

No. 1990-189

AN ACT

SB 1307

Amending the act of December 18, 1984 (P.L.1005, No.205), entitled "An act mandating actuarial funding standards for all municipal pension systems; establishing a recovery program for municipal pension systems determined to be financially distressed; providing for the distribution of the tax on the premiums of foreign fire insurance companies; and making repeals," further providing for the financial requirements of the pension plan and the minimum obligation of the municipality.

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

Section 1. Sections 302(b)(2), (c) and (d) and 303(c) of the act of December 18, 1984 (P.L.1005, No.205), known as the Municipal Pension Plan Funding Standard and Recovery Act, are amended to read:

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

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(b) Financial requirements of the pension plan.—

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(2) The normal cost and administrative expense requirements for the following plan [years] year shall be expressed as a dollar amount and shall be determined by applying the normal cost of the benefit plan and the administrative expense payable from the assets attributable to the benefit plan, as reported in the actuarial valuation report of the pension plan and expressed as a percentage of [covered] payroll, to the [estimated covered] payroll of the active membership of the pension plan [including any projected increase in active membership for the following year] *as of the date the financial requirements of the pension plan are determined.*

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

[(1) The amount of any general municipal pension plan State aid from the Commonwealth anticipated as receivable by the municipality pursuant to section 402 and to be allocated to the pension plan for the following plan year.

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

[(3)] (2) If the actuarial value of the assets of the pension plan exceed the actuarial accrued liability of the pension plan, an amount equal to one-

tenth of the amount by which the actuarial value exceeds the actuarial accrued liability.

(d) **Payment of minimum municipal obligation.**—Annually the municipality shall provide for the full amount of the minimum obligation of the municipality in the budget of the municipality. The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality. Payment of the minimum obligation of the municipality shall be made by the municipality **[and if made during the month of January, shall be payable without any interest, and if made subsequent to the month of January but] prior to December 31[, shall be payable with interest for the period since January 1 at a rate equal to the interest assumption used for the actuarial valuation report, expressed on a monthly basis].**

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

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(c) **Minimum obligation of the municipality.**—Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year. The minimum obligation of the municipality with respect to the pension plan shall be the employer contribution portion of financial requirements determined pursuant to the terms of the contract or policy with the insurance carrier or the plan document governing the pension plan, whichever is applicable, **reduced by the amount of any general municipal pension plan State aid from the Commonwealth anticipated as receivable by the municipality pursuant to section 402 and to be allocated to the pension plan for the following plan year].**

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Section 2. This act shall take effect immediately.

APPROVED—The 18th day of December, A. D. 1990.

ROBERT P. CASEY