall include the following demographic  
24 ~~exhibits:~~ <—
- 25 ~~(1) A tabulation of the active members of the pension~~  
26 ~~plan, which shall include the following items, expressing the~~  
27 ~~number and the annual payroll for each:~~
- 28 ~~(i) Active members as of last valuation date.~~  
29 ~~(ii) New entrants since last valuation date.~~  
30 ~~(iii) Total of subparagraphs (i) and (ii).~~

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

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

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

~~(vii) Separations from active service by reason of  
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  
of the other retirement benefit and which shall include the  
following items, expressing the number and the annual benefit  
amount for each:~~

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

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

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

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

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

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

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

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

~~(i) Inactive members not entitled to a deferred or~~

~~vested retirement benefit and not in receipt of refund as  
of last valuation date.~~

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

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

~~(iv) Terminations of inactive members by reason of  
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.~~

EXHIBIT IN THE FORM OF A SUMMARY TABULATION OF NUMBERS AND  
AMOUNTS, WHICH SHALL BE PRESENTED IN THE FOLLOWING FORM:

<—

	ANNUAL
(1) ACTIVE MEMBERS	PAYROLL
AS OF LAST VALUATION DATE	
NEW ENTRANTS	
TOTAL	
SEPARATIONS FROM ACTIVE SERVICE	
REFUND OF CONTRIBUTIONS	
SEPARATION WITH DEFERRED BENEFIT	
SEPARATION WITH NEITHER REFUND	
NOR DEFERRED BENEFIT	
DISABILITY	

1	DEATH		
2	RETIREMENT WITH SERVICE RETIREMENT BENEFIT		
3	TOTAL SEPARATIONS		
4	AS OF CURRENT VALUATION DATE		
5			ANNUAL
6	(2) BENEFIT RECIPIENTS	NUMBER	BENEFIT
7	AS OF LAST VALUATION DATE		
8	NEW BENEFIT RECIPIENTS		
9	TOTAL		
10	TERMINATIONS		
11	DEATHS		
12	OTHER		
13	TOTAL TERMINATIONS		
14	AS OF CURRENT VALUATION DATE		

15 THE TABULATION REQUIRED PURSUANT TO THIS PARAGRAPH SHALL  
16 BE MADE SEPARATELY FOR EACH OF THE FOLLOWING CLASSES OF  
17 BENEFIT RECIPIENTS:

- 18 (I) SERVICE RETIREMENT BENEFIT RECIPIENTS.
- 19 (II) DISABILITY BENEFIT RECIPIENTS.
- 20 (III) SURVIVING SPOUSE BENEFIT RECIPIENTS.
- 21 (IV) SURVIVING CHILDREN BENEFIT RECIPIENTS.
- 22 (V) DEFERRED BENEFIT RECIPIENTS.

23 Section 203. Contents of experience investigation.

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

29 (b) Contents of experience investigation; defined benefit  
30 plans self-insured in whole or in part.--For any pension plan

1 which is a defined benefit plan and which is self-insured in  
2 whole or in part, the experience investigation shall contain the  
3 following items:

4 (1) A comparison for each year of the last five-year  
5 period of the actual experience of the pension plan and the  
6 experience of the pension plan expected pursuant to the  
7 actuarial assumptions other than ~~entry age or retirement age~~ <—  
8 THE RETIREMENT AGE ASSUMPTION which were used in preparing <—  
9 the actuarial exhibits of the actuarial valuation report of  
10 the pension plan and which in the judgment of the APPROVED <—  
11 actuary significantly affect the results contained in those  
12 actuarial exhibits.

13 ~~(2) A statement of the average entry age at the time of~~ <—  
14 ~~employment for the following groups:~~

15 ~~(i) All current active members of the pension plan~~  
16 ~~as of the date of the experience study.~~

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

19 ~~(3)~~ (2) A statement of the average ages at which <—  
20 retirement benefit recipients have terminated service as an  
21 active member and commenced receipt of retirement benefits  
22 for the following groups:

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

25 (ii) Persons newly becoming retirement benefit  
26 recipients as a separate group for each of the last five  
27 plan years.

28 ~~(4)~~ (3) A recommendation by the APPROVED actuary <—  
29 concerning the retention or modification of the actuarial  
30 assumptions previously used to prepare the actuarial exhibits



1 of the actuarial valuation report of the pension plan.

2 (c) Contents of experience investigation; defined  
3 contribution plans or defined benefit plans insured in whole by  
4 an insurance carrier.--For any pension plan which is a defined  
5 contribution plan or which is a defined benefit plan and is  
6 insured in whole by an insurance carrier, the experience  
7 investigation shall provide specific information concerning  
8 those items which relate to any actuarial assumptions used in  
9 determining the actuarial condition of the pension plan.

10 Section 204. Delinquent actuarial valuation reports and  
11 experience investigations.

12 If a complete actuarial valuation report or experience  
13 investigation is not filed in a timely fashion, any and all  
14 financing which is provided to the municipality by the  
15 Commonwealth and is dedicated for pension plan purposes shall be  
16 withheld until the report or investigation is filed. If a  
17 municipality fails to file an actuarial valuation report or  
18 experience investigation, the commission shall have the report  
19 or investigation prepared and the municipality shall reimburse  
20 the commission for the actual cost of the preparation of the  
21 report or investigation. The commission shall issue rules and  
22 regulations specifying the procedures which the commission shall  
23 follow in obtaining delinquent actuarial valuation reports or  
24 experience investigations.

25 Section 205. Modification of requirements for contents of  
26 actuarial valuation reports and experience  
27 investigations.

28 The commission may issue rules and regulations specifying  
29 modifications in, additions to or elimination of requirements  
30 for the contents of actuarial valuation reports and experience

1 investigations. Any rules and regulations shall be issued in  
2 accordance with any provision of law governing the issuance of  
3 rules and regulations by Commonwealth agencies.

4 Section 206. Requirement for additional information in certain  
5 instances.

6 The commission may request any additional information, data  
7 or calculations in connection with any required actuarial  
8 valuation report or experience investigation which it deems  
9 necessary or desirable. The requested information, data or  
10 calculations shall be transmitted to the commission as soon as  
11 is practicable following receipt of the request.

12 Section 207. Actuarial valuation and experience investigation  
13 expenses allowable.

14 Notwithstanding any provision of law, municipal ordinance,  
15 municipal resolution, municipal charter, pension plan agreement  
16 or pension plan contract to the contrary, the expenses  
17 attributable to the preparation of any actuarial valuation  
18 report or experience investigation required pursuant to this  
19 chapter shall be AN allowable administrative expense payable <—  
20 from the assets of the pension plan.

21 SECTION 208. MODIFICATION OF ACTUARIAL REPORTING REQUIREMENT <—  
22 IN CERTAIN INSTANCES.

23 ANY MUNICIPALITY WHICH COMPLIES WITH THE MUNICIPAL PENSION  
24 PLAN ACTUARIAL REPORTING REQUIREMENTS SPECIFIED IN THIS CHAPTER  
25 SHALL BE DEEMED TO HAVE COMPLIED WITH THE ACT OF DECEMBER 6,  
26 1972 (P.L.1383, NO.293), ENTITLED "AN ACT REQUIRING MUNICIPAL  
27 PENSION SYSTEMS TO HAVE AN ACTUARIAL INVESTIGATION OF THE FUND  
28 MADE BY AN ACTUARY WHO SHALL REPORT HIS FINDINGS TO THE  
29 DEPARTMENT OF COMMUNITY AFFAIRS."

30 CHAPTER 3

1                   MINIMUM FUNDING STANDARD FOR MUNICIPAL  
2                   PENSION PLANS

3   Section 301.   Municipal pension plan minimum funding standard;  
4                   application and general provisions.

5       (a)   Application.--Notwithstanding any provision of law,  
6   municipal ordinance, municipal resolution, municipal charter,  
7   pension plan agreement or pension plan contract to the contrary,  
8   the applicable provisions of this chapter shall apply to any  
9   municipality which has established and maintains directly or  
10   indirectly a pension plan for the benefit of its employees,  
11   irrespective of the manner in which the pension plan is  
12   administered, and to the respective pension plan.

13       (b)   Disclosure of noncompliance.--In the event that any  
14   municipality or pension plan fails in a material way to comply  
15   with any applicable provision of this chapter, the commission  
16   shall notify the Governor and the General Assembly of that  
17   noncompliance in a public report issued annually for this  
18   purpose.

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

21       (a)   Generally.--This section applies to any municipality  
22   which has established and maintains a pension plan which is a  
23   defined benefit plan and which is self-insured in whole or in  
24   part.

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

26           (1)   Annually, the chief administrative officer of the  
27   pension plan shall determine the financial requirements of  
28   the pension plan for the following plan year. The financial  
29   requirements of the pension plan for the following plan year  
30   shall be based on the most recent actuarial valuation report

1 of the pension plan prepared pursuant to Chapter 2. The <—  
2 UNLESS THE ASSETS OF THE PENSION PLAN EQUAL THE PRESENT VALUE <—  
3 OF FUTURE BENEFITS AS REPORTED PURSUANT TO SECTION 202(B)(2),  
4 THE financial requirements of the pension plan shall be the  
5 normal cost AND ADMINISTRATIVE EXPENSE requirements for the <—  
6 following plan year and, if the pension plan has an unfunded  
7 actuarial accrued liability pursuant to the most recent  
8 actuarial valuation report, the amortization contribution  
9 requirement for the following plan year. THE FINANCIAL <—  
10 REQUIREMENTS OF THE PENSION PLAN, HOWEVER, SHALL AT LEAST BE  
11 EQUAL TO THE ANNUAL AMOUNT OF RETIREMENT AND OTHER BENEFITS  
12 ANTICIPATED TO BE PAYABLE FROM THE PENSION PLAN FOR THE  
13 FOLLOWING PLAN YEAR LESS THE MARKET VALUE OF THE ASSETS OF  
14 THE PENSION PLAN AS OF THE DATE ON WHICH THE FINANCIAL  
15 REQUIREMENTS OF THE PENSION PLAN ARE DETERMINED.

16 (2) The normal cost ~~requirement~~ AND ADMINISTRATIVE <—  
17 EXPENSE REQUIREMENTS for the following plan years shall be  
18 expressed as a dollar amount and shall be determined by  
19 applying the normal cost of the benefit plan AND THE <—  
20 ADMINISTRATIVE EXPENSE PAYABLE FROM THE ASSETS ATTRIBUTABLE  
21 TO THE BENEFIT PLAN, as reported in the actuarial valuation  
22 report of the pension plan and expressed as a percentage of  
23 covered payroll, to the estimated covered payroll of the  
24 active membership of the pension plan including any projected  
25 increase in active membership for the following year.

26 (3) The amortization contribution requirement for the  
27 following plan year shall be expressed as a dollar amount and  
28 shall be the additional amount reported in the actuarial  
29 valuation report of the pension plan as sufficient to  
30 amortize on a level dollar basis the various increments of

1 the unfunded actuarial accrued liability of the benefit plan  
2 by the applicable amortization target dates as established in  
3 section 202(b)(4).

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

11 (1) The amount of any general municipal pension plan  
12 State aid from the Commonwealth anticipated as receivable by  
13 the municipality pursuant to section ~~502~~ 402 AND ANY FOREIGN <—  
14 FIRE INSURANCE PREMIUM TAX SURCHARGE AMOUNT FROM THE  
15 COMMONWEALTH ANTICIPATED AS RECEIVABLE BY THE MUNICIPALITY  
16 PURSUANT TO SECTION 403, and to be allocated to the pension  
17 plan for the following plan year.

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

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

1           (4) IF THE ACTUARIAL VALUE OF THE ASSETS OF THE PENSION     <—  
2     PLAN EXCEED THE ACTUARIAL ACCRUED LIABILITY OF THE PENSION  
3     PLAN, AN AMOUNT EQUAL TO ONE-TENTH OF THE AMOUNT BY WHICH THE  
4     ACTUARIAL VALUE EXCEEDS THE ACTUARIAL ACCRUED LIABILITY.

5     (d) Payment of minimum municipal obligation.--Annually the  
6     municipality shall provide for the full amount of the minimum  
7     obligation of the municipality in the budget of the  
8     municipality. The minimum obligation of the municipality shall  
9     be payable to the pension plan from the revenue of the  
10    municipality. Payment of the minimum obligation of the  
11    municipality shall be made by the municipality and if made  
12    during the month of January, shall be payable without any  
13    interest, and if made subsequent to the month of January but  
14    prior to December 31, shall be payable with interest for the  
15    period since January 1 at a rate equal to the interest  
16    assumption used for the actuarial valuation report, expressed on  
17    a monthly basis.

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

1 monthly.

2 Section 303. Minimum funding standard; defined benefit plans  
3 wholly insured or defined contribution plans.

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

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

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

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

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

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

29 (1) The amount of any general municipal pension plan  
30 State aid from the Commonwealth anticipated as receivable by

1 the municipality pursuant to section ~~502~~ 402 AND ANY FOREIGN <—  
2 FIRE INSURANCE PREMIUM TAX SURCHARGE AMOUNT FROM THE  
3 COMMONWEALTH ANTICIPATED AS RECEIVABLE BY THE MUNICIPALITY  
4 PURSUANT TO SECTION 403, and to be allocated to the pension  
5 plan for the following plan year.

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

17 (d) Payment of minimum municipal obligation.--Annually, the  
18 municipality shall provide for the full amount of the minimum  
19 obligation of the municipality in the budget of the  
20 municipality. The minimum obligation of the municipality shall  
21 be payable to the pension plan from the revenue of the  
22 municipality. Payment of the minimum obligation of the  
23 municipality shall be made by the municipality.

24 (E) INTEREST PENALTY ON OMITTED MUNICIPAL CONTRIBUTION.--ANY <—  
25 AMOUNT OF THE MINIMUM OBLIGATION OF THE MUNICIPALITY WHICH  
26 REMAINS UNPAID AS OF DECEMBER 31 OF THE YEAR IN WHICH THE  
27 MINIMUM OBLIGATION IS DUE SHALL BE ADDED TO THE MINIMUM  
28 OBLIGATION OF THE MUNICIPALITY FOR THE FOLLOWING YEAR, WITH  
29 INTEREST FROM JANUARY 1 OF THE YEAR IN WHICH THE MINIMUM  
30 OBLIGATION WAS FIRST DUE UNTIL THE DATE THE PAYMENT IS PAID AT A



1 RATE EQUAL TO THE INTEREST ASSUMPTION USED FOR THE ACTUARIAL  
2 VALUATION REPORT OR THE DISCOUNT RATE APPLICABLE TO TREASURY  
3 BILLS ISSUED BY THE TREASURY DEPARTMENT OF THE UNITED STATES  
4 WITH A SIX-MONTH MATURITY AS OF THE LAST BUSINESS DAY IN  
5 DECEMBER OF THE PLAN YEAR IN WHICH THE OBLIGATION WAS DUE,  
6 WHICHEVER IS GREATER, EXPRESSED AS A MONTHLY RATE AND COMPOUNDED  
7 MONTHLY.

8 Section 304. Certification of pension plan financial  
9 requirements and minimum municipal obligations.

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

19 SECTION 305. ACTUARIAL COST ESTIMATE REQUIRED FOR BENEFIT PLAN <—  
20 MODIFICATION.

21 PRIOR TO THE ADOPTION OF ANY BENEFIT PLAN MODIFICATION BY THE  
22 GOVERNING BODY OF THE MUNICIPALITY, THE CHIEF ADMINISTRATIVE  
23 OFFICER OF EACH PENSION PLAN SHALL PROVIDE TO THE GOVERNING BODY  
24 OF THE MUNICIPALITY A COST ESTIMATE OF THE EFFECT OF THE  
25 PROPOSED BENEFIT PLAN MODIFICATION. IF THE PENSION PLAN IS A  
26 DEFINED BENEFIT PLAN WHICH IS SELF-INSURED IN WHOLE OR IN PART,  
27 THE COST ESTIMATE SHALL BE PREPARED BY AN APPROVED ACTUARY AND  
28 SHALL BE EITHER THE UPDATED ACTUARIAL EXHIBITS OF AN ACTUARIAL  
29 VALUATION REPORT SPECIFIED IN CHAPTER 2 OR AN ESTIMATE OF THE  
30 EXPECTED ACTUARIAL IMPACT ATTRIBUTABLE TO THE PROPOSED BENEFIT

1 PLAN MODIFICATION. IF THE PENSION PLAN IS A DEFINED BENEFIT PLAN  
2 WHICH IS FULLY INSURED BY AN AUTHORIZED INSURANCE CARRIER, THE  
3 COST ESTIMATE SHALL BE PREPARED BY ANY QUALIFIED PERSON AND  
4 SHALL BE A COMPARISON OF CURRENT AND FUTURE INSURANCE PREMIUMS  
5 OR INSURANCE CONTRACT AMOUNTS. IF THE PENSION PLAN IS A DEFINED  
6 CONTRIBUTION PLAN WHICH IS EITHER SELF-INSURED IN WHOLE OR IN  
7 PART OR FULLY INSURED BY AN AUTHORIZED INSURANCE CARRIER, THE  
8 COST ESTIMATE SHALL BE PREPARED BY ANY QUALIFIED PERSON AND  
9 SHALL BE A COMPARISON OF CURRENT AND FUTURE CONTRIBUTION RATES.  
10 ANY COST ESTIMATE OF THE EFFECT OF THE PROPOSED BENEFIT PLAN  
11 MODIFICATION SHALL BE COMPLETE AND ACCURATE AND SHALL BE  
12 PRESENTED IN A WAY REASONABLY CALCULATED TO DISCLOSE TO THE  
13 AVERAGE PERSON COMPRISING THE MEMBERSHIP OF THE GOVERNING BODY  
14 OF THE MUNICIPALITY, THE IMPACT OF THE PROPOSED BENEFIT PLAN,  
15 MODIFICATION ON THE FUTURE FINANCIAL REQUIREMENTS OF THE PENSION  
16 PLAN AND THE FUTURE MINIMUM OBLIGATION OF THE MUNICIPALITY WITH  
17 RESPECT TO THE PENSION PLAN.

18 SECTION 306. ENFORCEMENT OF FUNDING STANDARD BY MANDAMUS  
19 ACTION.

20 (A) LEGISLATIVE FINDING AND DECLARATION.--THE GENERAL  
21 ASSEMBLY FINDS AND DECLARES THAT ANY ACTUAL OR POTENTIAL FAILURE  
22 BY A MUNICIPALITY TO COMPLY WITH THE APPLICABLE FUNDING STANDARD  
23 ESTABLISHED BY THIS ACT THREATENS SERIOUS INJURY TO THE AFFECTED  
24 MUNICIPAL PENSION PLAN, TO THE ENTIRE SYSTEM OF PUBLIC EMPLOYEE  
25 PENSION PLANS IN THE COMMONWEALTH AND TO THE COMMONWEALTH  
26 ITSELF. BY EXPRESSLY AUTHORIZING THE REMEDY OF A WRIT OF  
27 MANDAMUS IN THIS SECTION, THE GENERAL ASSEMBLY INTENDS TO ASSIST  
28 ALL PERSONS WITH A BENEFICIAL OR SPECIAL INTEREST IN A MUNICIPAL  
29 PENSION PLAN, IN ADDITION TO ALL PERSONS OR ENTITIES WITH A  
30 SPECIAL RESPONSIBILITY OR DUTY IN RELATION TO MUNICIPAL PENSION

1 PLANS, IN SECURING THAT COMPLIANCE.

2 (B) GENERALLY.--IN THE EVENT THAT A MUNICIPALITY FAILS TO  
3 COMPLY WITH ITS DUTY EITHER TO PROVIDE FOR IN ITS BUDGET, OR TO  
4 PAY, THE FULL AMOUNT OF THE MINIMUM OBLIGATION OF THE  
5 MUNICIPALITY TOWARDS THE MUNICIPAL PENSION PLAN AS SPECIFIED IN  
6 THIS CHAPTER, OR AS MODIFIED PURSUANT TO SECTION 605(6) OR  
7 606(A)(4) AND SECTION 607(G) OR (H), WHICHEVER DETERMINATION OF  
8 THE MINIMUM OBLIGATION OF THE MUNICIPALITY TOWARDS THE MUNICIPAL  
9 PENSION PLAN IS APPLICABLE, THE FAILURE MAY BE REMEDIED BY THE  
10 INSTITUTION OF LEGAL PROCEEDINGS FOR A WRIT OF MANDAMUS. EVERY  
11 MUNICIPALITY IS BY THIS ACT ON NOTICE AS TO ITS DUTY TO FUND ITS  
12 MUNICIPAL PENSION PLAN. THE PROVISIONS OF THIS ACT SHALL BE  
13 DEEMED TO BE SUFFICIENT DEMAND TO THE MUNICIPALITY FOR IT TO  
14 COMPLY WITH ITS DUTY AND THE FAILURE BY THE MUNICIPALITY FOR THE  
15 YEAR OR YEARS IN QUESTION TO INCLUDE IN ITS BUDGET, OR TO PAY,  
16 THE FULL AMOUNT OF THE MINIMUM OBLIGATION OF THE MUNICIPALITY  
17 TOWARDS THE MUNICIPAL PENSION PLAN SHALL BE DEEMED TO BE  
18 SUFFICIENT REFUSAL BY THE MUNICIPALITY TO COMPLY WITH ITS DUTY  
19 ANTECEDENT TO THE COMMENCEMENT OF THE ACTION. NO OTHER REMEDY AT  
20 LAW SHALL BE DEEMED TO BE SUFFICIENTLY ADEQUATE AND APPROPRIATE  
21 TO BAR THE COMMENCEMENT OF THIS ACTION. ANY PERSON OR ENTITY  
22 AUTHORIZED PURSUANT TO SUBSECTION (C) OR (D) TO INSTITUTE THE  
23 ACTION SHALL BE DEEMED TO HAVE BEEN INJURED BY THE FAILURE OF  
24 THE MUNICIPALITY TO COMPLY WITH ITS LEGAL DUTY TO FUND ITS  
25 MUNICIPAL PENSION PLAN AND THAT INJURY SHALL BE DEEMED TO BE  
26 IMMEDIATE. NO ISSUANCE OF A WRIT OF MANDAMUS IN CONNECTION WITH  
27 THE LEGAL DUTY OF A MUNICIPALITY TO FUND ITS MUNICIPAL PENSION  
28 PLAN SHALL BE DEEMED TO THREATEN THE CREATION OF CONFUSION,  
29 DISORDER OR EXCESSIVE BURDEN ON THE MUNICIPALITY OR TO THREATEN  
30 A RESULT WHICH IS DETRIMENTAL TO THE PUBLIC INTEREST.

1 (C) PERSONS BENEFICIALLY INTERESTED.--ANY PERSON WHO IS  
2 BENEFICIALLY INTERESTED IN THE AFFAIRS OF THE MUNICIPAL PENSION  
3 PLAN SHALL HAVE STANDING TO INSTITUTE A LEGAL PROCEEDING FOR A  
4 WRIT OF MANDAMUS AS PROVIDED FOR IN THIS SECTION. A BENEFICIALLY  
5 INTERESTED PERSON IS ANY PERSON WHO:

6 (1) HAS THE RELATIONSHIP WITH THE MUNICIPAL PENSION PLAN  
7 OF:

8 (I) ACTIVE MEMBER, WHETHER OR NOT ANY MINIMUM  
9 SERVICE REQUIREMENT FOR ACQUIRING A VESTED RIGHT TO A  
10 RETIREMENT BENEFIT HAS BEEN MET;

11 (II) INACTIVE MEMBER WITH A VESTED RIGHT TO DEFERRED  
12 RECEIPT OF A RETIREMENT BENEFIT;

13 (III) RETIRED MEMBER;

14 (IV) RECIPIENT OF RETIREMENT BENEFIT OTHER THAN A  
15 RETIRED MEMBER;

16 (V) FORMER MEMBER WITH MEMBER CONTRIBUTIONS TO THE  
17 CREDIT OF THE MEMBER WITH THE MUNICIPAL PENSION PLAN; OR

18 (VI) SPOUSE, CHILD OR OTHER POTENTIAL BENEFICIARY  
19 PURSUANT TO THE TERMS OF THE PLAN DOCUMENT OF THE  
20 MUNICIPAL PENSION PLAN OF ANY PERSON DESCRIBED IN  
21 SUBPARAGRAPHS (I) AND (V);

22 (2) SERVES IN THE POSITION OF A FIDUCIARY WITH RESPECT  
23 TO THE MUNICIPAL PENSION PLAN;

24 (3) REPRESENTS ACTIVE MEMBERS OF THE MUNICIPAL PENSION  
25 PLAN AS COLLECTIVE BARGAINING AGENT; OR

26 (4) SERVES AS AN ELECTED OR APPOINTED OFFICIAL OF THE  
27 MUNICIPALITY.

28 (D) OTHERS WITH STANDING TO BRING ACTION.--THE PUBLIC  
29 EMPLOYEE RETIREMENT STUDY COMMISSION SHALL HAVE STANDING TO  
30 INSTITUTE A LEGAL PROCEEDING FOR A WRIT OF MANDAMUS AS PROVIDED

1 FOR IN THIS SECTION. THE ATTORNEY GENERAL, OR THE DISTRICT  
2 ATTORNEY OF THE COUNTY IN WHICH THE MUNICIPALITY IS LOCATED, IN  
3 ADDITION TO ANY OTHER POWERS AND DUTIES CONFERRED ON THAT OFFICE  
4 BY LAW, SHALL ALSO PROCEED IN THE NAME OF THE COMMONWEALTH, UPON  
5 REQUEST OF THE COMMISSION OR UPON THE PERSON'S OWN MOTION, TO  
6 INSTITUTE A LEGAL PROCEEDING FOR A WRIT OF MANDAMUS AS PROVIDED  
7 FOR IN THIS SECTION.

8 (E) SCOPE OF REMEDY.--ANY WRIT OF MANDAMUS PURSUANT TO THIS  
9 SECTION MAY COMPEL THE ADDITION BY THE MUNICIPALITY TO THE  
10 CURRENT MUNICIPAL BUDGET OF ANY OMITTED AMOUNT OF THE MINIMUM  
11 OBLIGATION OF THE MUNICIPALITY AND THE SUBSEQUENT PAYMENT OF ANY  
12 BUDGETED AMOUNT, OR THE IMMEDIATE OR SCHEDULED PERIODIC PAYMENT  
13 OF ANY OMITTED AMOUNT OF MINIMUM OBLIGATION OF THE MUNICIPALITY  
14 WITH INTEREST AT THE APPLICABLE COMPOUND RATE, WHICHEVER IS  
15 APPLICABLE.

16 (F) REIMBURSEMENT FOR CERTAIN COSTS.--IN ANY ACTION PURSUANT  
17 TO THIS SECTION WHICH IS INSTITUTED OR JOINED BY ANY PERSON WHO  
18 IS BENEFICIALLY INTERESTED, UNLESS THE COURT OTHERWISE DIRECTS,  
19 PARTY COSTS, DISBURSEMENTS, REASONABLE ATTORNEY FEES AND WITNESS  
20 FEES RELATING TO THE ACTION SHALL BE ALLOWED TO THE PREVAILING  
21 PARTY UPON A MOTION BY THE PREVAILING PARTY IF:

22 (1) THE PREVAILING PARTY IS A PERSON WHO IS BENEFICIALLY  
23 INTERESTED AND HAS GIVEN THE OPPOSING PARTY OR PARTIES TIMELY  
24 NOTICE OF INTENT TO CLAIM AN AWARD, WHICH NOTICE SHALL HAVE  
25 BEEN GIVEN PRIOR TO THE ISSUANCE OF THE WRIT; OR

26 (2) THE PREVAILING PARTY IS THE MUNICIPALITY AND THE  
27 COMPLAINING PARTY HAS BROUGHT AN ACTION WHICH THE COMPLAINING  
28 PARTY KNEW OR OUGHT TO HAVE KNOWN WAS GROUNDLESS, FRIVOLOUS,  
29 WITHOUT MERIT AND WITHOUT A BASIS IN FACT.

30 SECTION 307. ENFORCEMENT PROCEEDINGS BY COMMISSION.

1 (A) ENFORCEMENT BY COMMISSION.--WHENEVER THE COMMISSION IS  
2 OF THE OPINION THAT ANY MUNICIPALITY HAS FAILED, OMITTED,  
3 NEGLECTED OR REFUSED TO PERFORM ANY DUTY ENJOINED UPON IT  
4 PURSUANT TO THIS ACT, THE COMMISSION SHALL HAVE THE POWER AND  
5 ITS DUTY SHALL BE TO ORDER COMPLIANCE BY THE MUNICIPALITY WITH  
6 THAT DUTY. IF THE MUNICIPALITY FAILS, OMITTS, NEGLECTS OR REFUSES  
7 TO COMPLY WITH ANY LAWFUL ORDER OF THE COMMISSION, THEN THE  
8 COMMISSION MAY INSTITUTE LEGAL PROCEEDINGS FOR INJUNCTION,  
9 MANDAMUS OR OTHER APPROPRIATE REMEDY AT LAW OR EQUITY TO ENFORCE  
10 COMPLIANCE WITH, OR RESTRAIN VIOLATION OF, THE ORDER OF THE  
11 COMMISSION.

12 (B) USE OF APPROPRIATE BASIS FOR FUNDING.--THE USE BY A  
13 MUNICIPALITY IN DETERMINING THE MINIMUM MUNICIPAL OBLIGATION  
14 TOWARD THE MUNICIPAL PENSION PLAN OF AN ACTUARIAL VALUATION  
15 METHOD, ONE OR MORE ACTUARIAL ASSUMPTIONS, OR A COMBINATION OF  
16 METHOD AND ASSUMPTION OR ASSUMPTIONS WHICH ARE DETERMINED TO BE  
17 INAPPROPRIATE BY THE COMMISSION SHALL CONSTITUTE FAILURE,  
18 OMISSION, NEGLECT OR REFUSAL ON THE PART OF A MUNICIPALITY TO  
19 PERFORM A DUTY ENJOINED UPON IT PURSUANT TO THIS ACT. ANY  
20 COMMISSION ORDER FOR COMPLIANCE BY THE MUNICIPALITY WITH THAT  
21 DUTY MAY SPECIFY THE APPROPRIATE ACTUARIAL VALUATION METHOD,  
22 ACTUARIAL ASSUMPTION OR ASSUMPTIONS, OR COMBINATION OF METHOD  
23 AND ASSUMPTION OR ASSUMPTIONS, WHICHEVER IS APPLICABLE.

24 (C) COMPLIANCE WITH COMMISSION ORDER.--IN ANY LEGAL ACTION  
25 INVOLVING ANY ALLEGED VIOLATION BY A MUNICIPALITY OF ANY LAWFUL  
26 ORDER OF THE COMMISSION, THE BURDEN OF PROOF SHALL BE UPON THE  
27 MUNICIPALITY COMPLAINED AGAINST TO SHOW THAT COMPLIANCE WITH THE  
28 ORDER OF THE COMMISSION HAS BEEN EFFECTED.

29 CHAPTER 4

30 ~~GENERAL~~ REVISIONS APPLICABLE TO MUNICIPAL

<—

PENSION FUND FINANCING

Section 401. Revision of financing from local revenue sources.

Prior to applying for any remedy or combination of remedies pursuant to Chapter 6, a municipality shall evaluate the current sources of financing for municipal pension plans and shall identify any revenue sources from which other personnel costs, including, but not limited to, salaries, employer contributions to the Federal old age, survivors, disability and health insurance program or premiums for health insurance coverage, are payable but from which municipal pension plan costs, including the amortization of any unfunded actuarial accrued liability, are not fully allocated. Upon identifying these omitted or underutilized municipal revenue sources, the municipality shall undertake steps to utilize or increase utilization of these revenue sources. Full utilization of these revenue sources shall occur within one year of identification.

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

Section 402. Revision of financing from State revenue sources;

General Municipal Pension System State Aid  
Program.

(a) Establishment of program.--There is hereby established a General Municipal Pension System State Aid Program.

Notwithstanding any provision of the act of June 28, 1895 (P.L.408, No.289), the act of May 12, 1943 (P.L.259, No.120), or

1 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
2 Code of 1971, to the contrary, the provisions of this section, <—  
3 THE ACT OF (P.L. , NO. ), KNOWN AS THE FOREIGN  
4 FIRE INSURANCE TAX DISTRIBUTION LAW, OR THE ACT OF JUNE 28, 1895  
5 (P.L.408, NO.289), REFERRED TO AS THE FOREIGN FIRE INSURANCE  
6 PREMIUM TAX ALLOCATION LAW, WHICHEVER IS IN EFFECT, and section  
7 607, shall govern with respect to any portions of the insurance  
8 premium taxes on foreign fire insurance companies and foreign  
9 casualty insurance companies for allocation pursuant to the  
10 General Municipal Pension System State Aid program.

11 (b) Financing of the General Municipal Pension System State  
12 Aid program.--Except as otherwise provided in this section, the  
13 General Municipal Pension System State Aid program shall  
14 allocate the entire proceeds of the insurance premium tax on  
15 foreign casualty insurance companies, WHICH SHALL BE PLACED INTO <—  
16 A REVENUE ACCOUNT, and any investment income earned on those  
17 proceeds, and the portion of the proceeds of the insurance  
18 premium tax on foreign fire insurance companies payable pursuant <—  
19 to the applicable law to municipalities with fire departments  
20 comprised of paid firefighters on account of the paid  
21 firefighters, and any investment income earned on that portion  
22 of those proceeds.

23 ~~(c) Amount of aid available for allocation. During the~~  
24 ~~period 1984 to 1987, there shall be a transition from the~~  
25 ~~municipal pension allocation programs specified in the act of~~  
26 ~~June 28, 1895 (P.L.408, No.289), and the act of May 12, 1943~~  
27 ~~(P.L.259, No.120), to the General Municipal Pension System State~~  
28 ~~Aid program, with progressively greater portions of the foreign~~  
29 ~~insurance premium taxes available allocated pursuant to the~~  
30 ~~General Municipal Pension System State Aid program, as follows:~~



1	General Municipal		
2	Pension System		Municipal Allocation
3	Year	State Aid Program	—Under Prior Acts
4	1984	—25%	75%
5	1985	—50%	50%
6	1986	—75%	25%
7	1987	—100%	—0%

~~8 Of the total amount of the General Municipal Pension System~~  
~~9 State Aid available for allocation, a portion shall be deposited~~  
~~10 for subsequent distribution in the augmentation account of the~~  
~~11 Supplemental State Assistance Fund pursuant to section 607.~~  
~~12 Prior to 1987, the portion shall be 30% of the total. In 1987~~  
~~13 and subsequent years if the Supplemental State Assistance~~  
~~14 Program and Fund are in operation, the portion shall be 30% of~~  
~~15 the total but shall not exceed 60% of the total amount certified~~  
~~16 by the commission as the required appropriation to the~~  
~~17 Supplemental State Assistance Fund for distribution in the~~  
~~18 following year. During the transition, any amount specified as~~  
~~19 payable to the State Employees' Retirement Fund pursuant to~~  
~~20 section 1 of the act of May 12, 1943 (P.L.259, No.120), shall~~  
~~21 instead be deposited for subsequent distribution in the~~  
~~22 Supplemental Assistance Account of the Supplemental State~~  
~~23 Assistance Fund pursuant to section 607.~~ WHICH REPRESENTS THE <—  
24 AMOUNT OF THE DISTRIBUTIONS PAYABLE PURSUANT TO THE FOREIGN FIRE  
25 INSURANCE TAX DISTRIBUTION LAW OR THE FOREIGN FIRE INSURANCE  
26 PREMIUM TAX ALLOCATION LAW WHICHEVER IS IN EFFECT, TO  
27 MUNICIPALITIES WITH FIRE DEPARTMENTS COMPRISED OF PAID  
28 FIREFIGHTERS ON ACCOUNT OF THE PAID FIREFIGHTERS AND ANY  
29 INVESTMENT INCOME EARNED ON THE AMOUNT OF THOSE DISTRIBUTIONS.  
30 NOTWITHSTANDING ANY PROVISION OF THE FOREIGN FIRE INSURANCE TAX

1 DISTRIBUTION LAW OR THE FOREIGN FIRE INSURANCE PREMIUM TAX  
2 ALLOCATION LAW, WHICHEVER IS IN EFFECT, TO THE CONTRARY, THE  
3 PORTION OF THE DISTRIBUTION APPLICABLE TO THE FINANCING OF THE  
4 GENERAL MUNICIPAL PENSION SYSTEM STATE AID PROGRAM FOR EACH  
5 MUNICIPALITY WITH A FIRE DEPARTMENT OR FIRE DEPARTMENTS  
6 COMPRISED OF PAID FIREFIGHTERS WHICH RECEIVED A 1983 FOREIGN  
7 FIRE INSURANCE PREMIUM TAX ALLOCATION ON ACCOUNT OF THE PAID  
8 FIREFIGHTERS SHALL BEAR THE SAME RELATIONSHIP TO THE TOTAL  
9 DISTRIBUTION PAYABLE TO THE MUNICIPALITY AS THE 1983 FOREIGN  
10 FIRE INSURANCE PREMIUM TAX ALLOCATION PAID OR CREDITED TO THE  
11 MUNICIPALITY ON ACCOUNT OF THE PAID FIREFIGHTERS BEARS TO THE  
12 TOTAL 1983 FOREIGN FIRE INSURANCE PREMIUM TAX ALLOCATION PAID OR  
13 CREDITED TO THE MUNICIPALITY.

14 (C) AMOUNT OF AID AVAILABLE FOR ALLOCATION.--DURING THE  
15 PERIOD JANUARY 1, 1985 TO DECEMBER 31, 1988, A PORTION OF THE  
16 TOTAL AMOUNT SPECIFIED AS PAYABLE TO THE STATE EMPLOYEES'  
17 RETIREMENT FUND PURSUANT TO SECTION 1 OF THE ACT OF MAY 12, 1943  
18 (P.L.259, NO.120), REFERRED TO AS THE FOREIGN CASUALTY INSURANCE  
19 PREMIUM TAX ALLOCATION LAW, SHALL BE DEPOSITED FOR SUBSEQUENT  
20 DISTRIBUTION IN THE SUPPLEMENTAL ASSISTANCE ACCOUNT OF THE  
21 SUPPLEMENTAL STATE ASSISTANCE FUND PURSUANT TO SECTION 607  
22 INSTEAD OF DEPOSITED FOR SUBSEQUENT DISTRIBUTION IN THE GENERAL  
23 MUNICIPAL PENSION SYSTEM STATE AID PROGRAM, AS FOLLOWS:

	DEPOSITED IN		DEPOSITED IN
CALENDAR	GENERAL MUNICIPAL		SUPPLEMENTAL STATE
YEAR	PENSION SYSTEM		ASSISTANCE FUND
	STATE AID PROGRAM		
1985	25%		75%
1986	50%		50%
1987	75%		25%

1	1988	100%	0%
---	------	------	----

2 (d) Eligible recipients of General Municipal Pension System

3 State Aid.--Any COUNTY OF THE SECOND CLASS WHICH, PRIOR TO THE <—

4 EFFECTIVE DATE OF THIS CHAPTER, RECEIVED ALLOCATIONS FOR ITS

5 POLICE PENSION FUND PURSUANT TO THE ACT OF MAY 12, 1943

6 (P.L.259, NO.120), OR ANY city, borough, town or township OR ANY <—

7 HOME RULE MUNICIPALITY FORMERLY CLASSIFIED AS A CITY, BOROUGH,

8 TOWN OR TOWNSHIP which employs one or more full-time municipal

9 employee and provides pension coverage for that employee or

10 those employees by a pension plan which was established and

11 maintained on the effective date of this act or which was

12 established subsequent to the effective date of this act and has

13 been maintained for at least five plan years, shall be entitled

14 to receive General Municipal Pension System State Aid.

15 ~~(e) Allocation of General Municipal Pension System State~~ <—

16 ~~Aid.~~—

17 ~~(1) General Municipal Pension System State Aid shall be~~

18 ~~distributed annually to each eligible recipient municipality~~

19 ~~on the basis of the number of units attributable to each~~

20 ~~active employee participating in a pension plan maintained by~~

21 ~~that municipality. For purposes of the General Municipal~~

22 ~~Pension System State Aid program, the number of units~~

23 ~~attributable to each type of municipal employee employed on a~~

24 ~~full time basis for a minimum of six consecutive months prior~~

25 ~~to the December 31 preceding that date of certification shall~~

26      ~~be as follows:~~

27 ~~(i) Police officer two units.~~

28 ~~(ii) Firefighter one unit.~~

29 ~~(iii) Employee other than police officer or~~

30 ~~firefighter~~ ~~one unit.~~

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

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

~~(4) If the maximum specified in subsection (f) is applicable, then the amount of General Municipal Pension System State Aid per unit applicable to all municipalities other than the municipality or municipalities subject to the maximum aid amount shall be adjusted. The adjusted amount of General Municipal Pension System State Aid per unit attributable to municipalities unaffected by the aid maximum specified in subsection (f) shall be determined by dividing the total amount of the General Municipal Pension System State Aid available after the deposit of the required amount in the augmentation account of the Supplemental State Assistance Fund and excluding 25% of the resulting total for each municipality to which the maximum aid amount is applicable by the total number of units certified by all eligible municipalities unaffected by the aid maximum specified in subsection (f). Each municipality eligible for the adjusted General Municipal Pension System State Aid shall receive that amount of adjusted General Municipal Pension~~

1 ~~System State Aid determined by multiplying the adjusted per~~  
2 ~~unit amount by the number of units certified by that~~  
3 ~~municipality.~~

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

7 (E) ALLOCATION OF GENERAL MUNICIPAL PENSION SYSTEM STATE  
8 AID.--

9 (1) GENERAL MUNICIPAL PENSION SYSTEM STATE AID SHALL BE  
10 DISTRIBUTED ANNUALLY TO EACH ELIGIBLE RECIPIENT MUNICIPALITY  
11 NO LATER THAN THE FIRST BUSINESS DAY OCCURRING IN THE MONTH  
12 OF OCTOBER. FOR THE PERIOD ENDING WITH THE DISTRIBUTION MADE  
13 DURING CALENDAR YEAR 1994, THE ALLOCATION OF AID FOR  
14 DISTRIBUTION SHALL BE PURSUANT TO PARAGRAPH (4). FOR THE  
15 PERIOD COMMENCING WITH THE DISTRIBUTION MADE DURING CALENDAR  
16 YEAR 1995, THE ALLOCATION OF AID FOR DISTRIBUTION SHALL BE  
17 PURSUANT TO PARAGRAPH (5). ANY ALLOCATION OF AID PER UNIT  
18 SHALL BE BASED ON THE NUMBER OF UNITS PURSUANT TO PARAGRAPH  
19 (2) AS CERTIFIED BY THE APPLICABLE ELIGIBLE MUNICIPALITIES.  
20 ANY ALLOCATION OF AID SHALL BE PURSUANT TO THE MAXIMUMS  
21 SPECIFIED IN SUBSECTION (F).

22 (2) THE APPLICABLE NUMBER OF UNITS SHALL BE ATTRIBUTABLE  
23 TO EACH ACTIVE EMPLOYEE WHO WAS EMPLOYED ON A FULL-TIME BASIS  
24 FOR A MINIMUM OF SIX CONSECUTIVE MONTHS PRIOR TO DECEMBER 31  
25 PRECEDING THE DATE OF CERTIFICATION AND WHO WAS PARTICIPATING  
26 IN A PENSION PLAN MAINTAINED BY THAT MUNICIPALITY, PROVIDED  
27 THAT THE MUNICIPALITY MAINTAINS A GENERALLY APPLICABLE  
28 PENSION PLAN FOR THAT TYPE OF EMPLOYEE WHICH WAS EITHER  
29 ESTABLISHED ON OR PRIOR TO DECEMBER 31, 1983, OR, IF  
30 ESTABLISHED AFTER DECEMBER 31, 1983, HAS BEEN MAINTAINED BY

1 THAT MUNICIPALITY FOR AT LEAST FIVE PLAN YEARS. THE  
2 APPLICABLE NUMBER OF UNITS PER EMPLOYEE ATTRIBUTABLE TO EACH  
3 ELIGIBLE RECIPIENT COUNTY OF THE SECOND CLASS SHALL BE TWO  
4 UNITS FOR EACH POLICE OFFICER. THE APPLICABLE NUMBER OF UNITS  
5 ATTRIBUTABLE TO EACH ELIGIBLE RECIPIENT CITY, BOROUGH, TOWN  
6 AND TOWNSHIP SHALL BE AS FOLLOWS:

7 (I) POLICE OFFICER - TWO UNITS.

8 (II) FIREFIGHTER - ONE UNIT.

9 (III) EMPLOYEE OTHER THAN POLICE OFFICER OR  
10 FIREFIGHTER - ONE UNIT.

11 (3) THE AMOUNT OF GENERAL MUNICIPAL PENSION SYSTEM STATE  
12 AID PER UNIT SHALL BE INITIALLY DETERMINED BY DIVIDING THE  
13 TOTAL AMOUNT OF THE GENERAL MUNICIPAL PENSION SYSTEM STATE  
14 AID AVAILABLE BY THE TOTAL NUMBER OF UNITS CERTIFIED BY ALL  
15 ELIGIBLE MUNICIPALITIES. IF THE MAXIMUM SPECIFIED IN  
16 SUBSECTION (F)(1) IS APPLICABLE, THE AMOUNT OF GENERAL  
17 MUNICIPAL PENSION SYSTEM STATE AID PER UNIT APPLICABLE TO ALL  
18 MUNICIPALITIES OTHER THAN THE MUNICIPALITY OR MUNICIPALITIES  
19 SUBJECT TO THE MAXIMUM AID AMOUNT SPECIFIED IN SUBSECTION  
20 (F)(1) SHALL BE ADJUSTED. THE ADJUSTED AMOUNT OF GENERAL  
21 MUNICIPAL PENSION SYSTEM STATE AID PER UNIT ATTRIBUTABLE TO  
22 MUNICIPALITIES UNAFFECTED BY THE AID MAXIMUM SPECIFIED IN  
23 SUBSECTION (F)(1) SHALL BE DETERMINED BY DIVIDING THE TOTAL  
24 AMOUNT OF THE GENERAL MUNICIPAL PENSION SYSTEM STATE AID  
25 AVAILABLE, AFTER EXCLUDING 25% OF THE TOTAL FOR EACH  
26 MUNICIPALITY TO WHICH THE MAXIMUM AID AMOUNT IS APPLICABLE,  
27 BY THE TOTAL NUMBER OF UNITS CERTIFIED BY ALL ELIGIBLE  
28 MUNICIPALITIES UNAFFECTED BY THE AID MAXIMUM SPECIFIED IN  
29 SUBSECTION (F)(1).

30 (4) FOR THE PERIOD ENDING WITH THE DISTRIBUTION MADE

1 DURING CALENDAR YEAR 1994, EACH ELIGIBLE MUNICIPALITY SHALL  
2 BE ENTITLED TO RECEIVE AS GENERAL MUNICIPAL PENSION SYSTEM  
3 STATE AID THE GREATER OF THE FOLLOWING AMOUNTS:

4 (I) THE ADJUSTED AMOUNT OF GENERAL MUNICIPAL PENSION  
5 SYSTEM STATE AID PER UNIT MULTIPLIED BY THE NUMBER OF  
6 UNITS CERTIFIED BY THAT MUNICIPALITY, THE AMOUNT OF THE  
7 SURCHARGE FOR FINANCIALLY DISTRESSED PAID FIREFIGHTERS  
8 PENSION PLANS PURSUANT TO SECTION 403 AND AN ADDITIONAL  
9 AMOUNT NECESSARY FOR THE TOTAL TO EQUAL THE LESSER OF THE  
10 TOTAL AMOUNT OF ANY FOREIGN CASUALTY INSURANCE PREMIUM  
11 TAX ALLOCATION AND ANY FOREIGN FIRE INSURANCE PREMIUM TAX  
12 ALLOCATION ATTRIBUTABLE TO PAID FIREFIGHTERS WHICH THE  
13 MUNICIPALITY WAS ENTITLED TO RECEIVE DURING THE REGULAR  
14 ALLOCATION OCCURRING IN CALENDAR YEAR 1982, OR THE  
15 AGGREGATE ACTUAL FINANCIAL REQUIREMENT OF ANY POLICE OR  
16 PAID FIRE PENSION PLANS MAINTAINED BY THE MUNICIPALITY  
17 LESS THE AMOUNT OF AGGREGATE ANNUAL MEMBER OF EMPLOYEE  
18 CONTRIBUTIONS DURING THE PLAN YEAR AS REPORTED IN THE  
19 MOST RECENT COMPLETE ACTUARIAL REPORT FILED WITH THE  
20 COMMISSION.

21 (II) THE REVISED AMOUNT OF GENERAL MUNICIPAL PENSION  
22 SYSTEM STATE AID PER UNIT MULTIPLIED BY THE NUMBER OF  
23 UNITS CERTIFIED BY THAT MUNICIPALITY, WHICH REVISED  
24 AMOUNT SHALL BE DETERMINED PURSUANT TO PARAGRAPH (6).

25 (5) FOR THE PERIOD COMMENCING WITH THE DISTRIBUTION MADE  
26 DURING CALENDAR YEAR 1995, EACH ELIGIBLE MUNICIPALITY SHALL  
27 BE ENTITLED TO RECEIVE AS GENERAL MUNICIPAL PENSION SYSTEM  
28 STATE AID THE LESSER OF THE FOLLOWING AMOUNTS:

29 (I) THE ADJUSTED AMOUNT OF GENERAL MUNICIPAL PENSION  
30 SYSTEM STATE AID PER UNIT MULTIPLIED BY THE NUMBER OF

1 UNITS CERTIFIED BY THAT MUNICIPALITY LESS ANY AMOUNT BY  
2 WHICH THE ADJUSTED AMOUNT EXCEEDS THE MAXIMUM AID AMOUNT  
3 APPLICABLE TO THE MUNICIPALITY PURSUANT TO SUBSECTION  
4 (F)(2); OR

5 (II) THE REVISED AMOUNT OF GENERAL MUNICIPAL PENSION  
6 SYSTEM STATE AID PER UNIT MULTIPLIED BY THE NUMBER OF  
7 UNITS CERTIFIED BY THAT MUNICIPALITY, WHICH REVISED  
8 AMOUNT SHALL BE DETERMINED PURSUANT TO PARAGRAPH (6).

9 (6) THE REVISED AMOUNT OF GENERAL MUNICIPAL PENSION  
10 SYSTEM STATE AID PER UNIT SHALL BE DETERMINED BY THE  
11 FOLLOWING PROCEDURE:

12 (I) THE AMOUNT OF THE TOTAL DISTRIBUTION MADE  
13 PURSUANT TO PARAGRAPH (4)(I) OR (5)(I), WHICHEVER IS  
14 APPLICABLE, THE AMOUNT OF THE GENERAL MUNICIPAL PENSION  
15 SYSTEM STATE AID PAYABLE TO ANY MUNICIPALITY OR  
16 MUNICIPALITIES TO WHICH THE LIMITATION PROVIDED IN  
17 SUBSECTION (F)(1) IS APPLICABLE AND THE AMOUNT OF THE  
18 TOTAL POTENTIAL DISTRIBUTION PURSUANT TO PARAGRAPH (7)  
19 SHALL BE TOTALED.

20 (II) THE TOTAL CALCULATED PURSUANT TO SUBPARAGRAPH  
21 (I) SHALL BE SUBTRACTED FROM THE TOTAL AMOUNT OF THE  
22 GENERAL MUNICIPAL PENSION SYSTEM STATE AID AVAILABLE.

23 (III) THE NUMBER OF UNITS ATTRIBUTABLE TO THE  
24 MUNICIPALITIES WHICH ARE ENTITLED TO RECEIVE AN AID  
25 AMOUNT CALCULATED PURSUANT TO PARAGRAPH (4)(I) OR (5)(I),  
26 WHICHEVER IS APPLICABLE, THE NUMBER OF UNITS ATTRIBUTABLE  
27 TO THE MUNICIPALITIES OR MUNICIPALITY TO WHICH THE  
28 LIMITATION PROVIDED IN SUBSECTION (F)(1) APPLIES AND THE  
29 NUMBER OF UNITS ATTRIBUTABLE TO THE MUNICIPALITIES  
30 INCLUDED IN THE POTENTIAL DISTRIBUTION PURSUANT TO



1           PARAGRAPH (7) SHALL BE TOTALED.

2           (IV) THE TOTAL CALCULATED PURSUANT TO SUBPARAGRAPH  
3           (III) SHALL BE SUBTRACTED FROM THE TOTAL NUMBER OF UNITS  
4           CERTIFIED BY ALL ELIGIBLE MUNICIPALITIES.

5           (V) THE NUMBER RESULTING FROM THE CALCULATION  
6           PURSUANT TO SUBPARAGRAPH (II) SHALL BE DIVIDED BY THE  
7           NUMBER RESULTING FROM THE CALCULATION PURSUANT TO  
8           SUBPARAGRAPH (IV), WHICH SHALL BE THE REVISED AMOUNT OF  
9           GENERAL MUNICIPAL PENSION SYSTEM STATE AID PER UNIT.

10          (7) ANY MUNICIPALITY WHICH HAS NOT FILED WITH THE  
11          COMMISSION ON A TIMELY BASIS PURSUANT TO THE APPLICABLE  
12          MUNICIPAL PENSION PLAN ACTUARIAL REPORTING LAW AN ACTUARIAL  
13          REPORT FOR EACH OF THE MUNICIPAL PENSION PLANS WHICH IT HAS  
14          ESTABLISHED OR MAINTAINS SHALL BE ENTITLED TO RECEIVE AS  
15          GENERAL MUNICIPAL PENSION SYSTEM STATE AID, AT SUCH TIME AS  
16          COMPLIANCE WITH THE ACTUARIAL REPORTING REQUIREMENT OCCURS,  
17          THE ADJUSTED AMOUNT OF GENERAL MUNICIPAL PENSION SYSTEM STATE  
18          AID PER UNIT PURSUANT TO PARAGRAPH (3) MULTIPLIED BY THE  
19          NUMBER OF UNITS CERTIFIED BY THAT MUNICIPALITY, BUT NOT TO  
20          EXCEED THE MAXIMUM AID AMOUNT APPLICABLE TO THE MUNICIPALITY  
21          PURSUANT TO SUBSECTION (F). THE AMOUNT OF ANY DIFFERENCE  
22          BETWEEN THE ADJUSTED AMOUNT OF GENERAL MUNICIPAL PENSION  
23          SYSTEM STATE AID PER UNIT MULTIPLIED BY THE NUMBER OF UNITS  
24          CERTIFIED BY A MUNICIPALITY AND THE MAXIMUM AID AMOUNT  
25          APPLICABLE TO THE MUNICIPALITY PURSUANT TO SUBSECTION (F) FOR  
26          THAT MUNICIPALITY SHALL BE ADDED TO THE AMOUNT OF THE GENERAL  
27          MUNICIPAL PENSION SYSTEM STATE AID AVAILABLE FOR DISTRIBUTION  
28          IN THE SUCCEEDING CALENDAR YEAR.

29          (f) Maximum General Municipal Pension System State Aid  
30          ~~amount. No municipality shall be entitled to receive an~~

<—

1 AMOUNT.--

<—

2 (1) NO MUNICIPALITY SHALL BE ENTITLED TO RECEIVE AN  
3 allocation of General Municipal Pension System State Aid in  
4 an amount greater than 25% of the total amount of the General  
5 Municipal Pension System State Aid available. ~~after the~~  
6 ~~deposit of the required amount in the augmentation account of~~  
7 ~~the Supplemental State Assistance Fund.~~

<—

8 (2) NO MUNICIPALITY SHALL BE ENTITLED TO RECEIVE AN  
9 ALLOCATION OF GENERAL MUNICIPAL PENSION SYSTEM STATE AID IN  
10 AN AMOUNT WHICH EXCEEDS THE AGGREGATE ACTUAL FINANCIAL  
11 REQUIREMENTS OF ANY MUNICIPAL PENSION PLANS FOR POLICE  
12 OFFICERS, PAID FIREFIGHTERS OR EMPLOYEES OTHER THAN POLICE  
13 OFFICERS OR PAID FIREFIGHTERS MAINTAINED BY THAT  
14 MUNICIPALITY, LESS THE AMOUNT OF ANY AGGREGATE ANNUAL MEMBER  
15 OR EMPLOYEE CONTRIBUTIONS DURING THE NEXT SUCCEEDING PLAN  
16 YEAR, AS REPORTED IN THE MOST RECENT COMPLETE ACTUARIAL  
17 REPORT FILED WITH THE COMMISSION.

<—

18 (3) IN THE CASE OF ANY MUNICIPAL PENSION PLAN WHICH IS  
19 NOT A DEFINED BENEFIT PLAN IN WHOLE OR IN PART AND FOR WHICH  
20 NO PROVISION OF LAW, MUNICIPAL ORDINANCE OR MUNICIPAL  
21 RESOLUTION REQUIRES A PARTICULAR ANNUAL CONTRIBUTION ON THE  
22 PART OF THE MUNICIPALITY OF A SPECIFIC IDENTIFIABLE PER  
23 EMPLOYEE DOLLAR OR PERCENTAGE AMOUNT WHICH IS OR WILL BE  
24 APPLICABLE FOR A PERIOD LONGER THAN 12 CALENDAR MONTHS, THE  
25 AGGREGATE FINANCIAL REQUIREMENT OF THE PLAN SHALL BE EQUAL TO  
26 THE AVERAGE NORMAL COST REQUIREMENT FOR ALL POLICE AND PAID  
27 FIREFIGHTERS PENSION PLANS OF THE SAME CLASS OF MUNICIPALITY  
28 IF THE MUNICIPAL PENSION PLAN IS EITHER A POLICE OR A PAID  
29 FIREFIGHTERS PENSION PLAN OR FOR ALL PENSION PLANS FOR  
30 EMPLOYEES OTHER THAN POLICE OFFICERS AND PAID FIREFIGHTERS OF

1 THE SAME CLASS OF MUNICIPALITY IF THE MUNICIPAL PENSION PLAN  
2 IS OTHER THAN A POLICE OR A PAID FIREFIGHTERS PENSION PLAN.  
3 THE AVERAGE NORMAL COST REQUIREMENT SHALL BE DETERMINED BY  
4 THE COMMISSION, EXPRESSED AS A PERCENTAGE OF PAYROLL AND  
5 APPLIED TO THE COVERED PAYROLL APPLICABLE TO THE MUNICIPAL  
6 PENSION PLAN.

7 (g) Authorized expenditures of General Municipal Pension  
8 System State Aid.--Any General Municipal Pension System State  
9 Aid received by a municipality shall only be used to defray the  
10 cost of the pension plan or pension plans maintained by the  
11 municipality. If only one pension plan is maintained by the  
12 municipality, then the total amount of the General Municipal  
13 Pension System State Aid received by the municipality shall,  
14 within 30 days of receipt by the treasurer of the municipality,  
15 be deposited in the pension fund or the alternate funding  
16 mechanism applicable to the pension plan. If more than one  
17 pension plan is maintained by the municipality, then the  
18 governing body of the municipality shall annually determine the  
19 proportion of the total amount of the General Municipal Pension  
20 System State Aid received by the municipality which shall be  
21 credited to each pension plan and the total amount of the  
22 General Municipal Pension System State Aid received by the  
23 municipality shall, within 30 days of receipt by the treasurer  
24 of the municipality, be deposited in the pension funds or  
25 alternate funding mechanisms applicable to the respective  
26 pension plans in accordance with that determination.

27 (h) Certification of employees by eligible recipient  
28 municipalities.--Each ELIGIBLE RECIPIENT COUNTY OF THE SECOND  
29 CLASS SHALL CERTIFY ANNUALLY TO THE AUDITOR GENERAL THE NUMBER  
30 OF POLICE OFFICERS AND EACH OTHER eligible recipient

<—

1 municipality shall certify annually to the Auditor General the  
2 number of police officers, firefighters and municipal employees  
3 other than police officers and firefighters ~~who are employed~~ <—  
4 ~~full time by the municipality and for whom pension coverage is~~  
5 ~~provided by the municipality pursuant to subsection (d)~~ WHO MEET <—  
6 THE QUALIFICATION REQUIREMENTS SPECIFIED IN SUBSECTION (E)(2),  
7 and whatever additional information the Auditor General requires  
8 to verify the number of units attributable to the municipality.  
9 NO UNIT OR UNITS SHALL BE ATTRIBUTABLE TO ANY MUNICIPAL EMPLOYEE <—  
10 WHO IS NOT CERTIFIED TO THE AUDITOR GENERAL IN A TIMELY MANNER.

11 (i) Warrants.--Warrants for purposes of making the  
12 allocation of General Municipal Pension System State Aid shall  
13 be drawn by the Auditor General, payable to the treasurers of  
14 the eligible recipient municipalities in accordance with this  
15 section.

16 (j) Administration.--The Auditor General shall have the duty  
17 of administering the General Municipal Pension System State Aid  
18 program. The Auditor General may promulgate rules and  
19 regulations necessary for the efficient administration of this  
20 program and may specify the form and content of any forms  
21 applicable to the program. The Auditor General, as deemed  
22 necessary, shall make an audit of every municipality which  
23 receives General Municipal Pension System State Aid and of every  
24 municipal pension plan and fund in which General Municipal  
25 Pension System State aid is deposited.

26 Section 403. Surcharge for financially distressed paid  
27 firefighters pension plans.

28 (a) Declaration of financial emergency.--The General  
29 Assembly finds and declares that a financial emergency exists  
30 with respect to municipal pension plans which provide pension

1 coverage for paid firefighters. This ~~act~~ SECTION shall be <—  
2 applicable for the duration of that financial emergency. This  
3 ~~act~~ SECTION shall be construed as a relief measure for any paid <—  
4 firefighters municipal pension plan.

5 (b) Surcharge.--Commencing ~~in 1984~~ JANUARY 1, 1985, the <—  
6 Department of Revenue shall order and direct a surcharge to be  
7 ~~collected~~ LEVIED on all foreign fire insurance company premiums <—  
8 applicable to property in any municipality which employs full-  
9 time paid firefighters who have pension coverage from a paid  
10 firefighters municipal pension plan. The surcharge shall be an  
11 amount equal to 1% of the foreign fire insurance company  
12 premiums on that property. The surcharge shall be due at the  
13 same time and shall be payable in the same manner as the foreign  
14 fire insurance company premium tax collected pursuant to ~~the act~~ <—  
15 ~~of June 28, 1895 (P.L.408, No.289) referred to as the Foreign~~  
16 ~~Fire Insurance Premium Tax Allocation Law.~~ ARTICLE IX OF THE ACT <—  
17 OF MARCH 4, 1971 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF  
18 1971.

19 (c) Allocation of the foreign fire insurance surcharge.--The  
20 amount of the premium tax surcharge generated pursuant to this  
21 section shall be distributed annually to each municipality which  
22 employs full-time paid firefighters who have pension coverage  
23 from a paid firefighters municipal pension plan on the basis of  
24 the number of full-time paid firefighters employed by that  
25 municipality. The amount of the premium tax surcharge per full-  
26 time paid firefighter shall be determined by dividing the total  
27 amount of the premium tax surcharge by the total number of full-  
28 time paid firefighters employed by municipalities and having  
29 pension coverage from a paid firefighters municipal pension  
30 plan. Each municipality shall receive that portion of the

1 premium tax surcharge determined by multiplying the amount of  
2 the premium tax surcharge per full-time paid firefighter by the  
3 number of full-time paid firefighters with pension coverage from  
4 a paid firefighters municipal pension plan certified by that  
5 municipality.

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

15 (e) Certification of paid firefighters by municipalities.--  
16 The certification of paid firefighters pursuant to section  
17 402(h) shall also be used for purposes of this section.

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

22 (g) Administration.--The Auditor General shall have the duty  
23 of administering the premium tax surcharge OTHER THAN AS <—  
24 PROVIDED IN SUBSECTION (B). The Auditor General may promulgate  
25 rules and regulations necessary for the efficient administration  
26 of this program and may specify the form and content of any  
27 forms applicable to the program.

28 (h) Disbursement.--The premium tax surcharge shall be  
29 distributed annually no later than the first business day  
30 occurring in the month of October and shall accompany the

1 distribution of the General Municipal Pension System State Aid.  
2 SECTION 404. DETERMINATION OF UNUSED GENERAL MUNICIPAL PENSION <—  
3 SYSTEM STATE AID MONEYS.  
4 FOR PURPOSES OF SECTION 1.2 OF THE ACT OF MAY 12, 1943  
5 (P.L.259, NO.120), REFERRED TO AS THE FOREIGN CASUALTY INSURANCE  
6 PREMIUM TAX ALLOCATION LAW, MONEY DISTRIBUTED SHALL BE DEEMED TO  
7 BE NOT USED FOR THE PURPOSES SET FORTH IN THAT ACT WITHIN TWO  
8 YEARS AFTER RECEIPT ONLY IF, AND TO THE EXTENT THAT, A  
9 SUCCEEDING ACTUARIAL VALUATION REPORT INDICATES THAT THE  
10 ACTUARIAL VALUE OF ASSETS OF THE PENSION PLAN ARE IN EXCESS OF  
11 THE ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS OF THE PENSION  
12 PLAN.

## 13 CHAPTER 5

### 14 FINANCIALLY DISTRESSED MUNICIPAL PENSION

#### 15 PLAN DETERMINATION PROCEDURE

16 Section 501. Initiation of distress determination.

17 Each municipality which wishes to avail itself of any of the  
18 provisions of sections 604, 605 and 606 shall apply to the  
19 commission for a determination of its status pursuant to this  
20 chapter. The application shall be in the form and shall contain  
21 the required information as prescribed in rules and regulations  
22 issued by the commission. Determinations pursuant to this  
23 chapter shall be made annually.

24 Section 502. Pension plans for inclusion in determination.

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

28 Section 503. Determination procedure.

29 The determination provided for in this chapter shall be made  
30 pursuant to a procedure as prescribed in rules and regulations

1 issued by the commission. The determination shall be made in a  
2 manner which is as uniform as is practicable in its application  
3 to various types of municipalities. The procedure shall utilize  
4 actuarial considerations and municipal finance considerations.  
5 The actuarial considerations shall be based on the most current  
6 actuarial valuation report filed with the commission pursuant to  
7 law and shall provide one or more scorings based on the  
8 imminence of default, the existence of substantial future  
9 benefit plan cost and the current and past departure from full  
10 actuarial funding. The municipal finance consideration shall be  
11 based on the most current municipal financial report filed with  
12 the Department of Community Affairs and shall provide one or  
13 more scorings based on the current tax burden, the current debt  
14 level and financing, the current strength of revenue sources and  
15 the current municipal operating position. The actuarial  
16 considerations shall be calculated by the executive director of  
17 the commission or the designee of the executive director. The  
18 municipal finance considerations shall be calculated by the  
19 Secretary of the Department of Community Affairs, or the  
20 designee of the Secretary, in consultation with the executive  
21 director of the commission. Based on the scorings, the total  
22 scoring for minimum financial distress, for moderate financial  
23 distress and for severe financial distress shall be specified.  
24 Section 504. Effect of determination.

25 The determination of the commission with respect to any  
26 municipality shall be final. Any appeal of a determination shall  
27 be the sole jurisdiction of Commonwealth Court. Any appeal shall  
28 be limited to the question of the accuracy of the calculations  
29 performed by the commission and the Department of Community  
30 Affairs and the question of adherence by the commission with the



1 rules and regulations governing the determination.

2 CHAPTER 6

3 FINANCIALLY DISTRESSED MUNICIPAL PENSION

4 SYSTEM RECOVERY PROGRAM

5 Section 601. Establishment.

6 There is hereby established a recovery program for  
7 financially distressed municipal pension systems.

8 Section 602. Application.

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

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

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

30 (d) Severely distressed municipal pension systems.--The

<—

1 remedies contained in level III of the recovery program as  
2 specified in section 606 shall apply to any municipality which  
3 is determined to be severely distressed, as that status is  
4 defined in rules and regulations issued by the commission  
5 pursuant to section 503, which complies with any applicable <—  
6 preconditions for participation in this level of the recovery  
7 program and which elects to participate in this level of the  
8 recovery program.

9 Section 603. Election procedure.

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

23 Section 604. Recovery program level I.

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

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

28 (2) The establishment of ~~minimum~~ TOTAL member <—  
29 contribution pursuant to section 607(c).

30 Section 605. Recovery program level II.

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

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

(2) The establishment of ~~minimum~~ TOTAL member contributions pursuant to section 607(c).

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

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

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

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

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

Section 606. Recovery program level III.

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

(1) The establishment of ~~minimum~~ TOTAL member contributions pursuant to section 607(c).

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

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

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

1 amortization period pursuant to section 607(h).

2 (5) Supplemental State assistance pursuant to section  
3 607(k). ~~and augmentation of supplemental State assistance~~ <—  
4 ~~pursuant to section 607(l).~~

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

8 (1) The aggregation of trust funds pursuant to section  
9 607(b).

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

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

22 (4) The stabilization of pension plan cost pursuant to  
23 section 607(j).

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

26 (a) Generally.--Notwithstanding any provision of law,  
27 municipal charter, municipal ordinance, municipal resolution,  
28 ~~collective bargaining agreement, or pension plan agreement~~ OR <—  
29 PENSION PLAN AGREEMENT, DOCUMENT OR INSTRUMENT TO THE CONTRARY,  
30 the remedies specified in this section shall be available to the

1 applicable municipalities.

2 (b) Aggregation of trust funds.--If the municipality has  
3 established and maintained more than one pension plan for its  
4 employees and there are pension funds associated with those  
5 pension plans, the municipality may aggregate the assets to the  
6 credit of the various pension funds into a single pension trust  
7 fund. Subsequent to the aggregation, the pension trust fund  
8 shall be the funding mechanism for all pension plans connected  
9 with the aggregation.

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

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

15 (2) Legal title to assets in the aggregated pension  
16 trust fund shall be in the municipality AS TRUSTEE, or its <—  
17 nominees as trustees, for any person having a beneficial  
18 interest in a particular pension plan which is associated  
19 with the pension trust fund.

20 (3) The assets of the aggregated pension trust fund  
21 shall be invested in investment securities which are  
22 authorized investments pursuant to any applicable law for any  
23 of the associated pension plans.

24 (4) Investment earnings shall be allocated to each  
25 associated pension plan in proportion to the most recently  
26 determined participation value.

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

30 (6) The aggregated pension trust fund shall be managed

1 by a board OF TRUSTEES. THE BOARD OF TRUSTEES SHALL INCLUDE <—  
2 AT LEAST ONE REPRESENTATIVE OF THE ACTIVE MEMBERSHIP OF EACH  
3 PENSION PLAN INCLUDED IN THE AGGREGATED PENSION TRUST FUND,  
4 WHO SHALL BE ELECTED BY THE ACTIVE MEMBERSHIP OF THE  
5 APPLICABLE PENSION PLAN. THE REMAINING MEMBERS OF THE BOARD  
6 OF TRUSTEES SHALL BE drawn from the managing boards or  
7 entities of the associated pension plans.

8 ~~(c) Minimum member contributions. The municipality may <—~~  
9 ~~specify minimum member contributions to the pension plan. The~~  
10 ~~member contributions shall be specified as a percentage of~~  
11 ~~covered salary. For the benefit plan in existence on the~~  
12 ~~effective date of this subsection, the minimum member~~  
13 ~~contribution shall not exceed 50% of the normal cost of the~~  
14 ~~pension plan, expressed as a percentage of covered payroll, as~~  
15 ~~reported in the most recent actuarial valuation report of the~~  
16 ~~pension plan. For any benefit plan which is revised subsequent~~  
17 ~~to the effective date of this subsection, the minimum member~~  
18 ~~contribution shall not be less than 30%, nor more than 50%, of~~  
19 ~~the normal cost of the revised pension plan, expressed as a~~  
20 ~~percentage of covered payroll, as reported in the most recent~~  
21 ~~actuarial valuation report of the revised pension plan.~~

22 (C) TOTAL MEMBER CONTRIBUTION.-- <—

23 (1) THE MUNICIPALITY MAY SPECIFY TOTAL MEMBER  
24 CONTRIBUTIONS TO THE PENSION PLAN. THE MEMBER CONTRIBUTIONS  
25 SHALL BE SPECIFIED AS A PERCENTAGE OF COVERED SALARY.

26 (2) FOR A DEFINED BENEFIT PLAN IN EXISTENCE ON THE  
27 EFFECTIVE DATE OF THIS SUBSECTION, THE TOTAL MEMBER  
28 CONTRIBUTION SHALL NOT EXCEED 50% OF THE NORMAL COST OF THE  
29 PENSION PLAN, EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL,  
30 AS REPORTED IN THE MOST RECENT ACTUARIAL VALUATION REPORT OF

1 THE PENSION PLAN OR THE APPLICABLE MAXIMUM PERCENTAGE RATE OF  
2 COVERED SALARY SPECIFIED IN PARAGRAPH (4), WHICHEVER IS LESS.

3 (3) FOR A DEFINED BENEFIT PLAN WHICH IS IMPROVED  
4 SUBSEQUENT TO THE EFFECTIVE DATE OF THIS SUBSECTION AND WHICH  
5 BENEFIT PLAN IMPROVEMENT CAUSES AN INCREASE IN THE NORMAL  
6 COST OF THE BENEFIT PLAN OF AN AMOUNT EQUAL TO OR GREATER  
7 THAN ONE PERCENT OF COVERED PAYROLL AS REPORTED IN THE MOST  
8 RECENT ACTUARIAL VALUATION REPORT OF THE IMPROVED PENSION  
9 PLAN, THE MEMBER CONTRIBUTION SHALL ALSO BE INCREASED. THE  
10 INCREASED TOTAL MEMBER CONTRIBUTION SHALL NOT BE LESS THAN  
11 30% OF THE NORMAL COST OR MORE THAN THE LESSER OF 50% OF THE  
12 NORMAL COST OR THE APPLICABLE MAXIMUM PERCENTAGE RATE OF  
13 COVERED SALARY SPECIFIED IN PARAGRAPH (4). THE NORMAL COST  
14 FOR USE IN ESTABLISHING THE INCREASED TOTAL MEMBER  
15 CONTRIBUTION SHALL BE THE NORMAL COST OF THE IMPROVED BENEFIT  
16 PLAN, EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL, AS  
17 REPORTED IN THE MOST RECENT ACTUARIAL VALUATION REPORT OF THE  
18 IMPROVED PENSION PLAN.

19 (4) THE MAXIMUM PERCENTAGE OF COVERED SALARY TOTAL  
20 CONTRIBUTIONS SHALL BE EQUAL TO THE GREATER OF THE TOTAL  
21 EMPLOYEE CONTRIBUTION RATE TO THE FEDERAL OLD AGE, SURVIVORS,  
22 DISABILITY AND HEALTH INSURANCE PROGRAM PURSUANT TO THE  
23 APPLICABLE FEDERAL LAW IN EFFECT ON JANUARY 1, 1984 APPLIED  
24 TO TOTAL COVERED SALARY OR THE EMPLOYEE CONTRIBUTION THEN IN  
25 EFFECT OR SUBSEQUENTLY NEGOTIATED IN CONJUNCTION WITH A  
26 BENEFIT INCREASE.

27 (5) IF ANY INCREASE IN MEMBER CONTRIBUTIONS EQUAL TO OR  
28 GREATER THAN ONE PERCENT OF COVERED SALARY IS REQUIRED  
29 PURSUANT TO THE OPERATION OF THIS SUBSECTION, THE INCREASE  
30 SHALL BE IMPLEMENTED OVER A PERIOD OF FOUR YEARS THROUGH AN



1 ANNUAL INCREASE EQUAL TO ONE FOURTH OF THE TOTAL REQUIRED  
2 INCREASE, WHICH SUCCESSIVE INCREASES SHALL BE EFFECTIVE ON  
3 THE FIRST DAY OF THE FIRST PAY PERIOD OCCURRING ON OR AFTER  
4 JANUARY 1 ON EACH OF THE SUCCEEDING FOUR YEARS.

5 (6) THE ESTABLISHMENT OF TOTAL MEMBER CONTRIBUTIONS  
6 PURSUANT TO THIS SUBSECTION SHALL BE WITHIN THE SCOPE OF  
7 COLLECTIVE BARGAINING PURSUANT TO THE APPLICABLE LAW WITH  
8 REPRESENTATIVES OF THE COLLECTIVE BARGAINING UNIT FOR THE  
9 AFFECTED TYPE OF MUNICIPAL EMPLOYEE, IF ANY.

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. NOTWITHSTANDING ANY PROVISION OF  
28 SUBSECTION (J) TO THE CONTRARY, A REVISED BENEFIT PLAN FOR NEWLY  
29 HIRED MUNICIPAL EMPLOYEES SHALL BE DEVELOPED WITH CONSULTATION  
30 WITH REPRESENTATIVES OF THE COLLECTIVE BARGAINING UNIT

<—

1 APPLICABLE TO THE AFFECTED TYPE OF MUNICIPAL EMPLOYEE, IF ANY,  
2 AND SHALL BE WITHIN THE SCOPE OF COLLECTIVE BARGAINING PURSUANT  
3 TO THE APPLICABLE LAW SUBSEQUENT TO THE ESTABLISHMENT OF THE  
4 REVISED BENEFIT PLAN.

5 (f) Special municipal taxing authority.--If the tax rates  
6 set by the municipality on earned income and on real property  
7 are at the maximum provided by applicable law, the municipality  
8 may increase its tax on either earned income or real property  
9 above those maximum rates. The proceeds of this special  
10 municipal tax increase shall be used solely to defray costs  
11 related to the pension plans of the municipality. The  
12 municipality utilizing this special municipal taxing authority  
13 shall not reduce the level of municipal contributions to the  
14 pension plans from revenue sources utilized for this purpose  
15 prior to the implementation of the special municipal taxing  
16 authority. The average level of municipal contributions to the  
17 pension plans from all revenue sources utilized for this purpose  
18 for the three years immediately prior to the implementation of  
19 the special municipal taxing authority shall be expressed as a  
20 percentage of the average covered payroll for that same three-  
21 year period. In each year subsequent to the implementation of  
22 the special municipal taxing authority, the municipal  
23 contributions to the pension plan from all revenue sources  
24 existing prior to the implementation of the special existing  
25 municipal taxing authority shall equal or exceed this average  
26 percentage of the current covered payroll.

27 (g) Delayed implementation of funding standard over ten  
28 years.--The municipality may delay full implementation of the  
29 actuarial funding standard specified in section 302 or 303,  
30 whichever is applicable, over a period not to exceed ten years

1 in duration. During the delayed implementation period, the  
 2 municipality shall make a municipal contribution to each  
 3 municipal pension plan of an amount equal to not less than the  
 4 municipal contribution to the municipal pension plan made in the  
 5 immediate prior year and the following percentage of the  
 6 difference between that amount and the full minimum municipal  
 7 obligation with respect to the pension plan pursuant to section  
 8 302 or 303, whichever is applicable:

9	Year	Percentage of Difference	<—
10	<del>1984</del>	<del>10%</del>	
11	<del>1985</del>	<del>20%</del>	
12	<del>1986</del>	<del>30%</del>	
13	<del>1987</del>	<del>40%</del>	
14	<del>1988</del>	<del>50%</del>	
15	<del>1989</del>	<del>60%</del>	
16	<del>1990</del>	<del>70%</del>	
17	<del>1991</del>	<del>80%</del>	
18	<del>1992</del>	<del>90%</del>	
19	<del>1993 and thereafter</del>	<del>100%</del>	
20	YEAR	PERCENTAGE OF DIFFERENCE	<—
21	1985	10%	
22	1986	20%	
23	1987	30%	
24	1988	40%	
25	1989	50%	
26	1990	60%	
27	1991	70%	
28	1992	80%	
29	1993	90%	
30	1994 AND THEREAFTER	100%	

1 THE MUNICIPALITY MAY CALCULATE THE ANNUAL AMORTIZATION  
2 CONTRIBUTION ON THE BASIS OF A LEVEL PERCENTAGE OF FUTURE  
3 INCREASING COVERED PAYROLL AMORTIZATION CONTRIBUTION RATHER THAN  
4 ON THE BASIS OF THE LEVEL ANNUAL DOLLAR AMORTIZATION  
5 CONTRIBUTION SPECIFIED IN SECTION 202.

<—

6 (h) Delayed implementation of funding standard over 15  
7 years; 40-year amortization period.--The municipality may delay  
8 full implementation of the actuarial funding standard specified  
9 in section 302 or 303, whichever is applicable, over a period  
10 not to exceed 15 years in duration and may calculate that  
11 actuarial funding standard on the basis of a 40-year  
12 amortization period for the increment of unfunded actuarial  
13 accrued liability in existence as of the beginning of the plan  
14 year occurring in calendar year ~~1984~~ 1985. During the delayed  
15 implementation period, the municipality shall make a municipal  
16 contribution to each municipal pension plan of an amount equal  
17 to not less than the municipal contribution to the municipal  
18 pension plan made in the immediate prior year and the following  
19 percentage of the difference between that amount and the full  
20 minimum municipal obligation with respect to the pension plan  
21 pursuant to section 302 or 303, whichever is applicable,  
22 calculated using the applicable 40-year amortization period.

<—

23	Year	Percentage of Difference
24	<del>1984</del>	<del>-6.7%</del>
25	<del>1985</del>	<del>13.4%</del>
26	<del>1986</del>	<del>20.1%</del>
27	<del>1987</del>	<del>26.8%</del>
28	<del>1988</del>	<del>33.5%</del>
29	<del>1989</del>	<del>40.2%</del>
30	<del>1990</del>	<del>46.9%</del>

<—

1	<del>1991</del>	<del>53.6%</del>
2	<del>1992</del>	<del>60.3%</del>
3	<del>1993</del>	<del>67.0%</del>
4	<del>1994</del>	<del>73.7%</del>
5	<del>1995</del>	<del>80.4%</del>
6	<del>1996</del>	<del>87.1%</del>
7	<del>1997</del>	<del>93.8%</del>
8	<del>1998</del>	<del>100.0%</del>

9	YEAR	PERCENTAGE OF DIFFERENCE	<—
10	1985	6.7%	
11	1986	13.4%	
12	1987	20.1%	
13	1988	26.8%	
14	1989	33.5%	
15	1990	40.2%	
16	1991	46.9%	
17	1992	53.6%	
18	1993	60.3%	
19	1994	67.0%	
20	1995	73.7%	
21	1996	80.4%	
22	1997	87.1%	
23	1998	93.8%	
24	1999	100.0%	

25 THE MUNICIPALITY MAY CALCULATE THE ANNUAL AMORTIZATION <—  
 26 CONTRIBUTION ON THE BASIS OF A LEVEL PERCENTAGE OF FUTURE  
 27 INCREASING COVERED PAYROLL AMORTIZATION CONTRIBUTION RATHER THAN  
 28 ON THE BASIS OF THE LEVEL ANNUAL DOLLAR AMORTIZATION  
 29 CONTRIBUTION SPECIFIED IN SECTION 202.

30 (i) Plan for administrative improvement.--The municipality

1 shall prepare and submit to the commission a comprehensive plan  
2 for administrative improvements in the pension plans, including,  
3 but not limited to, an improvement in investment performance, an  
4 increase in the liquidity of invested assets, an improved  
5 projection of future cash flow requirements, a reduction in any  
6 time delays for the deposit of member deductions and municipal  
7 contributions in the funding mechanism for the pension plan or  
8 an improvement in the collection of any other accounts  
9 receivable. Upon approval of the commission, the municipality  
10 shall implement the plan for administrative improvements.

11 ~~(j) Pension plan cost stabilization. The municipality shall~~ <—  
12 ~~not modify any provision of the benefit plan applicable to~~  
13 ~~active members or retirement or other benefit recipients which~~  
14 ~~results in an increase in either the normal cost or the~~  
15 ~~amortization contribution of the pension plan.~~

16 (J) PENSION PLAN COST STABILIZATION.--NO MODIFICATION OF ANY <—  
17 PROVISION OF THE BENEFIT PLAN APPLICABLE TO ACTIVE MEMBERS,  
18 FORMER MEMBERS EITHER WITH OR WITHOUT A VESTED OR DEFERRED RIGHT  
19 TO THE EVENTUAL RECEIPT OF A RETIREMENT BENEFIT, OR RECIPIENTS  
20 OF RETIREMENT OF OTHER BENEFITS OF THE PENSION PLAN WHICH WILL,  
21 OR MAY REASONABLY BE EXPECTED TO, RESULT IN AN INCREASE IN THE  
22 NORMAL COST OF THE PENSION PLAN, THE AMORTIZATION CONTRIBUTION  
23 REQUIREMENT OF THE PENSION PLAN, OR BOTH, OR IN THE REDUCTION OR  
24 ELIMINATION OF ANY ACTUARIAL EXPERIENCE GAIN, SHALL BE  
25 EFFECTIVE, IRRESPECTIVE OF THE MANNER IN WHICH THE MODIFICATION  
26 IS ADOPTED. THIS SHALL INCLUDE ANY SUBSEQUENT LEGISLATIVE  
27 ENACTMENTS AFFECTING THE BENEFIT PLAN OF THE PENSION PLAN UNLESS  
28 THERE IS A SPECIFIC EXCEPTION SET FORTH IN THE LEGISLATION WITH  
29 A DIRECT CITATION TO THIS PROVISION.

30 (k) Supplemental State assistance.--The IF EVERY PENSION <—

1 PLAN OF THE MUNICIPALITY WHICH IS A DEFINED BENEFIT PLAN AND  
2 WHICH IS SELF-INSURED IN WHOLE OR IN PART HAS FILED AN ACTUARIAL  
3 VALUATION REPORT UTILIZING THE STANDARDIZED ACTUARIAL COST  
4 METHOD AND ECONOMIC ACTUARIAL ASSUMPTIONS WITHIN THE RANGE OF  
5 ACTUARIAL ASSUMPTIONS SPECIFIED IN SECTION 202(B) AND IF THE  
6 MUNICIPALITY HAS IMPLEMENTED THE AGGREGATION OF TRUST FUNDS  
7 PURSUANT TO SUBSECTION (B), THE municipality may receive  
8 supplemental State assistance from the Supplemental State  
9 Assistance Fund established pursuant to section 608. The amount  
10 of the supplemental State assistance to which the municipality  
11 is entitled shall be determined annually based on the  
12 determination scoring which the municipality received from the  
13 commission pursuant to section 503, as follows:

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

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

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

27 In the event that the total amount of supplemental State  
28 assistance determined as payable to all municipalities entitled  
29 to receive supplemental State assistance exceeds the maximum  
30 appropriation provided for in section 608(b), the amount of

1 supplemental State assistance which shall be payable to each  
2 municipality shall be proportionately reduced. The supplemental  
3 State assistance shall be distributed annually on the first  
4 business day occurring in December.

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

30 ~~(m)~~ (L) Emergency loan procedures.--The municipality may <—



1 receive a loan from the Supplemental State Assistance Fund IN <—  
2 ANY YEAR DURING THE EXISTENCE OF THE FUND in an amount certified  
3 by the commission. The loan amount shall be sufficient to  
4 eliminate the possibility of imminent default DURING THE NEXT 12 <—  
5 CONSECUTIVE CALENDAR MONTHS in the payment of retirement and  
6 other benefits by one or more of the pension plans maintained by  
7 the municipality. Terms for the repayment of any loan shall be  
8 established by agreement between the municipality and the  
9 commission prior to the loan.

10 Section 608. Supplemental State Assistance Program and Fund+ <—  
11 ~~augmentation account.~~

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

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

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

2 ~~(c) Augmentation account. Augmentation of supplemental~~ <—  
3 ~~State assistance payable pursuant to section 607(1) shall be~~  
4 ~~paid from the augmentation account. The augmentation account~~  
5 ~~shall be funded from the applicable portion of the insurance~~  
6 ~~premium tax funding the General Municipal Pension System State~~  
7 ~~Aid pursuant to section 402(c). Commencing in 1988, any balance~~  
8 ~~in the augmentation account remaining after the augmentation~~  
9 ~~allocation annually shall be credited to the General Municipal~~  
10 ~~Pension System State Aid program for subsequent distribution~~  
11 ~~pursuant to section 607.~~

12 ~~(d)~~ (C) Preconditions.--As a precondition for the receipt of <—  
13 any supplemental State assistance, the municipality shall  
14 demonstrate prior good faith compliance with any applicable  
15 municipal pension plan actuarial funding standard in effect.  
16 The municipality shall also implement any mandatory aspects of  
17 the applicable recovery program level.

18 ~~(e)~~ (D) Warrants.--Any supplemental State assistance ~~or~~ <—  
19 ~~augmentation of supplemental State assistance amounts~~ shall be  
20 payable on warrants drawn by the Auditor General based on  
21 certifications of the commission.

22 ~~(f)~~ (E) Expiration.--The Supplemental State Assistance <—  
23 Program and Fund shall terminate in ~~1998~~ 2003 or in the first <—  
24 year in which there are no municipalities entitled to receive  
25 supplemental State assistance, whichever occurs earlier.

26 Section 609. Rules and regulations.

27 The commission may issue any rules and regulations necessary  
28 for the effective administration and operation of the provisions  
29 of this act.

MISCELLANEOUS PROVISIONS

~~Section 701. Repeal.~~

<—

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

Section ~~702~~ 701. Recommendations.

<—

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

Section ~~703~~ 702. Effective dates.

<—

(a) In general.--Except as provided in subsections (b) ~~and~~ ~~(e)~~, (C) AND (D), this act shall take effect immediately.

<—

<—

(b) Chapter 3.--The provisions of Chapter 3 relating to the calculation of the financial requirements of the pension plan and the minimum obligation of the municipality with respect to the pension plan shall take effect on July 1 next following the date of enactment. The provisions of Chapter 3 relating to the payment by a municipality of the minimum obligation of the municipality with respect to the pension plan shall take effect January 1 next following the date on which the provisions relating to the calculation of the financial requirements of the pension plan and the minimum obligation of the municipality with respect to the pension plan are effective.

(C) CHAPTER 4.--THE ESTABLISHMENT OF THE REVENUE ACCOUNT FOR THE ENTIRE PROCEEDS OF THE INSURANCE PREMIUM TAX ON FOREIGN CASUALTY INSURANCE COMPANIES SHALL OCCUR AS SOON AS IS

<—

1 PRACTICABLE FOLLOWING THE GENERAL EFFECTIVE DATE SPECIFIED IN  
2 SUBSECTION (A).

3 ~~(e)~~ (D) Chapter 6.--The emergency loan procedure established <—  
4 pursuant to section 607(m) and the establishment of the  
5 Supplemental State Assistance Fund pursuant to section 608 shall  
6 take effect January 1, ~~1984~~ 1985. Allocations of supplemental <—  
7 State assistance ~~or augmentation of supplemental State~~ <—  
8 ~~assistance amounts~~ pursuant to section 607(k) ~~and (l)~~ shall take <—  
9 effect December 1, ~~1987~~ 1988. <—