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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 1360

Session of  
2001

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INTRODUCED BY S. H. SMITH, NICKOL, HENNESSEY, SCHULER, FICHTER,  
GEORGE, CAPPELLI, MANN, PERZEL, SAINATO, LAUGHLIN, WILT,  
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HERMAN, NAILOR, RAYMOND, TANGRETTI, M. BAKER AND BELFANTI,  
APRIL 25, 2001

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SENATOR THOMPSON, APPROPRIATIONS, IN SENATE, RE-REPORTED AS  
AMENDED, JUNE 10, 2002

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AN ACT

1 Amending the act of December 14, 1988 (P.L.1192, No.147),  
2 entitled "An act requiring municipal retirement systems to  
3 pay special ad hoc postretirement adjustments to certain  
4 retired police officers and firefighters; providing for the  
5 financing of these adjustments; providing for the  
6 administration of the Commonwealth's reimbursements for these  
7 adjustments; and making repeals," further providing for  
8 definitions, for special ad hoc postretirement adjustments  
9 and for the administration of the Commonwealth's  
10 reimbursements for these adjustments; and making editorial  
11 changes.

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

14 Section 1. The definitions of "special ad hoc adjustment"  
15 and "special ad hoc municipal police and firefighter  
16 postretirement adjustment" in section 102 of the act of December  
17 14, 1988 (P.L.1192, No.147), known as the Special Ad Hoc

1 Municipal Police and Firefighter Postretirement Adjustment Act,  
2 are amended and the section is amended by adding definitions to  
3 read:

4 Section 102. Definitions.

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

8 \* \* \*

9 "Retirement benefit." The amount paid on a regular basis to  
10 a retired or disabled police officer or firefighter by a  
11 municipal retirement system established for police officers or  
12 firefighters.

13 \* \* \*

14 ["Special ad hoc adjustment." A special ad hoc municipal  
15 police and firefighter postretirement adjustment.]

16 "Special ad hoc municipal police and firefighter  
17 postretirement adjustment[.]," "special ad hoc adjustment" or  
18 "special ad hoc postretirement adjustment." An increase in [or  
19 change in] the amount of a [retirement annuity, retirement  
20 benefit, service pension or disability pension benefit granted  
21 or effective after active employment ceases,] retirement benefit  
22 as provided for [on a one-time basis] under this [statute.] act.

23 "Years of service." The number of whole years of active,  
24 full-time employment as a police officer or firefighter credited  
25 under the retirement system.

26 "Years on retirement." The number of whole years that a  
27 police officer or firefighter has been retired as of January 1,  
28 2001.

29 Section 2. Chapter 3 heading of the act is amended to read:

30 CHAPTER 3

1                   1989 SPECIAL AD HOC MUNICIPAL POLICE AND  
2                   FIREFIGHTER POSTRETIREMENT ADJUSTMENT

3       Section 3. Section 301 of the act is amended to read:

4       Section 301. Entitlement to 1989 special ad hoc adjustment.

5       A municipal retirement system shall pay a retired police  
6       officer or firefighter a special ad hoc municipal police and  
7       firefighter postretirement adjustment under this chapter if all  
8       of the following apply:

9           (1) The retiree has terminated active employment with  
10       the municipality as a police officer or firefighter.

11          (2) The retiree is receiving a retirement annuity,  
12       retirement benefit, service pension or disability pension  
13       benefit from a municipal retirement system on the basis of  
14       active employment with a municipality as a police officer or  
15       firefighter.

16          (3) The retiree began receiving the retirement annuity,  
17       retirement benefit, service pension or disability pension  
18       benefit before January 1, 1985.

19       Section 4. Section 302 of the act, amended December 18, 1996  
20       (P.L.993, No. 152), is amended to read:

21       Section 302. Amount of 1989 special ad hoc adjustment.

22       (a) General rule.--Except as provided in [subsections (b)  
23       and (c)] subsection (b), a municipal retirement system shall pay  
24       a retired police officer or firefighter a special ad hoc  
25       municipal police and firefighter postretirement adjustment under  
26       section 301, as follows:

27           (1) The sum of \$25 a month, if on January 1, 1989, the  
28       retiree has been retired at least five years but less than  
29       ten years.

30           (2) The sum of \$50 a month, if on January 1, 1989, the

1 retiree is totally disabled and has been retired less than  
2 ten years.

3 (3) The sum of \$75 a month, if on January 1, 1989, the  
4 retiree has been retired at least ten years but less than 20  
5 years.

6 (4) The sum of \$150 a month, if on January 1, 1989, the  
7 retiree has been retired at least 20 years.

8 (b) Limitation.--If, under section 301, a retiree is  
9 entitled to be paid a special ad hoc municipal police and  
10 firefighter postretirement adjustment by more than one municipal  
11 retirement system, the amount of the special ad hoc adjustment  
12 under subsection (a) shall be reduced so that the total of all  
13 these adjustments paid to the retiree does not exceed the amount  
14 specified in subsection (a).

15 [(c) Modification in amount of postretirement adjustment.--  
16 In a municipality where, as of the most recent actuarial  
17 valuation prepared under the act of December 18, 1984 (P.L.1005,  
18 No.205), known as the Municipal Pension Plan Funding Standard  
19 and Recovery Act, the actuarial value of aggregated assets as a  
20 percentage of the aggregated actuarial accrued liabilities of  
21 the municipality's retirement systems is less than 50%, if a  
22 retiree entitled to receive a special ad hoc municipal police  
23 and firefighters postretirement adjustment will receive a  
24 postretirement adjustment from the applicable municipal police  
25 or paid firefighters retirement system after the effective date  
26 of this act, the amount of the special ad hoc postretirement  
27 adjustment under subsection (a) shall be reduced by the total  
28 amount of any municipal postretirement adjustment.]

29 (d) Construction.--[Subsections (b) and (c)] Subsection (b)  
30 shall not be construed to reduce the amount of any retirement

1 [annuity, retirement benefit, service pension or disability  
2 pension] benefit payable to a retiree immediately prior to [the  
3 effective date of this act] February 12, 1989.

4 Section 5. Section 303 of the act is amended to read:

5 Section 303. Payment of 1989 special ad hoc adjustment.

6 The special ad hoc adjustment is effective on the date of the  
7 first payment of the retiree's retirement annuity, retirement  
8 benefit, service pension or disability pension benefit due after  
9 December 31, 1988. The municipal retirement system shall pay  
10 this as soon as practicable after that and shall include in the  
11 first payment any omitted amount payable between the effective  
12 date of the adjustment and the date of the first payment.

13 Section 6. The act is amended by adding a chapter to read:

14 CHAPTER 4

15 ~~2001~~ 2002 SPECIAL AD HOC MUNICIPAL POLICE AND <—  
16 FIREFIGHTER POSTRETIREMENT ADJUSTMENT

17 Section 401. Entitlement to ~~2001~~ 2002 special ad hoc <—  
18 postretirement adjustment.

19 A municipal retirement system shall pay a retired police  
20 officer or firefighter a special ad hoc postretirement  
21 adjustment under this chapter if all of the following apply:

22 (1) The retiree has terminated active employment with  
23 the municipality as a police officer or firefighter.

24 (2) The retiree is receiving a retirement benefit from a  
25 municipal retirement system on the basis of active employment  
26 with the municipality as a police officer or firefighter.

27 (3) The retiree began receiving the retirement benefit  
28 before January 1, 1996.

29 Section 402. Amount of ~~2001~~ 2002 special ad hoc postretirement <—  
30 adjustment.

1     (a) General rule.--Except as provided in subsections (b) and  
2     (c), a municipal retirement system shall pay a retired police  
3     officer or firefighter a monthly special ad hoc postretirement  
4     adjustment under section 401 that shall be calculated as  
5     follows:

6             (1) The base adjustment shall be determined by  
7             multiplying 15¢ by the years of service and then multiplying  
8             that product by the years on retirement.

9             (2) The longevity factor shall be determined as the sum  
10            of the products calculated by multiplying 0.025 by the years  
11            on retirement and 0.05 by the years on retirement in excess  
12            of 25, if any.

13            (3) The longevity adjustment shall be determined by  
14            multiplying the base adjustment calculated under paragraph  
15            (1) by the longevity factor calculated under paragraph (2).

16            (4) The special ad hoc postretirement adjustment payable  
17            under section 401 shall be the sum of the base adjustment  
18            calculated under paragraph (1) and the longevity adjustment  
19            calculated under paragraph (3).

20     (b) Limitation.--If, under section 401, a retiree is  
21     entitled to be paid a special ad hoc postretirement adjustment  
22     by more than one municipal retirement system, the amount of the  
23     special ad hoc postretirement adjustment under subsection (a)  
24     shall be reduced so that the total of all these adjustments paid  
25     to the retiree does not exceed the amount specified in  
26     subsection (a).

27     (c) Modification in amount of ~~2001~~ 2002 special ad hoc  
28     postretirement adjustment.--The amount of the special ad hoc  
29     postretirement adjustment calculated under subsection (a) shall  
30     be reduced annually by 65% of the total amount of any

<—

1 postretirement adjustments provided to the retiree under the  
2 municipal retirement plan after December 31, 1988, and before  
3 January 1, 2001 2002 and paid in the immediately preceding year. <—

4 Section 7. Section 502 of the act is amended to read:

5 Section 502. Reimbursement by Commonwealth for special 1989 ad  
6 hoc adjustment.

7 (a) General rule.--Except as provided in subsection (b),  
8 beginning January 1, 1990, the Commonwealth shall reimburse a  
9 municipality, from the special account established under section  
10 701, for the actual special ad hoc adjustment under Chapter 3  
11 paid during the previous calendar year.

12 (b) Limitation of eligibility.--

13 (1) The Commonwealth shall not reimburse any  
14 municipality if the information required under section [901]  
15 901(a)(1) either was not certified to the Auditor General or  
16 was certified after April 1 of the year the certification was  
17 due.

18 (2) Beginning January 1, 2002, the Commonwealth shall  
19 not make any payment under subsection (a) to a municipality  
20 that in the immediately preceding year received an allocation  
21 of general municipal pension system State aid that was  
22 limited to the pension cost of the municipality under section  
23 402(f)(2) of the act of December 18, 1984 (P.L.1005, No.205),  
24 known as the Municipal Pension Plan Funding Standard and  
25 Recovery Act.

26 Section 8. The act is amended by adding a section to read:

27 Section 502.1. Reimbursement by Commonwealth for 2001 2002 <—  
28 special ad hoc adjustment.

29 (a) General rule.--

30 (1) Except as provided in subsection (b), beginning in

1 the year following the year in which the amortization  
2 contribution requirement attributable to a special ad hoc  
3 postretirement adjustment under Chapter 4 is first reflected  
4 in the financial requirements of the retirement system  
5 determined under Chapter 3 of the act of December 18, 1984  
6 (P.L.1005, No.205), known as the Municipal Pension Plan  
7 Funding Standard and Recovery Act, the Auditor General shall  
8 determine the Commonwealth reimbursement payable to the  
9 municipality representing the amortization contribution  
10 requirement attributable to the special ad hoc postretirement  
11 adjustment under Chapter 4 that was paid with revenues of the  
12 municipality other than general municipal pension system  
13 State aid provided under the Municipal Pension Plan Funding  
14 Standard and Recovery Act.

15 (2) The determination of the reimbursable amount of the  
16 amortization contribution requirement attributable to the  
17 special ad hoc postretirement adjustment under Chapter 4 in  
18 any year shall be calculated as the amortization contribution  
19 requirement attributable to the special ad hoc postretirement  
20 adjustments under Chapter 4 and reflected in the  
21 determination of the financial requirements of the pension  
22 plan under Chapter 3 of the Municipal Pension Plan Funding  
23 Standard and Recovery Act for the immediate prior year less  
24 the product of that amortization contribution requirement  
25 multiplied by the ratio of the amount of general municipal  
26 pension system State aid allocated to the retirement system  
27 in the immediate prior year to the total amount of municipal  
28 contributions made to the retirement system from all sources  
29 other than employee contributions in the immediate prior  
30 year. WHERE A MUNICIPALITY HAS ISSUED BONDS OR NOTES TO FUND

<—



1 AN UNFUNDED ACTUARIAL ACCRUED LIABILITY UNDER 53 PA.C.S. PT.  
2 V SUBPT. B (RELATING TO INDEBTEDNESS AND BORROWING) OR UNDER  
3 OTHER LAWS APPLICABLE TO THE MUNICIPALITY, THE GENERAL  
4 MUNICIPAL PENSION SYSTEM STATE AID AND MUNICIPAL  
5 CONTRIBUTIONS USED BY THE MUNICIPALITY TO MAKE DEBT SERVICE  
6 PAYMENTS ON THE BONDS OR NOTES, OR BOTH, ISSUED TO FUND AN  
7 UNFUNDED ACTUARIAL ACCRUED LIABILITY SHALL BE INCLUDED IN THE  
8 CALCULATION OF THE RATIO APPLIED TO THE AMORTIZATION  
9 CONTRIBUTION REQUIREMENT.

10 (3) The Commonwealth shall reimburse a municipality,  
11 from the special account established under section 701, for  
12 the reimbursable amount determined for each year under this  
13 paragraph.

14 (b) Limitation of eligibility.--

15 (1) The Commonwealth shall not reimburse any  
16 municipality for a special ad hoc adjustment paid under  
17 Chapter 4 if the information required under section 901(a)(2)  
18 either was not certified to the Auditor General or was  
19 certified after April 1 of the year the certification was  
20 due.

21 (2) The Commonwealth shall not reimburse a municipality  
22 for the reimbursable amount of the amortization contribution  
23 requirement attributable to the special ad hoc postretirement  
24 adjustment under Chapter 4 if the municipality fails to  
25 submit a complete certification of the reimbursable amount of  
26 the amortization contribution requirement determined under  
27 subsection (a) to the Auditor General before April 1 of the  
28 year in which the reimbursement is payable.

29 (c) Variable definition of amortization contribution  
30 requirement.--For purposes of this section, the term

"amortization contribution requirement" shall have the meaning specified in this subsection as follows:

(1) In a municipal pension plan with defined benefits for which the municipality determines the financial requirements of the pension plan under section 302 of the Municipal Pension Plan Funding Standard and Recovery Act, the term "amortization contribution requirement" shall mean the amortization contribution requirement attributable to the special ad hoc postretirement adjustments under Chapter 4 that was reflected in the financial requirements of the pension plan determined for the immediate prior year.

(2) In a municipal pension plan without defined benefits for which the municipality determines the financial requirements of the pension plan under section 303 of the Municipal Pension Plan Funding Standard and Recovery Act, the term "amortization contribution requirement" shall mean the sum of the payments made to the retirement system in the immediate prior year in order to provide the special ad hoc postretirement adjustments under Chapter 4 in that year.

Section 9. Sections 702, 901, 902, 903 and 1101 of the act are amended to read:

Section 702. Deposits into special account.

Notwithstanding any applicable provision of the act of May 12, 1943 (P.L.259, No.120), referred to as the Foreign Casualty Insurance Premium Tax Allocation Law, or any applicable provisions of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, or the provisions of sections 402(b) and 803(c) of the act of December 18, 1984 (P.L.1005, No.205), known as the Municipal Pension Plan Funding Standard and Recovery Act, beginning on January 1, 1990, prior to the

1 deposit of the proceeds of the insurance premium tax on foreign  
2 casualty insurance premiums into the General Municipal Pension  
3 System State Aid Program revenue account, an amount sufficient  
4 to provide for the Commonwealth's reimbursement payments and  
5 reimbursable amounts to municipalities for special ad hoc  
6 adjustments under this act shall be deposited in the separate  
7 account created under section 701.

8 Section 901. Municipal retirement system certification of  
9 adjustments paid and of reimbursable amounts.

10 (a) Certification.--

11 (1) Beginning January 1, 1989, the chief administrative  
12 officer of a municipal retirement system that pays a special  
13 ad hoc adjustment under Chapter 3 in that year shall certify  
14 the total of all adjustments under Chapter 3 paid during that  
15 year to the Auditor General not later than April 1 of the  
16 following year.

17 (2) Beginning in the year ~~2001~~ 2002, a municipality with <—  
18 a retirement system that pays a special ad hoc postretirement  
19 adjustment under Chapter 4 in a year shall certify its  
20 reimbursable amount under section 502.1(a) to the Auditor  
21 General not later than April 1 of the following year.

22 (b) [Form] Certification form.--

23 (1) Not later than February 1 of the year in which the  
24 form is due, the Auditor General shall send the retirement  
25 system the proper form on which to make the certification  
26 under subsection [(a)] (a)(1).

27 (2) Not later than February 1 of each year, the Auditor  
28 General shall send each municipality maintaining a retirement  
29 system for police officers or firefighters a notice of the  
30 filing requirement for the certification of the reimbursable

1 amount under section 502.1(a), which shall include a detailed  
2 description of the formula for determining the reimbursable  
3 amount and the proper form on which to make the  
4 certifications under subsection (a)(2).

5 Section 902. Commonwealth disbursement of reimbursement  
6 payment.

7 (a) Payment to account.--Not later than June 1 of the year  
8 in which the form is due, the Auditor General shall certify to  
9 the State Treasurer the amount to be deposited into the special  
10 account created in section 701 and shall draw a warrant, payable  
11 to the treasurer of the municipality, on the State Treasurer  
12 from the special account created in section 701 for the amount  
13 certified under section 901(a).

14 (b) [Disbursement] Disbursements.--

15 (1) Not later than September 1 of the year in which the  
16 form is due, the State Treasurer shall disburse the  
17 reimbursement payment for the special ad hoc postretirement  
18 adjustments under Chapter 3 out of the special account  
19 created in section 701.

20 (2) Not later than the first business day of October of  
21 the year in which the certification form is due, the State  
22 Treasurer shall disburse the reimbursement payment for the  
23 postretirement adjustments under Chapter 4 out of the special  
24 account created in section 701.

25 Section 903. Municipal receipt of reimbursement payment.

26 (a) 1989 postretirement adjustment reimbursement.--Upon  
27 receipt of the reimbursement payment from the Commonwealth for  
28 the postretirement adjustments under Chapter 3, the treasurer of  
29 the municipality shall deposit the reimbursement payment into  
30 the municipality's general fund.

1     (b) 2001 2002 postretirement adjustment reimbursement.--Upon <—  
2     receipt of the reimbursement payment from the Commonwealth for  
3     the postretirement adjustments under Chapter 4, the treasurer of  
4     the municipality shall deposit the reimbursement payment into  
5     the municipality's general fund.

6     Section 1101. Limitation of prior act.

7     [The provisions of section 7 of the act of July 9, 1981  
8     (P.L.208, No.66), known as the Public Employee Retirement Study  
9     Commission Act, shall not be applied to this act.] To the extent  
10    that a special ad hoc municipal police postretirement adjustment  
11    granted by the Commonwealth causes the calculation of total  
12    benefits to be paid to a member of a police force receiving  
13    retirement benefit to exceed the limitations contained in the  
14    act of May 29, 1956 (1955 P.L.1804, No.600), referred to as the  
15    Municipal Police Pension Law, the police pension fund may exceed  
16    the limitations therein provided to pay the adjustment to the  
17    retired or disabled member.

18    Section 10. The special ad hoc postretirement adjustment  
19    under section 401 of the act is effective on the date of the  
20    first retirement benefit made after ~~the effective date of this~~ <—  
21    ~~act~~ JULY 1, 2002. If the special ad hoc postretirement <—  
22    adjustment under section 401 of the act is not included in the  
23    initial retirement benefit payment occurring after ~~the effective~~ <—  
24    ~~date of this act~~ JULY 1, 2002, the special ad hoc postretirement <—  
25    adjustment shall be included as soon as practicable in the  
26    retirement benefit payment of the retiree, and the initial  
27    retirement benefit payment that includes the special ad hoc  
28    postretirement adjustment also shall include the total amount of  
29    the special ad hoc postretirement adjustments previously omitted  
30    from the retirement benefit payments made after ~~the effective~~ <—

1 ~~date of this act~~ JULY 1, 2002.

<—

2       Section 11. This act shall take effect in 60 days.