
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2081 Session of
2019

INTRODUCED BY GREINER, GROVE, ZIMMERMAN, RYAN, B. MILLER,
KEEFER, GILLEN, RADER, DALEY, DUSH, JAMES, WHEELAND, SCHMITT
AND COMITTA, NOVEMBER 20, 2019

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, NOVEMBER 20, 2019

AN ACT

1 Providing for management of municipal pension plans and for
2 penalties.

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

5 Section 1. Short title.

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

8 Section 2. Definitions.

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

12 "Board." The Pennsylvania Municipal Retirement Board.

13 "Compensation." As follows:

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

17 (2) A member's compensation for a calendar year may not

1 exceed the limit prescribed by section 401(a)(17) of the
2 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
3 401(a)(17)).

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

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

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

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

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

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

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

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

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

30 "Municipality." A city of the second class, city of the

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

3 "Pension plan." A pension plan established under the act of
4 December 18, 1984 (P.L.1005, No.205), known as the Municipal
5 Pension Plan Funding Standard and Recovery Act, the act of May
6 29, 1956 (1955 P.L.1804, No.600), referred to as the Municipal
7 Police Pension Law, or any other pension plan established under
8 a municipal code.

9 "Superannuation age." As follows:

10 (1) For uniformed employees, any age with the accrual of
11 25 years of credited service and age 55.

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

14 Section 3. Management of pension plans.

15 The governing body of each pension plan that has fewer than
16 100 active members shall select the most qualified person to
17 enter into a contract to administer, manage or service the
18 pension plan. To ensure that the availability of the contract is
19 provided to potential participants, the governing body shall:

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

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

25 Section 4. Assumed actuarial rate of return.

26 (a) General rule.--Except as provided under subsection (d),
27 within 10 years of the effective date of this section and each
28 year thereafter, a municipality shall use an assumed actuarial
29 rate of return not to exceed the actuarial rate of return
30 established by the board plus 1%.

1 (b) Transition.--Within the 10-year period provided under
2 subsection (a), a municipality shall adjust its assumed
3 actuarial rate of return and reduce the assumed rate of return
4 in 10 equal installments to comply with subsection (a).

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

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

12 Section 5. Mandatory minimum obligation.

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

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

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

30 Section 6. Restriction on State aid.

1 State aid received by a municipality may not be used for the
2 payment of administrative fees expended for the management of
3 the municipality's pension.

4 Section 7. Changes to pension plans.

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

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

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

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

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

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

26 (5) Any award through collective bargaining or
27 arbitration under the act of June 24, 1968 (P.L.237, No.111),
28 referred to as the Policemen and Firemen Collective
29 Bargaining Act, shall comply with the provisions of this
30 section.

1 Section 8. General accounting standards.

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

7 Section 9. Public disclosure.

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

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

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

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

19 (1) An itemization of the administrative fees.

20 (2) The mandatory minimum obligation payment amount.

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

24 Section 10. Deferred retirement option plans.

25 A member of a pension plan shall be ineligible for
26 participation in a deferred retirement option plan under Chapter
27 11 of the act of December 18, 1984 (P.L.1005, No.205), known as
28 the Municipal Pension Plan Funding Standard and Recovery Act
29 after the effective date of this section.

30 Section 11. Effective date.

1 This act shall take effect immediately.