

Pennsylvania Municipal Retirement Board Policy Statement 10 – 2 Adopted March 17, 2010	Plan Withdrawal Procedure
--	---------------------------

Purpose: To document how the Pennsylvania Municipal Retirement Board (Board) processes a plan’s request to withdraw from the Pennsylvania Municipal Retirement System (System).

Authority: The Pennsylvania Municipal Retirement Law, Act 15 of 1974 (referred to as “the Act”), contains three articles (Articles II, III, and IV) that allow for municipalities to enroll their pension plan in the System. Each article contains a section that also allows a municipality to withdraw from the System. (See Sections 214, 316, and 412). Each of the previously cited sections also cites Section 104 (General Powers of the Board) which authorizes the Board to adopt rules and regulations for the proper administration of the System. The Board has adopted regulations to this end. (See 16 Pa. Code, 81.10 -Withdrawal Provisions.)

Background: The Pennsylvania Municipal Retirement Board is required to take action on the application of a plan that seeks permission to withdraw from the System. While the Act and the adopted regulations set forth the specific requirements that must be met, the Board wishes to specify how the application will be processed and the steps that will be followed once a plan’s application to withdraw has been approved.

Policy: Requirements for Withdrawal - A municipality that files an application with the Board for permission to withdraw from the System must meet all of the following requirements:

1. the plan has been enrolled in the System for a period of at least five years;
2. the municipality has met all of the plan’s financial obligations to the System;
3. the legislative body of the municipality has passed an ordinance or, if the legislative body does not possess the authority to adopt ordinances, a resolution, signifying its intention to withdraw from the System;
4. the municipality has certified to the Board that an affirmative vote approving withdrawal from the System had been obtained from at least seventy-five per cent of all of the municipal employees (the term “municipal employee” for the purpose of considering a plan’s withdrawal has been defined by regulation to include a plan’s active members, inactive members, vested members and retired members);
5. the municipality has acknowledged its responsibility to assume and provide for all future benefit payments to the existing active, inactive, vested and retired members and their beneficiaries effective upon the withdrawal; and,

6. the application has specified a date for the plan withdrawal to become effective, provided if there are retired members in active pay status the effective date must be the first day of a month no earlier than the month after which the Board is scheduled to take action on the withdrawal application.

Board Consideration of Application - The Board shall take action within ninety (90) days of receipt of an application for permission to withdraw from the System. Should no regular Board meeting be scheduled to occur within ninety (90) days of receipt of an application, the Secretary shall arrange with the Board Chair to schedule a special meeting to take action on the application.

Concurrently with the scheduling of the application for action by the Board, the Secretary shall provide the Office of Chief Counsel with a copy of the application and any associated documents. The Office of Chief Counsel shall advise the Board as to whether or not the application meets the requirements of the law and Board adopted regulations. The Secretary shall also cause a review of the plan's accounts to be undertaken and a determination to be made as to whether the plan's financial obligations to the System have been met. The Secretary shall report the results of this review to the Board.

If the Board approves the municipality's application to withdraw its plan, the municipality shall be entitled to receive a refund of the assets of the plan calculated in accordance with the procedure set forth below. The Board may require the withdrawing municipality to enter into a written agreement with the Board terminating its contractual relationship with the Board and fixing the respective rights of the parties. Additionally, the withdrawing municipality may be required to obtain individual waivers or releases from affected members. If the board disapproves the application of the municipality to withdraw, the Secretary shall notify the municipality of the Board's decision and advise the municipality of the Board's reason or reasons for disapproval.

Calculation of Plan Assets to be Refunded – When the Board approves a municipality's application to withdraw a plan from the System, the Secretary shall cause to be determined as of the effective date of withdrawal, the total of all amounts then standing to the credit of the plan in the members' accounts, the members' excess investment accounts, the municipal account and the retired members' reserve accounts. When determining the amount then standing to the credit of the plan in the retired members' accounts, the Secretary shall utilize Policy Statement 10-3. This total shall be considered the plan's credited assets.

Pennsylvania Municipal Retirement Board Policy Statement 10 – 2 (Con't) Adopted March 17, 2010	Plan Withdrawal Procedure
--	---------------------------

The Secretary shall also determine whether or not the actuarial value of the System's assets exceed the System's market value of its investments in the most current actuarial valuation accepted by the Board. If the actuarial value of assets exceeded the market value of investments, the ratio of market value to actuarial value shall be multiplied times the plan's credited assets. The resulting product shall be considered the plan's net refund. If the actuarial value of assets is less than the market value of investments, the plan's credited assets shall be the plan's net refund.

In the event that the withdrawal of the plan is due to the dissolution of the employing municipal entity and all of the assets and liabilities of the withdrawing plan are to be transferred and distributed to a PMRS member plan or plans; then, regardless of the ratio of the System's market value to actuarial value, the withdrawing plan's credited assets shall be the plan's net refund.

Specifics of the Plan's Net Refund – Once the determination of a withdrawing plan's net refund is made, the Secretary shall cause said amount to be made payable to the plan's withdrawing municipality. The net refund may be made in a single payment or in multiple payments depending on the municipality's certification of all plan payments into the System. If the withdrawing plan has retirees in an active payment status, the Secretary shall make every attempt to refund, at a minimum, that portion of the plan's net refund attributable to the retired members' accounts prior to the date the municipality must begin to make monthly benefit payments.

All payouts are to be considered a trustee-to-trustee payment. A complete accounting of the plan's net refund, as well as the System's financial statements for the plan for the year in which the plan withdraws shall be provided to the withdrawing municipality.

Effective Date: This policy is to be implemented effective immediately.

Adoption Date: Adopted at the March 17, 2010 meeting of the Pennsylvania Municipal Retirement Board.

---

James B. Allen, Secretary