

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 373

Session of
1979

INTRODUCED BY MESSRS. WEIDNER, FRYER, A. C. FOSTER, JR., LEVI,
MISS SIRIANNI, MESSRS. CESSAR, BURNS, NOYE, KLINGAMAN,
FREIND, GALLAGHER, RHODES, DIETZ, WENGER AND RODGERS,
FEBRUARY 20, 1979

AS REPORTED FROM COMMITTEE ON LOCAL GOVERNMENT, HOUSE OF
REPRESENTATIVES, AS AMENDED, APRIL 23, 1979

AN ACT

1 Amending the act of February 1, 1974 (P.L.34, No.15), entitled
2 "An act creating a Pennsylvania Municipal Retirement System
3 for the payment of retirement allowances to officers,
4 employes, firemen and police of political subdivisions and
5 municipal authorities and of institutions supported and
6 maintained by political subdivisions and municipal government
7 associations and providing for the administration of the same
8 by a board composed of the State Treasurer and others
9 appointed by the Governor; imposing certain duties on the
10 Pennsylvania Municipal Retirement Board and the actuary
11 thereof; providing the procedure whereby political
12 subdivisions and municipal authorities may join such system,
13 and imposing certain liabilities and obligations on such
14 political subdivisions and municipal authorities in
15 connection therewith, and as to certain existing retirement
16 and pension systems, and upon officers, employes, firemen and
17 police of such political subdivisions, institutions supported
18 and maintained by political subdivisions, and upon municipal
19 authorities; providing for the continuation of certain
20 municipal retirement systems now administered by the
21 Commonwealth; providing certain exemptions from taxation,
22 execution, attachment, levy and sale and providing for the
23 repeal of certain related acts," PROVIDING THAT A PERSON
24 RECEIVING A RETIREMENT ALLOWANCE BE A MEMBER OF THE
25 PENNSYLVANIA MUNICIPAL RETIREMENT BOARD AND further providing
26 for the actuarial soundness of the fund, for excess interest,
27 for payment of administrative funds from excess interest
28 earnings, for member's excess investment account, for joining
29 the fund, for municipal liability, for credit for other
30 governmental service, for contributions, for return to
31 service and for computation of benefits.

<—

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

3 Section 1. The definition of "actuarially sound" in section
4 102, act of February 1, 1974 (P.L.34, No.15), known as the
5 "Pennsylvania Municipal Retirement Law," is amended and the
6 section is amended by adding definitions to read:

7 Section 102. Definitions.--As used in this act:

8 * * *

9 "Actuarially sound" means a plan which is being operated
10 under supervision of an actuary and which is being funded
11 annually at a level not lower than the normal cost of the plan
12 plus a contribution towards the unfunded accrued liability
13 sufficient to complete the funding thereof within thirty years
14 of the effective date of the system. If the unfunded accrued
15 liability is increased subsequent to the effective date of the
16 system, such additional liability shall be funded within a
17 period of thirty years from the effective date of the increase.
18 If deemed advisable by the actuary, the initial liability and
19 any increase thereof, may be combined and amortized over a
20 period of years, not to exceed thirty.

21 * * *

22 "Excess interest" means the investment earnings on the fund
23 in excess of that required for allocation to regular interest
24 and expenses.

25 * * *

26 "Member's excess investment account" means the account
27 maintained for each member, to which shall be credited such
28 excess interest deemed to be earned on member contributions
29 allocated by the board.

30 * * *

1 SECTION 2. SECTION 103 OF THE ACT, AMENDED JANUARY 4, 1978 <—

2 (P.L.1, NO.1), IS AMENDED TO READ:

3 SECTION 103. PENNSYLVANIA MUNICIPAL RETIREMENT BOARD.--A
4 PENNSYLVANIA MUNICIPAL RETIREMENT BOARD IS HEREBY CREATED, WHICH
5 SHALL CONSIST OF THE STATE TREASURER, SECRETARY OF THE
6 COMMONWEALTH, SIX MUNICIPAL ELECTED OFFICIALS OR EMPLOYES OF
7 DIFFERENT CLASSES OF MUNICIPALITIES WHICH HAVE JOINED THE
8 SYSTEM, ONE RETIRED MEMBER OF THE SYSTEM WHO IS RECEIVING A
9 RETIREMENT ALLOWANCE, ONE MUNICIPAL FIREMAN EMPLOYED BY A
10 MUNICIPALITY WHICH HAS JOINED THE SYSTEM AND ONE MUNICIPAL
11 POLICEMAN EMPLOYED BY A MUNICIPALITY WHICH HAS JOINED THE
12 SYSTEM. THE [EIGHT] NINE LATTER MEMBERS SHALL BE APPOINTED BY
13 THE GOVERNOR FROM AMONG NOMINATIONS MADE BY THE COUNTY
14 COMMISSIONERS ASSOCIATION, THE PENNSYLVANIA LEAGUE OF CITIES,
15 THE PENNSYLVANIA ASSOCIATION OF TOWNSHIP COMMISSIONERS, THE
16 PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP SUPERVISORS, THE
17 PENNSYLVANIA STATE ASSOCIATION OF BOROUGHES AND THE PENNSYLVANIA
18 MUNICIPAL AUTHORITIES ASSOCIATION, AND ASSOCIATIONS REPRESENTING
19 MUNICIPAL FIREMEN AND MUNICIPAL POLICE, TO SERVE FOR A TERM OF
20 FOUR YEARS EACH AND UNTIL THEIR SUCCESSORS ARE APPOINTED AND
21 QUALIFIED. APPOINTMENTS OF MEMBERS MADE BY THE GOVERNOR SHALL
22 NOT REQUIRE THE ADVICE AND CONSENT OF THE SENATE. THE TWO
23 MUNICIPAL EMPLOYE MEMBERS OF THE MUNICIPAL EMPLOYEES' RETIREMENT
24 BOARD, APPOINTED BY THE GOVERNOR FROM AMONG NOMINATIONS MADE BY
25 VARIOUS ASSOCIATIONS OF COUNTY AND MUNICIPAL OFFICERS, WHO ARE
26 SERVING ON THE EFFECTIVE DATE OF THIS ACT, SHALL CONTINUE TO
27 SERVE AS MEMBERS OF THE PENNSYLVANIA MUNICIPAL RETIREMENT BOARD
28 UNTIL THE EXPIRATION OF THEIR RESPECTIVE TERMS.

29 A CHAIRMAN AND VICE CHAIRMAN OF THE BOARD SHALL BE ELECTED BY
30 THE BOARD EVERY YEAR AT THE JANUARY MEETING OF THE BOARD AND THE

1 CHAIRMAN AND VICE-CHAIRMAN MAY SUCCEED THEMSELVES FOR THE
2 APPOINTED TERM OF FOUR YEARS.

3 VACANCIES HAPPENING FROM AMONG MEMBERS APPOINTED FROM AMONG
4 THE NOMINATIONS MADE BY THE ASSOCIATIONS SHALL BE FILLED BY THE
5 APPOINTMENT OF A SUCCESSOR FOR A FULL TERM OF FOUR YEARS.

6 NO APPOINTED MEMBER SHALL SERVE MORE THAN TWO CONSECUTIVE
7 FULL TERMS.

8 EACH MEMBER OF THE BOARD SHALL TAKE AN OATH OF OFFICE THAT HE
9 WILL DILIGENTLY AND HONESTLY ADMINISTER THE AFFAIRS OF THE
10 BOARD, AND THAT HE WILL NOT KNOWINGLY VIOLATE OR WILFULLY PERMIT
11 TO BE VIOLATED ANY OF THE PROVISIONS OF THIS ACT.

12 A QUORUM OF THE BOARD SHALL CONSIST OF SIX MEMBERS.

13 Section ~~2-~~ 3. Sections 104, 105 and 110 of the act, are <—
14 amended to read:

15 Section 104. General Powers of the Board.--The board shall:

16 (1) Appoint a secretary who shall appoint the clerical and
17 other employes of the board, whose positions, including the
18 secretary's, shall be under the classified service provisions of
19 the act of August 5, 1941 (P.L.752, No.286), as amended and the
20 secretary shall fill future vacancies in accordance with such
21 provisions. The compensation of all persons so appointed shall
22 be fixed by the board and shall be consistent with the standards
23 established by the Executive Board of this Commonwealth;

24 (2) Contract for professional services, including but not
25 limited to actuarial, investment and medical as it deems
26 advisable;

27 (3) Keep in convenient form such data as shall be deemed
28 necessary for actuarial valuation purposes;

29 (4) From time to time, through its actuary, make an
30 actuarial investigation into the mortality and service

1 experience of the contributors and annuitants and of the various
2 accounts created by this act;

3 (5) Adopt for the system one or more mortality tables and
4 such other tables as shall be deemed necessary;

5 [(6) Certify the rates of deduction from salary necessary to
6 pay the member's annuities;]

7 (7) Certify annually the amount of appropriation which each
8 municipality shall pay into the retirement fund, which amounts
9 shall be based on estimates furnished by the actuary, and shall
10 be credited to the municipal account of the fund;

11 (8) Prepare and publish annually a financial statement
12 showing the condition of the fund and the various accounts
13 thereof, and setting forth such other facts, recommendations and
14 data as may be of use in the advancement of knowledge concerning
15 the Pennsylvania Municipal Retirement System, and furnish a copy
16 thereof to each municipality which has joined the system, and to
17 such persons as may request copies thereof;

18 (9) Keep a record of all its proceedings, which will be open
19 to inspection by the public;

20 (10) From time to time, with the advice of the Attorney
21 General and the actuary, adopt and promulgate such rules and
22 regulations as may be required for the proper administration of
23 the fund created by this act and the several accounts thereof,
24 and for the transaction of the business of the board;

25 (11) Be authorized to approve any optional retirement plan
26 for municipal employes, municipal firemen or municipal police,
27 with any municipality as long as it is actuarially sound and
28 benefits under the plan are not in excess of or member's minimum
29 contribution rates are not less than those provided in other
30 existing retirement laws pertaining to that class of

1 municipality; except to the extent that excess investment
2 earnings are allocated by the board to provide for additional
3 pension benefits or member accruals as otherwise provided in
4 this law;

5 (12) Prepare and distribute annual statements of accounts to
6 each of the active members of the system, showing the
7 contributions made during the year, the interest earned and the
8 total balance standing in the member's account at the end of the
9 year;

10 (12.1) From time to time, the board may allocate excess
11 investment earnings to provide additional "cost-of-living"
12 pension benefits to those members who have already retired. Such
13 allocations shall be made, with the advice of the actuary, on a
14 fully funded basis employing actuarial assumptions which reflect
15 the nature of the liability.

16 (12.2) From time to time, the board may allocate excess
17 investment earnings for active members by applying such
18 allocation to member contributions. To the extent that
19 additional liabilities may accrue as a result of such
20 allocation, the actuary shall employ actuarial assumptions, on a
21 fully funded basis, to accurately reflect the nature of the
22 liability generated therefrom.

23 (13) Perform such other functions as are required for the
24 execution of the provisions of this act.

25 Section 105. Preliminary Actuarial Investigation Tables and
26 Rates.--As soon as may be after the passage of this act, the
27 actuary shall make an investigation of the mortality, service
28 and salary experience of municipal employees, municipal firemen
29 and municipal police as he shall deem necessary, for the purpose
30 of determining upon tentative tables and municipal

1 contributions. On the basis of such investigation and
2 recommendation, the board shall adopt such tentative tables and
3 certify such tentative rates for the purpose of giving
4 municipalities and municipal employes, municipal firemen and
5 municipal police estimates of the cost involved in electing to
6 join the retirement system established by this act. [Such tables
7 may thereafter be accepted or changed by the board, as
8 experience may require.] The actuary shall make subsequent
9 investigations at least once every five years in order to enable
10 the board to change such tables when necessary.

11 Section 110. Management and Investment of Fund; Interest
12 Credits.--The members of the board shall be trustees of the
13 fund, and shall have the exclusive management of said fund, with
14 full power to invest the moneys therein, subject to the terms,
15 conditions, limitations and restrictions imposed by law upon
16 fiduciaries. The said trustees shall have power to hold,
17 purchase, sell, assign, transfer and dispose of any securities
18 and investments in said fund, as well as the proceeds of such
19 investments, and of the money belonging to such fund.

20 The board shall annually allow regular interest to the credit
21 on each [account, including each contributor's account]
22 contributor's account, municipal account, the retired members
23 reserve account and the total disability reserve account. In
24 addition, the board shall, after paying expenses, annually allow
25 such excess interest it deems appropriate to the credit of the
26 municipal accounts, member's accounts, the member's excess
27 investment accounts, retired members reserve accounts and total
28 disability reserve accounts. The board may also maintain a
29 contingency reserve account made up of such additional excess
30 interest as it deems appropriate.

1 Section ~~3-~~ 4. Section 112 of the act, amended January 4, <—
2 1978 (P.L.1, No.1), is amended to read:

3 Section 112. Annual Estimates to Municipalities;
4 Administrative Expenses.--The board shall prepare and submit to
5 each municipality, on or before the first day of the third
6 month preceding the commencing of each municipality's fiscal
7 year, an itemized estimate of the amounts necessary to be
8 appropriated by the municipality to complete the payments of the
9 obligations of the municipality to the fund during its next
10 fiscal year.

11 The board shall annually prepare and approve a budget
12 covering the administrative expenses of this act. Such expenses
13 as approved by the board shall be paid from ~~receipts from~~ <—
14 assessments made against each municipality for administrative
15 expenses. This assessment shall be based on the number of
16 members in each municipality and shall not exceed the sum of
17 twenty dollars (\$20) per member per year. If, in the calendar
18 years [1974, 1975, 1976, 1977, 1978 and 1979,] 1980 AND 1981 the <—
19 amount received from such assessments, when imposed at the
20 maximum rate, is not sufficient to cover the administrative
21 expenses, then the balance of such expenses shall be paid from~~+~~ <—
22 interest earnings on the fund in excess of the regular interest
23 credited to the municipal and member's accounts and shall not,
24 in any year, exceed [three-quarters of] ~~one~~ one and one half <—
25 per cent of the total asset value of the fund as of the
26 beginning of the calendar year. The administration of the
27 Pennsylvania Municipal Retirement System shall be audited
28 annually and a report of this audit shall be made annually to
29 the General Assembly.

30 Section ~~4-~~ 5. Sections 113, 203, 204, 205 and 206 of the act <—

1 are amended to read:

2 Section 113. Existing Local Retirement Systems.--Where a
3 municipality elects to join the system established by this act,
4 and is then maintaining a retirement or pension system or
5 systems covering its employes in whole or in part, those
6 employes so covered, and employes thereafter eligible to join
7 such pension system, shall not become members of the retirement
8 system established by this act, unless at the time the
9 municipality elects to join the system, the members of each such
10 existing retirement or pension system shall, by the affirmative
11 vote of seventy-five per cent of all the members of each pension
12 system, elect to be covered by the retirement system established
13 by this act. At any time thereafter, within a period of three
14 years after the municipality has elected to join the system, but
15 not thereafter, the members of an existing retirement or pension
16 system may, in like manner, elect to join the system established
17 by this act. In any such case, provisions may be made for the
18 transfer of moneys and securities in its retirement or pension
19 fund or funds, in whole or in part, to the fund established by
20 this act. Securities so transferred shall be only those
21 acceptable to the board. Securities not so acceptable shall be
22 converted into cash, and said cash transferred to the fund
23 created by this act. In any such transfer, provision shall be
24 made to credit the accumulated deductions of each member, at
25 least the amount he has paid into the retirement or pension
26 system of the municipality, which moneys shall be credited
27 against the prior service contributions of such member, or a
28 municipality may turn over to the retirement system created by
29 this act any existing local pension system on a completely
30 funded basis, as to pensioners and pension credits of members

1 related to prior service to the date of transfer, or on a
2 partially funded basis if the municipality pays annually into
3 the retirement system amounts sufficient to completely liquidate
4 the municipality's liability for prior service within a period
5 not to exceed thirty years.

6 No liability, on account of retirement allowances or pensions
7 being paid from any retirement or pension fund of the
8 municipality, shall attach against the fund, except as provided
9 in the agreement, making a transfer of an existing system in
10 accordance with this section. The liability to continue payment
11 of pensions not so transferred shall attach against the
12 municipality, which shall annually make appropriations from its
13 tax revenues sufficient to pay the same. In cases where workers
14 covered by an existing retirement or pension system elect to
15 join the system created by this act, the election to join shall
16 be deemed to have been made at the time the municipality elected
17 to join the system, and the liabilities of the municipality
18 shall be fixed accordingly.

19 Notwithstanding any other provision herein, the board may, in
20 its discretion, entertain a request from a municipality to join
21 the system established by this act for those employees who are
22 excluded from local pension plan coverage by virtue of the
23 collective bargaining process or otherwise. The request to join
24 the system must be accompanied by an affirmative vote of no less
25 than three-fourths of those employees not covered by the local
26 pension plan. The benefits to be established may be in
27 accordance with the provisions of this article or to any other
28 relevant pension law covering that class of municipality. The
29 other requirements of this section for joining this system shall
30 be observed.

1 Section 203. Existing Local Retirement Systems and
2 Compulsory and Optional Membership.--Where a municipality elects
3 to join the system established by this act, and is then
4 maintaining a retirement or pension system or systems covering
5 its employees in whole or in part, those employees so covered, and
6 employees thereafter eligible to join such pension system, shall
7 not become members of the retirement system established by this
8 act, unless at the time the municipality elects to join the
9 system, the members of each such existing retirement or pension
10 system shall, by the affirmative vote of seventy-five per cent
11 of all the members of each pension system, elect to be covered
12 by the retirement system established by this act. At any time
13 thereafter, within a period of three years after the
14 municipality has elected to join the system, but not thereafter,
15 the members of an existing retirement or pension system may, in
16 like manner, elect to join the system established by this act.
17 In any such case, provisions may be made for the transfer of
18 moneys and securities in its retirement or pension fund or
19 funds, in whole or in part, to the fund established by this act.
20 Securities so transferred shall be only those acceptable to the
21 board. Securities not so acceptable shall be converted into
22 cash, and said cash transferred to the fund created by this act.
23 In any such transfer, provision shall be made to credit the
24 accumulated deductions of each member, at least the amount he
25 has paid into the retirement or pension system of the
26 municipality, which moneys shall be credited against the prior
27 service contributions of such member, or a municipality may turn
28 over to the retirement system created by this act any existing
29 local pension system on a completely funded basis, as to
30 pensioners and pension credits of members related to prior

1 service to the date of transfer, or on a partially funded basis
2 if the municipality pays annually into the retirement system
3 amounts sufficient to completely liquidate the municipality's
4 liability for prior service within a period not to exceed thirty
5 years.

6 No liability, on account of retirement allowances or pensions
7 being paid from any retirement or pension fund of the
8 municipality, shall attach against the fund, except as provided
9 in the agreement, making a transfer of an existing system in
10 accordance with this section. The liability to continue payment
11 of pensions not so transferred shall attach against the
12 municipality, which shall annually make appropriations from its
13 tax revenues sufficient to pay the same. In cases where workers
14 covered by an existing retirement or pension system elect to
15 join the system created by this act, the election to join shall
16 be deemed to have been made at the time the municipality elected
17 to join the system, and the liabilities of the municipality
18 shall be fixed accordingly.

19 If a municipality elects to join the system under the
20 provisions of this Article II, then each officer other than
21 elected officers, and each employe thereof other than a
22 municipal fireman and a municipal policeman, employed on a
23 permanent basis, except one who is not eligible for Federal
24 Social Security coverage and except one who is covered by an
25 existing retirement or pension system and is exempted as
26 outlined above, shall be required to become a member of the
27 system. Each municipality shall determine whether membership in
28 said system for elected officials and employes hired on a
29 temporary or seasonal basis shall be compulsory, optional or
30 prohibited. Where membership may be optional with an elected

1 officer or an employee hired on a temporary or seasonal basis, an
2 election to join the system must be made within one year after
3 the municipality elected to join the system or within one year
4 after the officer or temporary or seasonal employee first entered
5 the service of the municipality. Officers and employees paid only
6 on a fee basis shall not be eligible to join the system.

7 When a municipality has established a policy of placing new
8 employees on a probationary status it may elect to refrain from
9 enrolling such employees into the system for a period of up to
10 one year from the date the probationary employee first entered
11 the service of the municipality. In such cases service credits
12 shall not be earned by the employee for probationary time served
13 prior to enrollment.

14 Notwithstanding any other provision herein, the board may, in
15 its discretion, entertain a request from a municipality to join
16 the system established by this act for those employees who are
17 excluded from local pension plan coverage by virtue of the
18 collective bargaining process or otherwise. The request to join
19 the system must be accompanied by an affirmative vote of no less
20 than three-fourths of those employees not covered by the local
21 pension plan. The benefits to be established may be in
22 accordance with the provisions of this article or any other
23 relevant pension law covering that class of municipality. The
24 other requirements of this section for joining this system shall
25 be observed.

26 Section 204. Service Allowance; Change of Employment;
27 Military Service.--In computing the length of service of a
28 contributor for retirement purposes, full credit shall be given
29 to each original member for each year of service rendered to the
30 municipality prior to the time the municipality joined the

1 system, whether or not such service was continuous.

2 As soon as practicable, the board shall issue to each
3 original member a certificate certifying the aggregate length of
4 service rendered to the municipality prior to the time it joined
5 the system. Such certificate shall be final and conclusive as to
6 his prior service unless thereafter modified by the board, upon
7 application of the member.

8 The time during which a member was absent from service
9 without pay shall not be counted in computing the service of a
10 contributor in his certificate, or upon retirement, unless
11 specifically allowed by the municipality, with the approval of
12 the board.

13 When a contributor leaves the employ of a municipality which
14 has joined the system, and enters into the employ of another
15 municipality which has also joined the system, his service
16 credits shall remain unimpaired, but in such cases the unpaid
17 municipal liability for prior service shall be prorated by the
18 board between the municipalities on an equitable basis. Such
19 basis will be determined, with the advice of the actuary,
20 according to the number of years of service performed by the
21 contributor for each municipality.

22 A contributor who has been employed by a municipality for a
23 period of at least six months and is an active member of the
24 system and who thereafter, heretofore, or hereafter, shall be
25 inducted into the military service of the United States in times
26 of war, armed conflict, or National emergency, so proclaimed by
27 the President of the United States, shall have credited to his
28 employment record, for pension or retirement benefits, all of
29 the time spent by him in such military service during the
30 continuance of such war, armed conflict, or National emergency

1 if such person returns or has heretofore returned to his
2 employment within six months after his separation from the
3 service. The municipality shall, during the period of the
4 member's intervening military service, continue to make current
5 service contributions toward the municipal annuity of the
6 member. An active member may file an application with the board
7 for permission to purchase credit toward his member's share of
8 the annuity for intervening military service. These
9 contributions shall be computed by applying the member's
10 contribution rate to his annual rate of compensation at the time
11 of entry of the member into active military service, and
12 multiplying the result by the number of years and fractional
13 part of a year of creditable intervening military service,
14 together with interest from date of return to employment to date
15 of purchase. The amount due from the member shall be certified
16 by the board in accordance with methods approved by the actuary,
17 and may be paid by (1) regular monthly payments during active
18 military service, or (2) a lump sum payment within thirty days
19 or (3) it may be amortized with additional interest through
20 salary deductions in amounts agreed upon by the member of the
21 board.

22 An active member may also purchase credit for other than
23 intervening military service performed for the United States in
24 times of war, armed conflict or National emergency, so
25 proclaimed by the President of the United States, for a period
26 not to exceed five years: Provided, That the member has
27 completed five years of service to the municipality subsequent
28 to such military service. An active member may file an
29 application with the board for permission to purchase credit for
30 nonintervening military service upon completion of five years of

1 subsequent service to the municipality. The type of service
2 credit for such service shall be determined by the date of entry
3 of the municipality into the system. If the date of the member's
4 separation from military service is prior to the date on which
5 the municipality joined the system, then the credit purchased
6 shall be considered as prior service credit. In this case the
7 amount due from the member shall be computed by applying the
8 member's basic contribution rate plus the rate of contribution
9 the municipality paid for current service during its first year
10 of entry into the system to his prior salary and multiplying the
11 result by the number of years and fractional part of a year of
12 creditable nonintervening military service, plus interest from
13 the date of the member's employment by the municipality to the
14 date of purchase. [The amount due from the member shall be
15 certified by the board in accordance with methods approved by
16 the actuary, and may be paid in a lump sum within thirty days or
17 it may be amortized with additional interest through salary
18 deductions in amounts agreed upon by the member and the board.]
19 If, on the other hand, the date of the member's separation from
20 military service is later than the date of entry of the
21 municipality into the system, then the credit purchased shall be
22 considered as current service credit. In this case the amount
23 due from the member shall be computed by applying the member's
24 basic contribution rate plus the municipality's normal
25 contribution rate for current service which was in effect on the
26 date of the member's entry into employment with the municipality
27 to his average annual rate of compensation over the first five
28 years of his subsequent employment and multiplying the result by
29 the number of years and fractional part of a year of creditable
30 nonintervening military service being purchased, plus interest

1 from the date of employment by the municipality to date of
2 purchase.

3 The amount due from the member shall be certified by the
4 board in accordance with methods approved by the actuary, and
5 may be paid in a lump sum within thirty days or it may be
6 amortized with additional interest through salary deductions in
7 amounts agreed upon by the member and the board.

8 The rate of interest to be charged to members on their
9 purchase of credit for intervening or nonintervening military
10 service shall be the rate being credited by the system to
11 member's contribution accounts in effect on the date of the
12 member's application, compounded annually.

13 A member may purchase credit for intervening or
14 nonintervening military service only if his discharge or
15 separation from the service was granted under other than
16 dishonorable conditions.

17 A member may not purchase credit for any military service for
18 which he is entitled to receive, [a retirement allowance from
19 the United States Government] eligible to receive now or in the
20 future, or is receiving retirement benefits for such service
21 under a retirement system administered and wholly or partially
22 paid for by any other governmental agency, or private employer.

23 Applications for permission to purchase credit for military
24 service must be accompanied by proof of the nature of his
25 discharge or separation from the military service.

26 Section 205. Determination of Municipal Liability.--The
27 [actuary] board shall as soon as may be, determine the present
28 value of the liability of each municipality for the prior
29 service credits to its original members, and shall establish an
30 amount payable annually over a period not exceeding thirty

1 years, through which payments such prior service liability may
2 be funded. Each municipality shall have the option to spread the
3 payment of such prior service liability over such period of
4 years.

5 The municipal liability [to be determined by the actuary]
6 shall be based upon credit for all years of prior service toward
7 the municipal annuity of each original member, subject to such
8 of the following options as the municipality may elect:

9 (1) The municipality may limit to ten years the credit for
10 prior service toward the municipal annuity of each original
11 member;

12 (2) The municipality may assume the liability for payment of
13 the member's contributions for the prior service or any portion
14 thereof of each original member.

15 The [actuary] board shall also determine, from time to time,
16 the amount which shall be contributed annually by each
17 municipality for service credits of original and new members
18 subsequent to the time the municipality joined the system, and
19 the additional amount which shall be contributed annually by
20 each municipality toward a reserve account for disability
21 allowances payable to original or new members, in order that all
22 future service liability may be fully funded on an actuarial
23 basis.

24 The amounts so determined by the [actuary] board may be
25 expressed in a percentage of the payroll of the municipality
26 covering its contributing members.

27 The cost of making the valuations required by this section
28 and in the transfer of any existing pension system of any
29 municipality, shall be part of the costs of administration of
30 this act.

1 Section 206. Contributions by Members; Consolidation of
2 Credits; Change of Employment.--Each member of the system shall
3 be required to contribute to the fund [such per cent of his
4 actual salary or compensation, including fees where paid in part
5 on a fee basis, as shall be computed by the actuary to be
6 approximately sufficient to procure for him on a superannuation
7 retirement age, a member's annuity of approximately one two-
8 hundred-fiftieth of that portion of his final salary on which
9 social security benefits are payable and of one one-hundred-
10 twenty-fifth of any portion of his final salary in excess of the
11 amount on which social security benefits are payable for each
12 year of service, after the time the municipality by which he is
13 employed joined the system.] three per cent of that portion of
14 their actual salary or compensation, including fees where paid
15 in part on a fee basis, on which social security benefits are
16 payable, and six per cent of any salary, compensation or fees in
17 excess of the amount on which social security benefits are
18 payable. However, in the event of a contributor who became a
19 member prior to January 1, 1979, the required rate of
20 contribution shall be the lesser of the rate herein provided and
21 the rate applicable to said member upon his entry into the
22 system.

23 In order to increase his member's annuity, each member shall
24 also have the option to make contributions for his prior
25 service. Such contributions for prior service may be anticipated
26 in whole or in part at the time the municipality joins the
27 system, or payment thereof or such part thereof as is not
28 anticipated may be spread over a period of time by increasing
29 the payroll deduction of the member by at least one-third. When
30 a member elects to contribute on account of all of his unpaid

1 prior service, his rate of contribution shall be calculated as
2 of his age at the time he first entered the service of the
3 municipality: Provided, however, That any municipality may, at
4 the time it elects to join the system, or at any time
5 thereafter, agree with the board to pay into the fund as part of
6 its liability under and in accordance with section 205 hereof,
7 the moneys necessary to provide the member's contributions for
8 prior service, and in such case no contributions for prior
9 service shall be made by the members.

10 Member's contributions shall be paid into the fund by the
11 municipality through payroll deductions in such manner and at
12 such time as the board may by rule and regulation determine.

13 When a municipal employe is employed by more than one
14 municipality, he shall be required to make contributions on
15 account of his salary paid by each municipality. In such cases
16 the board shall provide for the consolidation of credits of the
17 contributor and, upon his retirement, for a consolidated
18 retirement allowance.

19 Section ~~5-~~ 6. Section 207 of the act, amended December 19, <—
20 1975 (P.L.520, No.153), is amended to read:

21 Section 207. Withdrawal; Return to Service; Death in
22 Service.--(a) Should a contributor, before reaching
23 superannuation retirement age, for any reason cease to be a
24 municipal employe, he shall be paid by the board the full amount
25 of the accumulated deductions standing to his credit in the
26 member's account, unless he is entitled to vesting rights or to
27 a retirement allowance for retirement not voluntarily, and
28 elects to exercise such vesting rights or take such retirement
29 allowance. Should such former contributor thereafter return to
30 the service of the same municipality and restore to the fund, in

1 such manner as may be agreed upon by such person and the board,
2 his withdrawn accumulated deductions as they were at the time of
3 his separation from service, his annuity rights as they existed
4 at the time of separation from service shall be restored and his
5 obligations as a member shall begin again. The rate of
6 contribution of such returning member shall be the same as it
7 was at the time he separated from service.

8 (b) Should a contributor, having attained or passed
9 superannuation age, elect, upon leaving the service of the
10 municipality, not to claim the retirement allowance to which he
11 is entitled, he shall, upon written application, be paid by the
12 board the full amount of the accumulated deductions standing to
13 his credit in the member's account and the balance in the
14 member's excess investment account.

15 (c) Should a person who has been retired on a retirement
16 allowance under this act, return to employment on a regular
17 full-time basis in the same municipality, his retirement
18 allowance shall cease, [and all his rights as they existed at
19 the time of retirement shall be restored, and such person may by
20 further service and further payroll deductions add to such
21 rights on account of future retirement] and in the case of an
22 annuity, other than a disability annuity, the present value of
23 such annuity shall be frozen as of the date such annuity ceases.
24 Upon subsequent discontinuance of service, such member, other
25 than a former disability annuitant, shall be entitled to an
26 annuity which is actuarially equivalent to the sum of the
27 present value of the annuity previously being paid and the
28 present value of the annuity earned by further service and
29 further deductions added upon reemployment. For the purposes of
30 this section if a person is reemployed on a temporary or

1 seasonal basis and his gross post-retirement earnings from such
2 reemployment during the calendar year are less than two thousand
3 five hundred twenty dollars (\$2,520) or such other maximum as
4 the board may establish, he shall not be deemed reemployed, but
5 if and when his gross post-retirement earnings exceed two
6 thousand five hundred twenty dollars (\$2,520) or such other
7 maximum as the board may establish in any calendar year he shall
8 not be entitled to receive his retirement allowance for that
9 month or any subsequent month in the calendar year in which he
10 continues in service. The municipality is required to notify the
11 board immediately of the reemployment status of any retired
12 former employe and file separate monthly reports of his gross
13 earnings as prescribed by the board.

14 (d) Should a contributor die while in service, prior to
15 becoming eligible for a retirement allowance, his accumulated
16 deductions shall be paid to his estate, or to such person, if
17 living, as he shall have designated in writing, filed with the
18 board as his beneficiary. In case any contributor has failed to
19 designate a beneficiary, or if the named beneficiary has
20 predeceased the member and no such successor beneficiary has
21 been named, and upon the death in service shall have less than
22 one hundred dollars (\$100) in accumulated deductions standing to
23 his credit, the board may, if letters testamentary or of
24 administration have not been taken out on his estate within six
25 months after death, pay such accumulated deductions on the claim
26 of the undertaker, or to any person or municipality which shall
27 have paid the claim of the undertaker.

28 Section ~~6-~~ 7. Sections 208, 210 and 212 of the act are
29 amended to read:

30 Section 208. Superannuation Retirement.--Retirement for

1 superannuation shall be as follows:

2 (a) Any contributor who has reached superannuation
3 retirement age may retire for superannuation by filing with the
4 board a written statement, duly attested, setting forth on what
5 date he desires to be retired. Said application shall make the
6 superannuation retirement allowance effective on the date so
7 specified, if such application was filed in the office of the
8 board or deposited in the United States mail, addressed to the
9 board, before the date specified in the application and before
10 the death of the contributor, but the date so specified in the
11 application shall not be more than ninety days after the date of
12 filing, or the date the application was deposited in the mail.

13 (b) On retirement for superannuation, a contributor shall be
14 entitled to a retirement allowance throughout his life, which
15 shall consist of:

16 (1) A member's annuity of equivalent actuarial value of his
17 accumulated deductions; and

18 (2) A municipal annuity which shall be equal to (i) for
19 current service, one two-hundred-fiftieth of that portion of his
20 final salary on which social security benefits are payable plus
21 one one-hundred-twenty-fifth of any portion of his final salary
22 in excess of the amount on which social security benefits are
23 payable for each year of service while a member, and in addition
24 thereto, (ii) for prior service in case of an original member,
25 one two-hundred-fiftieth of that portion of his prior salary on
26 which social security benefits are payable plus one one-hundred-
27 twenty-fifth of any portion of his prior salary in excess of the
28 amount on which social security benefits are payable for each
29 year of prior service or for a maximum of ten years if the
30 municipality has so limited the period of prior service, and in

1 addition thereto, one two-hundred-fiftieth of his prior salary
2 on which social security benefits are payable plus one one-
3 hundred-twenty-fifth of any portion of his prior salary in
4 excess of the amount on which social security benefits are
5 payable for each year of prior service for which the
6 municipality has paid or has obligated itself to pay the
7 member's contributions. For the purposes of calculating the
8 current service benefit, an average of the social security wage
9 base will be determined for the period of time over which final
10 salary is taken, and this average will be the basis for
11 calculating the amount of salary on which social security
12 benefits are payable. For the purposes of calculating the prior
13 service benefit, the social security wage base in effect on the
14 date of the municipality's entry into the system will be used as
15 the basis for calculating the amount of prior salary on which
16 social security benefits are payable.

17 (c) In no event shall the municipal annuity at the time of
18 retirement exceed fifty per cent of the final salary.

19 Section 210. Early Retirement.--Should a contributor be
20 discontinued from service not voluntarily, after having
21 completed eight years of total service, or voluntarily after
22 having completed twenty-four years of total service, but in
23 either event before reaching superannuation retirement age, he
24 shall be paid as he may elect, as follows:

25 (1) The full amount of the accumulated deductions plus the
26 balance in the member's excess investment account standing to
27 his credit in the member's account of the fund; or

28 (2) Upon the filing of an application in the manner outlined
29 in subsection (a) of section 208, a retirement allowance which
30 shall consist of (i) a member's annuity of equivalent actuarial

1 value to his accumulated deductions plus the balance in the
2 member's excess investment account; and (ii) a municipal annuity
3 of equivalent actuarial value to the present value of a
4 municipal annuity, beginning at superannuation retirement age,
5 calculated in accordance with the provisions of section 208; or

6 (3) If qualified, a deferred retirement allowance as
7 provided in section 213.

8 Section 212. Disability Retirement.--(a) After a
9 contributor has had ten or more years of total service, he may,
10 upon application or on the application of one acting in his
11 behalf, or upon application of a head of the department of the
12 municipality by which he is employed, be retired by the board on
13 a disability allowance if he is under superannuation retirement
14 age, and on a superannuation retirement allowance if he has
15 attained or passed such age, if the physician designated by the
16 board, after medical examination of the contributor made at the
17 place of residence of the contributor or at a place mutually
18 agreed upon, shall certify to the board that the contributor is
19 unable to engage in any gainful employment and that said
20 contributor ought to be retired. When the disability of a
21 contributor is determined to be service-connected, as defined in
22 this act, no minimum period of service shall be required for
23 eligibility. Application filing requirements shall be identical
24 to those outlined in subsection (a) of section 208.

25 (b) On retirement for disability a member shall receive a
26 retirement allowance which shall consist of:

27 (1) A member's annuity of the equivalent actuarial value to
28 his accumulated deductions, plus the balance in the member's
29 excess investment account;

30 (2) A municipal annuity of the equivalent actuarial value to

1 the present value of a municipal annuity, beginning at
2 superannuation retirement age, calculated in accordance with the
3 provision of section 208; and

4 (3) A disability annuity payable from the total disability
5 reserve account which, together with the member's annuity and
6 the municipal annuity, shall be sufficient to produce a
7 retirement allowance of thirty per cent of the final salary.

8 Where the disability of the member is determined to be service-
9 connected, as defined in this act, the retirement allowance
10 shall equal fifty per cent of his final salary. The disability
11 annuity shall be reduced by the amount of any payments for which
12 the member shall be eligible under the act of June 2, 1915

13 (P.L.736, No.338), known as "The Pennsylvania Workmen's
14 Compensation Act," or the act of June 21, 1939 (P.L.566,
15 No.284), known as "The Pennsylvania Occupational Disease Act."

16 (c) Once every year the board may require any disability
17 annuitant, while still under superannuation retirement age, to
18 undergo medical examination by a physician designated by the
19 board. Such examination shall be made at the place of residence
20 of the beneficiary or other place mutually agreed upon. Should
21 the physician report and certify to the board that such
22 disability beneficiary is no longer physically or mentally
23 incapacitated for the performance of duty and is able to engage
24 in a gainful occupation, then his disability retirement
25 allowance shall be discontinued, and in lieu thereof an early
26 involuntary retirement allowance shall at that time be granted
27 as if such person had been retired not voluntarily, if such
28 person shall have had eight or more years of total service.

29 (d) Should a disability annuitant, while under
30 superannuation retirement age, refuse to submit to at least one

1 medical examination in any year by a physician designated by the
2 board, his disability retirement allowance shall be discontinued
3 until the withdrawal of such refusal, and should such refusal
4 continue for one year, then all his rights in and to any
5 disability retirement allowance or for early involuntary
6 retirement allowance provided for by this act, shall be
7 forfeited.

8 (e) Any contributor entitled to retire for disability may,
9 in lieu of such retirement, if he has eight or more years of
10 total service, elect to retire not voluntarily under the
11 provisions of this act.

12 (f) Should a disability annuitant die before the total
13 disability retirement allowance received shall be at least equal
14 to the amount of his accumulated deductions plus the balance in
15 the member's excess investment account at the time of disability
16 retirement, then the board shall pay to the named beneficiary,
17 if living, or if the beneficiary predeceased the annuitant, or
18 no beneficiary was named, then to the annuitant's estate, an
19 amount equal to the difference between such total retirement
20 allowance received and the annuitant's accumulated deductions
21 plus excess interest, and if such difference is less than one
22 hundred dollars (\$100) and no letters have been taken out on the
23 estate within six months after death, then such difference may
24 be paid to the undertaker or to any person or municipality who
25 or which shall have paid the claim of the undertaker.

26 Section ~~7-~~ 8. Section 213 of the act, amended January 4, <—
27 1978 (P.L.1, No.1), is amended to read:

28 Section 213. Vesting.--(a) Should a contributor, before
29 reaching superannuation retirement age and after having
30 completed twelve years of total service, for any reason cease to

1 be a municipal employee, he shall be entitled to vest his
2 retirement benefits until he attains superannuation retirement
3 age, by filing with the board a written notice of his intentions
4 to vest, within ninety days of the date of his termination of
5 employment. Accumulated deductions will include interest from
6 date of termination until the earlier of the date of the
7 commencement of the annuity or the date of payment of member
8 contributions.

9 (b) A contributor, who was terminated by the municipality
10 not voluntarily, may elect, after he has vested, to be paid as
11 follows:

12 (1) The full amount of the accumulated deductions, including
13 interest; or

14 (2) An early retirement allowance as computed under the
15 provisions of clause (2) of section 210; or

16 (3) Upon reaching superannuation retirement age, a
17 superannuation retirement allowance as computed under the
18 provisions of section 208.

19 (c) A contributor, who voluntarily terminated his
20 employment, may elect, after he has vested, to be paid as
21 follows:

22 (1) The full amount of the accumulated deductions, including
23 interest; or

24 (2) If the contributor has completed twenty-four years or
25 more of total service, a voluntary withdrawal allowance computed
26 in accordance with the provisions of section 210; or

27 (3) Upon reaching superannuation retirement age, a
28 superannuation retirement allowance as computed under the
29 provisions of section 208.

30 (d) Should a contributor, who has vested, die before he

1 becomes eligible for a retirement allowance, the full amount of
2 the accumulated deductions plus the balance in the member's
3 excess investment account, including interest to the date of his
4 death, standing to his credit in the member's account of the
5 fund shall be paid to his estate or to his named beneficiary in
6 accordance with the provisions of subsection (d) of section 207.

7 Section ~~8~~ 9. Sections 214, 215, 303, 305, 306, 307, 308, <—
8 309, 311 and 313 of the act are amended to read:

9 Section 214. Withdrawal Provisions.--A municipality which
10 has joined the retirement system created or continued under this
11 Article II may, for good and stated cause, file an application
12 with the board for permission to withdraw from the system if it
13 meets all of the following requirements:

14 (1) The municipality has been enrolled in the system for a
15 period of at least five years.

16 (2) The municipality has met all of its financial
17 obligations to the system.

18 (3) The legislative body of the municipality has passed an
19 ordinance or resolution signifying its intention to withdraw
20 from the system.

21 (4) The municipality has certified to the board that an
22 affirmative vote approving withdrawal from the system had been
23 obtained from at least seventy-five per cent of all of the
24 municipal employees affected by the ordinance or resolution.

25 The board shall within ninety days of its receipt, take
26 action on an application filed by a municipality for permission
27 to withdraw from the system. If the application is approved the
28 withdrawing municipality shall be entitled to receive a net
29 refund of the amounts then standing to the credit of the
30 municipality in the member's account, the member's excess

1 investment account, the municipal account and the retired
2 member's reserve accounts of the system. In no event shall the
3 total amount of the net refund to the municipality exceed the
4 pro rata interest of the withdrawing municipality in the net
5 assets of the entire fund based on the market value of the
6 investments of the fund as of the date of receipt of the
7 application for permission to withdraw. The liability for the
8 continuation of retirement or disability allowances being paid
9 from the fund shall attach against the withdrawing municipality
10 and be paid from funds transferred to a retirement system
11 established subsequent to its withdrawal from the system or from
12 moneys appropriated annually from tax revenues sufficient to pay
13 the same. If the board disapproves the application of the
14 municipality for permission to withdraw from the system the
15 board shall promptly notify the municipality of its decision and
16 advise the municipality of the board's reason or reasons for
17 disapproval. The board shall establish rules and regulations, in
18 accordance with the provisions of clause (10) of section 104 of
19 this act, governing the details of the procedures to be followed
20 in the withdrawal of municipalities from the system.

21 Section 215. Procedures for Amending Contracts.--Any
22 municipality which has joined the system under the provisions of
23 this Article II may, with the approval of the board, enter into
24 a contract with the board as outlined in Article IV of this act,
25 to increase any of the benefits enumerated in Article IV. The
26 board shall not enter into any contract with any municipality
27 which decreases benefits, nor shall it enter into any contract
28 with a municipality which provides for benefits in excess of or
29 minimum member's contribution rates less than those available to
30 it under any other existing law pertaining to the establishment

1 of retirement systems for that class of municipality, except to
2 the extent that excess investment earnings are allocated by the
3 board to provide for additional pension benefits or member
4 accruals as otherwise provided in this law. Before the board
5 approves any such contract it shall first determine, through its
6 actuary, that the plan outlined in the contract is actuarially
7 sound. Any municipality which elects to enter into a contract
8 for increased benefits which would result in an increase in its
9 employees contribution rates shall first obtain the written
10 consent of at least seventy-five per cent of its then member
11 employees. Additional costs for contracted increases in benefits
12 shall become the responsibility of the municipality and/or the
13 members as specified in the contract.

14 Section 303. Existing Local Retirement Systems and
15 Compulsory Membership.--Where a municipality elects to join the
16 system established by this act, and is then maintaining a
17 retirement or pension system or systems covering its employees in
18 whole or in part, those employees so covered, and employees
19 thereafter eligible to join such pension system, shall not
20 become members of the retirement system established by this act,
21 unless at the time the municipality elects to join the system,
22 the members of each such existing retirement or pension system
23 shall, by the affirmative vote of seventy-five per cent of all
24 the members of each pension system, elect to be covered by the
25 retirement system established by this act. At any time
26 thereafter, within a period of three years after the
27 municipality has elected to join the system, but not thereafter,
28 the members of an existing retirement or pension system may, in
29 like manner, elect to join the system established by this act.
30 In any such case, provisions may be made for the transfer of

1 moneys and securities in its retirement or pension fund or
2 funds, in whole or in part, to the fund established by this act.
3 Securities so transferred shall be only those acceptable to the
4 board. Securities not so acceptable shall be converted into
5 cash, and said cash transferred to the fund created by this act.
6 In any such transfer, provision shall be made to credit the
7 accumulated deductions of each member, at least the amount he
8 has paid into the retirement or pension system of the
9 municipality, which moneys shall be credited against the prior
10 service contributions of such member, or a municipality may turn
11 over to the retirement system created by this act any existing
12 local pension system on a completely funded basis, as to
13 pensioners and pension credits of members related to prior
14 service to the date of transfer, or on a partially funded basis
15 if the municipality pays annually into the retirement system
16 amounts sufficient to completely liquidate the municipality's
17 liability for prior service within a period not to exceed thirty
18 years.

19 No liability, on account of retirement allowances or pensions
20 being paid from any retirement or pension fund of the
21 municipality, shall attach against the fund, except as provided
22 in the agreement, making a transfer of an existing system in
23 accordance with this section. The liability to continue payment
24 of pensions not so transferred shall attach against the
25 municipality, which shall annually make appropriations from its
26 tax revenues sufficient to pay the same. In cases where workers
27 covered by an existing retirement or pension system elect to
28 join the system created by this act, the election to join shall
29 be deemed to have been made at the time the municipality elected
30 to join the system, and the liabilities of the municipality

1 shall be fixed accordingly.

2 If a municipality elects to cover its municipal firemen under
3 the provisions of the system created by this Article III, then
4 each municipal fireman shall be required to become a member of
5 the system.

6 If a municipality elects to cover its municipal police under
7 the provisions of the system created by this Article III, then
8 each municipal policeman shall be required to become a member of
9 the system.

10 When a municipality has established a policy of placing new
11 employes on a probationary status it may elect to refrain from
12 enrolling such employes into the system for a period of up to
13 one year from the date the probationary employe first entered
14 the service of the municipality. In such cases service credits
15 shall not be earned by the employe for probationary time served
16 prior to enrollment. Notwithstanding any other provision herein,
17 the board may, in its discretion, entertain a request from a
18 municipality to join the system established by this act for
19 those employes who are excluded from local pension plan coverage
20 by virtue of the collective bargaining process or otherwise. The
21 request to join the system must be accompanied by an affirmative
22 vote of no less than three-fourths of those employes not covered
23 by the local pension plan. The benefits to be established may be
24 in accordance with the provisions of this article or any other
25 relevant pension law covering that class of municipality. The
26 other requirements of this section for joining this system shall
27 be observed.

28 Section 305. Service Allowance; Change of Employment;
29 Military Service.--In computing the length of service of a
30 contributor for retirement purposes, full credit shall be given

1 to each original member for each year of service rendered to the
2 municipality prior to the time the municipality joined the
3 system.

4 As soon as practicable, the board shall issue to each
5 original member a certificate certifying the aggregate length of
6 service rendered to the municipality prior to the time it joined
7 the system. Such certificate shall be final and conclusive as to
8 his prior service unless thereafter modified by the board, upon
9 application of the member.

10 The time during which a member was absent from service
11 without pay, except for military service, shall not be counted
12 in computing the service of a contributor in his certificate, or
13 upon retirement unless specially allowed by the municipality,
14 with the approval of the board.

15 When a contributor leaves the employ of a municipality which
16 has joined the system, and enters into the employ of another
17 municipality which has also joined the system, his service
18 credits shall remain unimpaired, but in such cases the unpaid
19 municipal liability for prior service shall be prorated by the
20 board between the municipalities on an equitable basis. The
21 basis will be determined, with the advice of the actuary,
22 according to the number of years of service performed by the
23 contributor for each municipality.

24 Any municipal fireman or municipal policeman employed by a
25 municipality who has been a regularly appointed fireman or
26 policeman for a period of at least six months and is an active
27 member of the system and who thereafter, heretofore, or
28 hereafter, shall be inducted into the military service of the
29 United States in times of war, armed conflict, or National
30 emergency, so proclaimed by the President of the United States,

1 shall have credited to his employment record, for pension or
2 retirement benefits, all of the time spent by him in such
3 military service during the continuance of such war, armed
4 conflict, or National emergency if such person returns or has
5 heretofore returned to his employment within six months after
6 his separation from the service. The municipality shall, during
7 the period of the member's intervening military service,
8 continue to make current service contributions toward the
9 municipal annuity of the member. An active member may file an
10 application with the board for permission to purchase credit
11 toward his member's share of the annuity for intervening
12 military service. These contributions shall be computed by
13 applying the member's contribution rate to his annual rate of
14 compensation at the time of entry of the member into active
15 military service, and multiplying the result by the number of
16 years and fractional part of a year of creditable intervening
17 military service, together with interest from date of return to
18 employment to date of purchase. The amount due from the member
19 shall be certified by the board in accordance with methods
20 approved by the actuary, and may be paid by (1) regular monthly
21 payments during active military service, or (2) a lump sum
22 payment within thirty days, or (3) it may be amortized with
23 additional interest through salary deductions in amounts agreed
24 upon by the member and the board.

25 An active member may also purchase credit for other than
26 intervening military service performed for the United States in
27 times of war, armed conflict or National emergency, so
28 proclaimed by the President of the United States, for a period
29 not to exceed five years: Provided, That the member has
30 completed five years of service to the municipality subsequent

1 to such military service. An active member may file an
2 application with the board for permission to purchase credit for
3 nonintervening military service upon completion of five years of
4 subsequent service to the municipality. The type of service
5 credit for such service shall be determined by the date of entry
6 of the municipality into the system. If the date of the member's
7 separation from military service is prior to the date on which
8 the municipality joined the system, then the credit purchased
9 shall be considered as prior service credit. In this case the
10 amount due from the member shall be computed by applying the
11 member's basic contribution rate plus the rate of contribution
12 the municipality paid for current service during its first year
13 of entry into the system to his prior salary and multiplying the
14 result by the number of years and fractional part of a year of
15 creditable nonintervening military service, plus interest from
16 later of the date of entry into the system and the date of the
17 member's employment by the municipality to the date of purchase.
18 The amount due from the member shall be certified by the board
19 in accordance with methods approved by the actuary, and may be
20 paid in a lump sum within thirty days or it may be amortized
21 with additional interest through salary deductions in amounts
22 agreed upon by the member and the board. If, on the other hand,
23 the date of the member's separation from military service is
24 later than the date of entry of the municipality into the
25 system, then the credit purchased shall be considered as current
26 service credit. In this case the amount due from the member
27 shall be computed by applying the member's basic contribution
28 rate plus the municipality's normal contribution rate for
29 current service which was in effect on the date of the member's
30 entry into employment with the municipality to his average

1 annual rate of compensation over the first five years of his
2 subsequent employment and multiplying the result by the number
3 of years and fractional part of a year of creditable
4 nonintervening military service being purchased, plus interest
5 from the date of employment by the municipality to date of
6 purchase.

7 The amount due from the member shall be certified by the
8 board in accordance with methods approved by the actuary, and
9 may be paid in a lump sum within thirty days or it may be
10 amortized with additional interest through salary deductions in
11 amounts agreed upon by the member and the board.

12 The rate of interest to be charged to members on their
13 purchase of credit for intervening or nonintervening military
14 service shall be the rate being credited by the system to
15 member's contribution accounts in effect on the date of the
16 member's application, compounded annually.

17 A member may purchase credit for intervening or
18 nonintervening military service only if his discharge or
19 separation from the service was granted under other than
20 dishonorable conditions.

21 A member may not purchase credit for any military service for
22 which he is entitled to receive a retirement allowance from the
23 United States Government.

24 Applications for permission to purchase credit for military
25 service must be accompanied by proof of the nature of his
26 discharge or separation from the military service.

27 Section 306. Determination of Municipal Liability.--The
28 [actuary] board shall, as soon as may be, determine the present
29 value of the liability of each municipality for the prior
30 service credits to its original members, and shall establish an

1 amount payable annually over a period not exceeding thirty
2 years, through which payments such prior service liability may
3 be funded. Each municipality shall have the option to spread the
4 payment of such prior service liability over such period of
5 years.

6 The municipal liability [to be determined by the actuary]
7 shall be based upon credit for all years of prior service toward
8 the municipal annuity of each original member.

9 The [actuary] board shall also determine, from time to time,
10 the amount which shall be contributed annually by each
11 municipality, for service credits of original and new members
12 subsequent to the time the municipality joined the system, and
13 the additional amount which shall be contributed annually by
14 each municipality toward a reserve account for disability
15 allowances payable to original and new members, in order that
16 all future service liability may be fully funded on an actuarial
17 basis.

18 The amounts so determined by the [actuary] board may be
19 expressed in a percentage of payroll of the municipality
20 covering its contributing members.

21 The payments made by the State Treasurer to the treasurer of
22 the municipality from moneys received from taxes paid upon
23 premiums by foreign fire insurance companies for purposes of
24 pension, retirement or disability benefits for municipal firemen
25 shall be used as follows: (i) to reduce the unfunded liability
26 or, after such liability has been funded, (ii) to apply against
27 the annual obligation of the municipality for future service and
28 disability reserve costs. It shall be the duty of the governing
29 body to apply such payments in accordance with the provisions of
30 this act.

1 The payments made by the State Treasurer to the treasurer of
2 the municipality from the moneys received from taxes paid upon
3 premiums by foreign casualty insurance companies for purposes of
4 pension, retirement or disability benefits for municipal
5 policemen shall be used as follows: (i) to reduce the unfunded
6 liability or, after such liability has been funded, (ii) to
7 apply against the annual obligation of the municipality for
8 future service and disability reserve costs. It shall be the
9 duty of the governing body to apply such payments in accordance
10 with the provisions of this act.

11 The cost of making the valuations required by this section
12 and in the transfer of any existing pension system of any
13 municipality, shall be part of the costs of administration of
14 this act.

15 Section 307. Contributions by Members; Consolidation of
16 Credits.--Each single coverage member of the system created
17 under this Article III, shall be required to contribute [to the
18 fund such per cent of his actual salary or compensation as shall
19 be computed by the actuary to be approximately sufficient to
20 procure for him on superannuation retirement, a member's annuity
21 of approximately one one-hundredth of his final salary for each
22 year of service after the time the municipality by which he is
23 employed joined the system. The member shall not be required to
24 contribute more than] no more than eight per cent of his salary
25 or compensation to the fund based on a uniform contribution rate
26 as determined by the actuary to provide the benefit under this
27 article.

28 The amount of contribution by each joint coverage member
29 shall be computed in the manner described above for a single
30 coverage member, except that the amount of such deductions from

1 salary or compensation shall be reduced with respect to wages
2 (as defined in the Federal Insurance Contributions Act) by forty
3 per cent of the tax on employees prescribed by the Federal
4 Insurance Contributions Act exclusive of that portion of such
5 tax attributable to disability coverage.

6 Members' contributions shall be paid into the fund by the
7 municipality through payroll deductions in such manner and at
8 such time as the board may by rule and regulation determine.

9 Section 308. Withdrawal; Return to Service; Death in
10 Service.--(a) Should a contributor, before reaching
11 superannuation retirement age, for any reason cease to be a
12 municipal fireman or a municipal policeman, he shall be paid by
13 the board the full amount of the accumulated deductions standing
14 to his credit in the member's account, unless he is entitled to
15 vesting rights or to a retirement allowance for retirement not
16 voluntarily, and elects to exercise such vesting rights or take
17 such retirement allowance. Should such former contributor
18 thereafter return to the service of the same municipality and
19 restore to the fund, in such manner as may be agreed upon by
20 such person and the board, his withdrawn accumulated deductions
21 as they were at the time of his separation from service, his
22 annuity rights as they existed at the time of separation from
23 service shall be restored and his obligations as a member shall
24 begin again.

25 (b) Should a contributor, having attained or passed
26 superannuation age, elect, upon leaving the service of the
27 municipality, not to claim the retirement allowance to which he
28 is entitled, he shall, upon written application, be paid by the
29 board the full amount of the accumulated deductions standing to
30 his credit in the member's account, and the balance in the

1 member's excess investment account.

2 (c) Should a person who has been retired on a retirement
3 allowance under this act, return to employment on a regular
4 full-time basis in the same municipality, his retirement
5 allowance shall cease, [and all his rights as they existed at
6 the time of retirement shall be restored, and such person may by
7 further service and further payroll deductions add to such
8 rights on account of future retirement] and in the case of an
9 annuity, other than a disability annuity, the present value of
10 such annuity shall be frozen as of the date such annuity ceases.
11 Upon subsequent discontinuance of service, such member, other
12 than a former disability annuitant, shall be entitled to an
13 annuity which is actuarially equivalent to the sum of the
14 present value of the annuity previously being paid and the
15 present value of the annuity earned by further service and
16 further deductions added upon reemployment. For the purposes of
17 this section if a person is reemployed on a temporary or
18 seasonal basis and his gross post-retirement earnings from such
19 reemployment during the calendar year are less than [two
20 thousand one hundred dollars (\$2,100)] two thousand five hundred
21 twenty dollars (\$2,520) or such other maximum as the board may
22 establish, he shall not be deemed reemployed, but if and when
23 his gross post-retirement earnings exceed [two thousand one
24 hundred dollars (\$2,100)] two thousand five hundred twenty
25 dollars (\$2,520) or such other maximum as the board may
26 establish in any calendar year he shall not be entitled to
27 receive his retirement allowance for that month or any
28 subsequent month in the calendar year in which he continues in
29 service. The municipality is required to notify the board
30 immediately of the reemployment status of any retired former

1 employe and file separate monthly reports of his gross earnings
2 as prescribed by the board.

3 (d) Should a contributor die while in service, prior to
4 becoming eligible for a retirement allowance, his accumulated
5 deductions shall be paid to his estate, or to such person, if
6 living, as he shall have designated, in writing, filed with the
7 board as his beneficiary. In case any contributor has failed to
8 designate a beneficiary, or if the named beneficiary has
9 predeceased the member and no successor beneficiary has been
10 named, and upon the death in service shall have less than one
11 hundred dollars (\$100) in accumulated deductions standing to his
12 credit, the board may, if letters testamentary or of
13 administration have not been taken out on his estate within six
14 months after his death, pay such accumulated deductions on the
15 claim of the undertaker, or to such person or municipality which
16 shall have paid the claim of the undertaker.

17 Section 309. Superannuation Retirement.--Retirement for
18 superannuation shall be as follows:

19 (1) Any contributor who has reached superannuation
20 retirement age may retire for superannuation by filing with the
21 board a written statement, duly attested, setting forth on what
22 date he desires to be retired. Said application shall make the
23 superannuation retirement allowance effective on the date so
24 specified, if such application was filed in the office of the
25 board or deposited in the United States mail, addressed to the
26 board, before the date specified in the application and before
27 the death of the contributor, but the date so specified in the
28 application shall not be more than ninety days after the date of
29 filing, or the date the application was deposited in the mail.

30 (2) On retirement for superannuation, a contributor shall be

1 entitled to a retirement allowance throughout his life, which
2 shall consist of (i) a member's annuity of equivalent actuarial
3 value to his accumulated deductions, and the balance in the
4 member's excess investment account, and (ii) a municipal annuity
5 which shall be equal to, for current service, one one-hundredth
6 of his final salary for each year of service while a member,
7 and, in addition thereto for prior service in the case of an
8 original member, one one-hundredth of his prior salary for each
9 year of prior service.

10 (3) The superannuation retirement allowance provided in this
11 section or the withdrawal allowance provided in section 311, as
12 the case may be, payable to a joint coverage member after the
13 age at which social security old age insurance benefits become
14 payable shall be reduced by an amount equal to forty per cent of
15 the primary insurance amount of social security paid or payable
16 to him. Such reduction shall be subject to the following
17 provisions: (i) the reduction in benefits in accordance with
18 this clause (3) shall not be applied in the case of an annuitant
19 until age sixty-five, unless such annuitant shall have elected
20 to receive social security benefits prior to age sixty-five,
21 (ii) the eligibility of such member for the old age insurance
22 benefit (primary insurance amount) and the amount of such old
23 age insurance benefit upon which the reduction in his allowance
24 shall be based, shall be determined by the board in accordance
25 with the provisions of the Federal Social Security Act, in
26 effect on the effective date of superannuation retirement, or
27 withdrawal, of the member, except that in determining such
28 eligibility and such amount only wages or compensation for
29 service covered by the system shall be included, (iii) the
30 reduction in benefits in accordance with this clause (3) shall

1 apply only to that portion of benefits based on wages as defined
2 in the Federal Insurance Contribution Act, (iv) the reduction of
3 benefits in accordance with this clause (3) shall be limited to
4 the municipal annuity calculated in accordance with clause (2)
5 of this section, (v) the total sum including social security old
6 age insurance benefits to be received upon superannuation
7 retirement or withdrawal by a joint coverage member shall not be
8 less than the allowance that he would be paid as a single
9 coverage member, (vi) whenever the amount of the reduction from
10 the superannuation retirement allowance or the withdrawal
11 allowance shall have been once determined, it shall remain fixed
12 for the duration of the allowance, except that any decrease in
13 the old age insurance benefit under the Federal Social Security
14 Act shall result in a corresponding decrease in the amount of
15 the reduction in the allowance, (vii) the reduction provided for
16 in this clause (3) shall not apply to disability allowances
17 payable under section 313 of this act.

18 (4) In no event shall the municipal annuity at the time of
19 retirement exceed fifty per cent of the contributor's final
20 salary.

21 (5) Other provisions of this act notwithstanding, any member
22 of a police force who was a member of a pension fund created
23 under the provisions of the act of May 29, 1956 (P.L.1804,
24 No.600), and who was entitled to retire at the age of fifty-five
25 or sixty years after twenty years of total service, or at the
26 age of fifty or fifty-five after twenty-five years of service,
27 and to receive the pension provided by that act, shall have the
28 same entitlement under the system created pursuant to this act.
29 The municipal annuity, computed under subclause (ii) of clause
30 (3) above, shall be increased as needed, in addition to the

1 member's annuity, in order to pay any increased retirement
2 allowance resulting from the provisions of the act.

3 Section 311. Early Retirement.--Should a contributor be
4 discontinued from service not voluntarily after having completed
5 eight years of total service, or voluntarily after having
6 completed twenty-four years of total service, but in either
7 event before reaching superannuation retirement age, he shall be
8 paid as he may elect, as follows:

9 (1) The full amount of his accumulated deductions plus the
10 balance in the member's excess investment account standing to
11 his credit in the member's account of the fund; or

12 (2) Upon the filing of an application in the manner outlined
13 in section 309 (1) a retirement allowance which shall consist of
14 (i) a member's annuity of equivalent actuarial value to his
15 accumulated deductions, plus the balance in the member's excess
16 investment account, and (ii) a municipal annuity of equivalent
17 actuarial value to the present value of a municipal annuity,
18 beginning at superannuation retirement age, calculated in
19 accordance with the provisions of section 309; or

20 (3) If qualified, a deferred retirement allowance as
21 provided in section 314.

22 Section 313. Disability Retirement.--(a) After a
23 contributor has had ten or more years of total service, he may,
24 upon application or on application of one acting in his behalf,
25 or upon application of a head of the department of the
26 municipality by which he is employed, be retired by the board on
27 a disability allowance if he is under superannuation retirement
28 age, and on a superannuation retirement allowance if he has
29 attained or passed such age, if the physician designated by the
30 board, after medical examination of the contributor made at the

1 place of residence of the contributor or at a place mutually
2 agreed upon, shall certify to the board that the contributor is
3 unable to engage in any gainful employment and that said
4 contributor ought to be retired. When the disability of a
5 contributor is determined to be service-connected, as defined in
6 this act, no minimum period of service shall be required for
7 eligibility. Application filing requirements shall be identical
8 to those outlined in clause (1) of section 309.

9 (b) On retirement for disability, a member shall receive a
10 retirement allowance which shall consist of:

11 (1) A member's annuity of equivalent actuarial value to his
12 accumulated deductions, plus the balance in the member's excess
13 investment account;

14 (2) A municipal annuity of equivalent actuarial value to the
15 present value of a municipal annuity, beginning at
16 superannuation retirement age, calculated in accordance with the
17 provisions of section 309; and

18 (3) A disability annuity payable from the total disability
19 reserve account which, together with the member's annuity and
20 the municipal annuity, shall be sufficient to produce a
21 retirement allowance of thirty per cent of the contributor's
22 final salary. Where the disability of the member is determined
23 to be service-connected, as defined in this act, the retirement
24 allowance shall equal fifty per cent of his final salary. The
25 disability annuity shall be reduced by the amount of any
26 payments for which the member shall be eligible under the act of
27 June 2, 1915 (P.L.736, No.338), known as "The Pennsylvania
28 Workmen's Compensation Act," or the act of June 21, 1939
29 (P.L.566, No.284), known as "The Pennsylvania Occupational
30 Disease Act."

1 (c) Once every year the board may require any disability
2 annuitant, while still under superannuation retirement age, to
3 undergo medical examination by a physician designated by the
4 board, and such examination shall be made at the place of
5 residence of the annuitant or other place mutually agreed upon.
6 Should the physician report and certify to the board that such
7 disabled annuitant is no longer physically or mentally
8 incapacitated for the performance of duty and is able to engage
9 in a gainful occupation, then his disability retirement
10 allowance shall be discontinued, and in lieu thereof an early
11 involuntary retirement allowance shall at that time be granted
12 as if such person had been retired not voluntarily, if such
13 person shall have eight or more years of total service.

14 (d) Should a disability annuitant, while under
15 superannuation retirement age, refuse to submit to at least one
16 medical examination in any year by a physician designated by the
17 board, his disability retirement allowance shall be discontinued
18 until withdrawal of such refusal, and should such refusal
19 continue for one year, then all his rights in and to any
20 disability retirement allowance or for early involuntary
21 retirement allowance provided by this act shall be forfeited.

22 (e) Any contributor entitled to retire for disability may,
23 in lieu of such retirement, if he has eight or more years of
24 total service, elect to retire not voluntarily under the
25 provisions of this act.

26 (f) Should a disability annuitant die before the total
27 disability retirement allowance received shall be at least equal
28 to the amount of his accumulated deductions plus the balance in
29 the member's excess investment account at the time of disability
30 retirement, then the board shall pay to the named beneficiary,

1 if living, or if the named beneficiary predeceased the
2 annuitant, or no beneficiary was named, then to the annuitant's
3 estate, an amount equal to the difference between such total
4 retirement allowance received and the annuitant's accumulated
5 deductions, and if such difference is less than one hundred
6 dollars (\$100) and no letters have been taken out on the estate
7 within six months after death, then such difference may be paid
8 to the undertaker or to any person or municipality who or which
9 shall have paid the claim of the undertaker.

10 Section ~~9~~ 10. Section 314 of the act, amended January 4, <—
11 1978 (P.L.1, No.1), is amended to read:

12 Section 314. Vesting.--(a) Should a contributor, before
13 reaching superannuation retirement age and after having
14 completed twelve years of total service, for any reason cease to
15 be a municipal fireman or a municipal policeman, he shall be
16 entitled to vest his retirement benefits until he attains
17 superannuation retirement age, by filing with the board a
18 written notice of his intentions to vest, within ninety days of
19 the date of his termination of employment. Accumulated
20 deductions will include interest from date of termination until
21 the earlier of the date of the commencement of the annuity or
22 the date of payment of member contributions.

23 (b) A contributor, who was terminated by the municipality
24 not voluntarily, may elect, after he has vested, to be paid as
25 follows:

26 (1) The full amount of the accumulated deductions plus the
27 balance in the member's excess investment account, including
28 interest; or

29 (2) An early retirement allowance as computed under the
30 provisions of clause (2) of section 311; or

1 (3) Upon reaching superannuation retirement age, a
2 superannuation retirement allowance as computed under the
3 provisions of section 309.

4 (c) A contributor, who voluntarily terminated his
5 employment, may elect, after he has vested, to be paid as
6 follows:

7 (1) The full amount of the accumulated deductions plus the
8 balance in the member's excess investment account, including
9 interest; or

10 (2) If the contributor has completed twenty-four years or
11 more of total service, a voluntary withdrawal allowance computed
12 in accordance with the provisions of section 311; or

13 (3) Upon reaching superannuation retirement age, a
14 superannuation retirement allowance as computed under the
15 provisions of section 309.

16 (d) Should a contributor, who has vested, die before he
17 becomes eligible for a retirement allowance, the full amount of
18 the accumulated deductions plus the balance in the member's
19 excess investment account including interest to the date of his
20 death, standing to his credit in the member's account of the
21 fund shall be paid to his estate or to his named beneficiary in
22 accordance with the provisions of subsection (d) of section 308.

23 Section ~~40~~ 11. Sections 316, 317, 402, 403, 404, 406, 408, <—
24 411, 412 and 413 of the act are amended to read:

25 Section 316. Withdrawal Provisions.--A municipality which
26 has joined the retirement system created or continued under this
27 Article III may, for good and stated cause, file an application
28 with the board for permission to withdraw from the system if it
29 meets all of the following requirements:

30 (1) The municipality has been enrolled in the system for a

1 period of at least five years.

2 (2) The municipality has met all of its financial
3 obligations to the system.

4 (3) The legislative body of the municipality has passed an
5 ordinance or resolution signifying its intention to withdraw
6 from the system.

7 (4) The municipality has certified to the board that an
8 affirmative vote approving withdrawal from the system had been
9 obtained from at least seventy-five per cent of all of the
10 municipal employees affected by the ordinance or resolution.

11 The board shall within ninety days of its receipt, take
12 action on an application filed by a municipality for permission
13 to withdraw from the system. If the application is approved the
14 withdrawing municipality shall be entitled to receive a net
15 refund of the amounts then standing to the credit of the
16 municipality in the member's account, member's excess investment
17 account, the municipal account and the retired member's reserve
18 accounts of the system. In no event shall the total amount of
19 the net refund to the municipality exceed the pro rata interest
20 of the withdrawing municipality in the net assets of the entire
21 fund based on the market value of the investments of the fund as
22 of the date of receipt of the application for permission to
23 withdraw. The liability for the continuation of retirement or
24 disability allowances being paid from the fund shall attach
25 against the withdrawing municipality and be paid from funds
26 transferred to a retirement system established subsequent to its
27 withdrawal from the system or from moneys appropriated annually
28 from tax revenues sufficient to pay the same. If the board
29 disapproves the application of the municipality for permission
30 to withdraw from the system the board shall promptly notify the

1 municipality of its decision and advise the municipality of the
2 board's reason or reasons for disapproval. The board shall
3 establish rules and regulations, in accordance with the
4 provisions of clause (10) of section 104 of this act, governing
5 the details of the procedures to be followed in the withdrawal
6 of municipalities from the system.

7 Section 317. Procedures for Amending Contracts.--Any
8 municipality which has joined the system under the provisions of
9 this Article III may, with the approval of the board, enter into
10 a contract with the board as outlined in Article IV of this act,
11 to increase any of the benefits enumerated in Article IV. The
12 board shall not enter into any contract with any municipality
13 which decreases benefits, nor shall it enter into any contract
14 with a municipality which provides for benefits in excess of or
15 minimum members contribution rates less than those available to
16 it under any other existing law pertaining to the establishment
17 of retirement systems for that class of municipality, except to
18 the extent that excess investment earnings are allocated by the
19 board to provide for additional pension benefits or member
20 accruals as otherwise provided in this law. Before the board
21 approves any such contract it shall first determine, through its
22 actuary, that the plan outlined in the contract is actuarially
23 sound. Any member municipality which elects to enter into a
24 contract for increased benefits which would result in an
25 increase in its employes contribution rates shall first obtain
26 the written consent of at least seventy-five per cent of its
27 then member employes. Additional costs for contracted increases
28 in benefits shall become the responsibility of the municipality
29 and/or the members as specified in the contract.

30 Section 402. Existing Local Retirement Systems and

1 Compulsory and Optional Membership.--Where a municipality elects
2 to join the system established by this act, and is then
3 maintaining a retirement or pension system or systems covering
4 its employees in whole or in part, those employees so covered, and
5 employees thereafter eligible to join such pension system, shall
6 not become members of the retirement system established by this
7 act, unless at the time the municipality elects to join the
8 system, the members of each such existing retirement or pension
9 system shall, by the affirmative vote of seventy-five per cent
10 of all the members of each pension system, elect to be covered
11 by the retirement system established by this act. At any time
12 thereafter, within a period of three years after the
13 municipality has elected to join the system, but not thereafter,
14 the members of an existing retirement or pension system may, in
15 like manner, elect to join the system established by this act.
16 In any such case, provisions may be made for the transfer of
17 moneys and securities in its retirement or pension fund or
18 funds, in whole or in part, to the fund established by this act.
19 Securities so transferred shall be only those acceptable to the
20 board. Securities not so acceptable shall be converted into
21 cash, and said cash transferred to the fund created by this act.
22 In any such transfer, provision shall be made to credit the
23 accumulated deductions of each member, at least the amount he
24 has paid into the retirement or pension system of the
25 municipality, which moneys shall be credited against the prior
26 service contributions of such member, or a municipality may turn
27 over to the retirement system created by this act any existing
28 local pension system on a completely funded basis, as to
29 pensioners and pension credits of members related to prior
30 service to the date of transfer, or on a partially funded basis

1 if the municipality pays annually into the retirement system
2 amounts sufficient to completely liquidate the municipality's
3 liability for prior service within a period not to exceed thirty
4 years.

5 No liability, on account of retirement allowances or pensions
6 being paid from any retirement or pension fund of the
7 municipality, shall attach against the fund, except as provided
8 in the agreement, making a transfer of an existing system in
9 accordance with this section. The liability to continue payment
10 of pensions not so transferred shall attach against the
11 municipality, which shall annually make appropriations from its
12 tax revenues sufficient to pay the same. In cases where workers
13 covered by an existing retirement or pension system elect to
14 join the system created by this act, the election to join shall
15 be deemed to have been made at the time the municipality elected
16 to join the system, and the liabilities of the municipality
17 shall be fixed accordingly.

18 If a municipality elects to join the system under the
19 provisions of this Article IV, it shall first negotiate a
20 contract with the board, acceptable to both the municipality and
21 the board, which shall set forth all the specific details of
22 municipal and member contribution rates and benefits. The
23 municipality shall then pass an ordinance or resolution electing
24 to join the system, and confirming the terms of the contract by
25 reference thereto. Separate contracts and separate resolutions
26 shall be executed for each class of employees, namely municipal
27 employees, municipal firemen and municipal police in those cases
28 where the municipality elects to bring more than one class of
29 its employees into the system.

30 When a municipality elects to enroll its municipal employees

1 into the system, then each officer other than elected officers,
2 and each municipal employe thereof, employed on a permanent
3 basis, shall be required to become a member of the system. Each
4 municipality shall determine whether membership in said system
5 for elected officials and employes hired on a temporary or
6 seasonal basis shall be compulsory, optional or prohibited.
7 Where membership may be optional with an elected officer or an
8 employe hired on a temporary or seasonal basis, an election to
9 join the system must be made within one year after the
10 municipality elected to join the system or within one year after
11 the officer or temporary or seasonal employe first entered the
12 service of the municipality. Officers and employes paid only on
13 a fee basis shall not be eligible to join the system.

14 When a municipality elects to enroll its municipal firemen or
15 its municipal police into the system, then each municipal
16 fireman or each municipal policeman, as defined in section 102
17 of this act, shall be required to become a member of the system.

18 When a municipality has established a policy of placing new
19 employes on a probationary status it may elect to refrain from
20 enrolling such employes into the system for a period of up to
21 one year from the date the probationary employe first entered
22 the service of the municipality. In such cases service credits
23 shall not be earned by the employe for probationary time served
24 prior to enrollment. Notwithstanding any other provision herein,
25 the board may, in its discretion, entertain a request from a
26 municipality to join the system established by this act for
27 those employes who are excluded from local pension plan coverage
28 by virtue of the collective bargaining process or otherwise. The
29 request to join the system must be accompanied by an affirmative
30 vote of no less than three-fourths of those employes not covered

1 by the local pension plan. The benefits to be established may be
2 in accordance with the provisions of this article or any other
3 relevant pension law covering that class of municipality. The
4 other requirements of this section for joining this system shall
5 be observed.

6 Section 403. Contract Provisions.--Any contract for an
7 optional retirement plan entered into between a municipality and
8 the board shall not provide for any benefits in excess of or
9 minimum member's contribution rates less than those available to
10 that municipality for that class of employees under any existing
11 law pertaining to the establishment of a retirement or pension
12 system, except to the extent that excess investment earnings are
13 allocated by the board to provide for additional pension
14 benefits or member accruals as otherwise provided in this law.

15 The contract shall specifically state the following terms and
16 conditions:

17 (1) The superannuation retirement age at which a member
18 shall become eligible for a full normal retirement allowance in
19 accordance with the formula specified in the contract.

20 (2) Length of service requirements which must be met before
21 a member becomes eligible for either a superannuation retirement
22 allowance, an early retirement allowance and the method of
23 determining any reduction factors involved in the computation of
24 the amount of the allowance because of retirement prior to
25 attaining superannuation age.

26 (3) Provisions for the refunding of accumulated deductions
27 plus excess interest to employees who leave the service of the
28 municipality before they become eligible for any type of
29 retirement benefit and whether or not the employee shall be
30 entitled to interest earned on contributions.

1 (4) Provisions relating to the types and amounts of
2 disability retirement benefits for which a member may become
3 eligible, and the qualifications therefore.

4 (5) The availability of any vesting or deferred benefits to
5 which a member may become entitled.

6 (6) A description of the amount and the manner in which a
7 member may qualify for any death benefits, both before and after
8 retirement, including any prescribed payments to widows or
9 children under eighteen years of age.

10 (7) The formula used to determine the amount of normal
11 retirement benefits, including an explanation of the salary or
12 compensation to be used in the computations, and a statement
13 concerning any social security offset provisions included in the
14 contract.

15 (8) A description of any optional methods of payment of
16 retirement allowances available to a member.

17 (9) Any provisions for cost-of-living increases, and
18 limitations thereon, which may be included.

19 (10) The manner in which the rate or rates of employe
20 contributions shall be determined, together with any provisions
21 for additional voluntary contributions.

22 (11) The manner in which the rates of contribution from the
23 municipalities shall be determined.

24 (12) The manner in which costs for prior service for which
25 the municipality is willing to assume liability shall be
26 determined, with respect to both the municipality's share and
27 the member's share, if any.

28 (13) The manner in which credit for any allowable military
29 service shall be determined and the manner in which costs of
30 service shall be paid.

1 (14) Any other information which might have a bearing on the
2 costs or benefits of the retirement plan which might be required
3 by the board in the administration of the plan.

4 Section 404. Determination of Municipal Liability.--[The
5 actuary] The board shall as soon as may be, determine the
6 present value of the liability of each municipality for any
7 prior service credits it has elected to extend to its original
8 members, and shall establish an amount payable annually over a
9 period not exceeding thirty years, through which payments such
10 prior service liability may be funded. Each municipality shall
11 have the option to spread the payment of such prior service
12 liability over such period of years.

13 The municipal liability [to be determined by the actuary]
14 shall be based upon credit for those years of prior service
15 toward the municipal annuity of each original member, for which
16 the municipality has agreed to pay, plus any liability for
17 payment of the member's contributions for the prior service or
18 any portion thereof of each original member which the
19 municipality has agreed to pay.

20 The [actuary] board shall also determine, from time to time,
21 the amount which shall be contributed annually by each
22 municipality for service credits of original and new members
23 subsequent to the time the municipality joined the system, and
24 the additional amount which shall be contributed annually by
25 each municipality toward a reserve account for disability
26 allowance payable to original and new members, in order that all
27 future service liability may be fully funded on an actuarial
28 basis.

29 The amounts so determined by the [actuary] board may be
30 expressed in a percentage of the payroll of the municipality

1 covering its contributing members.

2 The payments made by the State Treasurer to the treasurer of
3 the municipality from moneys received from taxes paid upon
4 premiums by foreign fire insurance companies for purposes of
5 pension, retirement or disability benefits for municipal firemen
6 shall be used as follows: (i) to reduce the unfunded liability
7 or, after such liability has been funded, (ii) to apply against
8 the annual obligation of the municipality for future service and
9 disability reserve costs, and (iii) to reduce member
10 contributions. It shall be the duty of the governing body to
11 apply such payments in accordance with the provisions of this
12 act.

13 The payments made by the State Treasurer to the treasurer of
14 the municipality from the moneys received from taxes paid upon
15 premiums by foreign casualty insurance companies for purposes of
16 pension, retirement or disability benefits for municipal
17 policemen shall be used as follows: (i) to reduce the unfunded
18 liability or, after such liability has been funded, (ii) to
19 apply against the annual obligation of the municipality for
20 future service and disability reserve costs, and (iii) to reduce
21 member contributions. It shall be the duty of the governing body
22 to apply such payments in accordance with the provisions of this
23 act.

24 The cost of making the valuations required by this section
25 and in the transfer of any existing pension system of any
26 municipality, shall be part of the costs of administration of
27 this act.

28 Section 406. Withdrawal; Return to Service; Death in
29 Service.--(a) Should a contributor, before reaching
30 superannuation retirement age, for any reason terminate his

1 employment with the municipality, he shall receive a refund of
2 his contributions in full, either with or without interest and
3 excess interest earned as specified in the contract, unless he
4 may be entitled to a retirement allowance for early retirement,
5 and elects to take such retirement allowance. Should such former
6 contributor thereafter return to the service of the same
7 municipality and restore to the fund in such manner as may be
8 agreed upon by such person and the board, his withdrawn
9 contributions as they were at the time of his separation from
10 service, his annuity rights as they existed at the time of
11 separation from service, shall be restored and his obligations
12 as a member shall begin again. The rate of contribution of such
13 returning member shall be the same as it was at the time he
14 separated from service.

15 (b) Should a contributor, having attained or passed
16 superannuation age, elect, upon leaving the service of the
17 member municipality, not to claim the retirement allowance to
18 which he is entitled, he shall, upon written application, be
19 paid by the board the full amount of his contributions standing
20 to his credit in the member's account, either with or without
21 interest earned and the amount in his excess investment account
22 as stipulated in the contract.

23 (c) Should a person who has been retired on a retirement
24 allowance under this act, return to employment on a regular
25 full-time basis in the same municipality, his retirement
26 allowance shall cease, [and all his rights as they existed at
27 the time of retirement shall be restored, and such person may by
28 further service and further payroll deductions add to such
29 rights on account of future retirement.] and in the case of an
30 annuity, other than a disability annuity, the present value of

1 such annuity shall be frozen as of the date of such annuity
2 ceases. Upon subsequent discontinuance of service, such member,
3 other than a former disability annuitant, shall be entitled to
4 an annuity which is actuarially equivalent to the sum of the
5 present value of the annuity previously being paid and the
6 present value of the annuity earned by further service and
7 further deductions added upon reemployment. For the purposes of
8 this section if a person is reemployed on a temporary or
9 seasonal basis and his gross post-retirement earnings from such
10 reemployment during the calendar year are less than [two
11 thousand one hundred dollars (\$2,100)] two thousand five hundred
12 twenty dollars (\$2,520) or such other maximum as the board may
13 establish, he shall not be deemed reemployed, but if and when
14 his gross post-retirement earnings exceed [two thousand one
15 hundred dollars (\$2,100)] two thousand five hundred twenty
16 dollars (\$2,520) or such other maximum as the board may
17 establish in any calendar year he shall not be entitled to
18 receive his retirement allowance for that month or any
19 subsequent month in the calendar year in which he continues in
20 service. The municipality is required to notify the board
21 immediately of the reemployment status of any retired former
22 employe and file separate monthly reports of his gross earnings
23 as prescribed by the board.

24 (d) Should a contributor die while in service, any death or
25 survivor benefits for which he may be eligible under the
26 provisions of the contract shall be paid in accordance with the
27 terms of the contract.

28 (e) Should a contributor die while in service, and before
29 becoming eligible for any other benefits contained in the
30 contract, the full amount of his contributions, either with or

1 without interest and excess interest earned as stipulated in the
2 contract, shall be paid to his estate, or to such person, if
3 living, as he shall have designated in writing, filed with the
4 board as his beneficiary. In case any contributor has failed to
5 designate a beneficiary, or if the named beneficiary has
6 predeceased the member and no such successor beneficiary has
7 been named, and upon the death in service shall have less than
8 one hundred dollars (\$100) in accumulated deductions standing to
9 his credit, the board may, if letters testamentary or of
10 administration have not been taken out on his estate within six
11 months after death, pay such accumulated deductions on the claim
12 of the undertaker, or to any person or municipality which shall
13 have paid the claim of the undertaker.

14 Section 408. Early Retirement.--Should a member be
15 discontinued from service not voluntarily, after having
16 completed a required number of years of total service, or
17 voluntarily after having completed a required number of years of
18 total service, but in either event before reaching
19 superannuation retirement age, he shall be paid, as he may
20 elect, as follows:

21 (1) The full amount of the accumulated deductions standing
22 to his credit in the member's account of the fund, plus the
23 balance in the member's excess investment account; or

24 (2) The early retirement allowance, if any, specified in the
25 contract.

26 Section 411. Disability Retirement.--(a) After a member has
27 had the required number of years of total service as stated in
28 the contract, he may, upon application or on the application of
29 one acting in his behalf, or upon application of a head of the
30 department of the municipality by which he is employed, be

1 retired by the board on a disability allowance if he is under
2 superannuation retirement age, and on a superannuation
3 retirement allowance if he has attained or passed such age, if
4 the physician designated by the board, after medical examination
5 of the member made at the place of residence of the member or at
6 a place mutually agreed upon, shall certify to the board that
7 the member is unable to engage in any gainful employment and
8 that said member ought to be retired. Where the disability of a
9 member is determined to be service-connected, as defined in this
10 act, no minimum period of service shall be required for
11 eligibility. Requirements for filing applications shall be
12 identical to those outlined in clause (1) of section 407.

13 (b) On retirement for disability a member shall receive a
14 retirement allowance which shall consist of an amount computed
15 in accordance with the formula specified in the contract.

16 (c) Once every year the board may require any disability
17 annuitant, while still under superannuation retirement age, to
18 undergo medical examination by a physician designated by the
19 board. Such examination shall be made at the place of residence
20 of the beneficiary or other place mutually agreed upon. Should
21 the physician report and certify to the board that such
22 disability beneficiary is no longer physically or mentally
23 incapacitated for the performance of duty and is able to engage
24 in a gainful occupation, then his disability retirement
25 allowance shall be discontinued, and in lieu thereof an early
26 involuntary retirement allowance shall at that time be granted
27 as if such person had been retired not voluntarily, if such a
28 provision is included in the contract and if such person shall
29 have had the required number of years of total service as stated
30 in the contract.

1 (d) Should a disability annuitant, while under
2 superannuation retirement age, refuse to submit to at least one
3 medical examination in any year by a physician designated by the
4 board, his disability retirement allowance shall be discontinued
5 until the withdrawal of such refusal, and should such refusal
6 continue for one year, then all his right in and to any
7 disability retirement allowance or for early involuntary
8 retirement allowance provided for by this act, shall be
9 forfeited.

10 (e) Any contributor entitled to retire for disability may,
11 in lieu of such retirement, if he has a required number of years
12 of total service, elect to retire not voluntarily under the
13 provisions of this act if such provisions are included in the
14 contract.

15 (f) Should a disability annuitant die before the total
16 disability retirement allowance received shall be at least equal
17 to the amount of the credit in his member's account plus the
18 balance in the member's excess investment account at the time of
19 disability retirement, then the board shall pay to the named
20 beneficiary, if living, or if the beneficiary predeceased the
21 annuitant, or no beneficiary was named, then to the annuitant's
22 estate, an amount equal to the difference between such total
23 retirement allowance received and the annuitant's accumulated
24 deductions plus excess interest, and if such difference is less
25 than one hundred dollars (\$100) and no letters have been taken
26 out on the estate within six months after death, then such
27 difference may be paid to the undertaker or to any person or
28 municipality who or which shall have paid the claim of the
29 undertaker. If the contract between the municipality and the
30 board provides that upon the death of a disability annuitant

1 payments in a specific amount shall be continued to certain
2 beneficiaries, then the provisions of subsection (f) shall not
3 apply and payments shall be made in accordance with the terms of
4 the contract.

5 Section 412. Withdrawal Provisions.--A municipality which
6 has joined the retirement system created or continued under this
7 Article IV may, for good and stated cause, file an application
8 with the board for permission to withdraw from the system if it
9 meets all of the following requirements:

10 (1) The municipality has been enrolled in the system for a
11 period of at least five years.

12 (2) The municipality has met all of its financial
13 obligations to the system.

14 (3) The legislative body of the municipality has passed an
15 ordinance or resolution signifying its intention to withdraw
16 from the system.

17 (4) The municipality has certified to the board that an
18 affirmative vote approving withdrawal from the system had been
19 obtained from at least seventy-five per cent of all of the
20 municipal employees affected by the ordinance or resolution.

21 The board shall within ninety days of its receipt, take
22 action on an application filed by a municipality for permission
23 to withdraw from the system. If the application is approved the
24 withdrawing municipality shall be entitled to receive a net
25 refund of the amounts then standing to the credit of the
26 municipality in the member's account, the member's excess
27 interest account, the municipal account and the retired member's
28 reserve accounts of the system. In no event shall the total
29 amount of the net refund to the municipality exceed the pro rata
30 interest of the withdrawing municipality in the net assets of

1 the entire fund based on the market value of the investments of
2 the fund as of the date of receipt of the application for
3 permission to withdraw. The liability for the continuation of
4 retirement or disability allowances being paid from the fund
5 shall attach against the withdrawing municipality and be paid
6 from funds transferred to a retirement system established
7 subsequent to its withdrawal from the system or from moneys
8 appropriated annually from tax revenues sufficient to pay the
9 same. If the board disapproves the application of the
10 municipality for permission to withdraw from the system the
11 board shall promptly notify the municipality of its decision and
12 advise the municipality of the board's reason or reasons for
13 disapproval. The board shall establish rules and regulations, in
14 accordance with the provisions of clause (10) of section 104 of
15 this act, governing the details of the procedures to be followed
16 in the withdrawal of municipalities from the system.

17 Section 413. Procedures for Amending Contracts.--Any
18 municipality which has joined the system under the provisions of
19 this Article IV may, with the approval of the board, amend the
20 contract with the board to increase any of the benefits
21 enumerated in Article IV to its members. The board shall not
22 enter into any amended contract with any municipality which
23 decreases benefits, nor shall it enter into any amended contract
24 with a municipality which provides for benefits in excess of or
25 minimum member's contribution rates less than those available to
26 it under any other existing law pertaining to the establishment
27 of retirement systems for that class of municipality except to
28 the extent that excess investment earnings are allocated by the
29 board to provide for additional pension benefits or members
30 accruals as otherwise provided in this law. Before the board

1 approves any such amended contract it shall first determine,
2 through its actuary, that the plan outlined is actuarially
3 sound. Any member municipality which elects to enter into an
4 amended contract for increased benefits which would result in an
5 increase in its employes contribution rates shall first obtain
6 the written consent of at least seventy-five per cent of its
7 then member employes. Additional costs for increases in benefits
8 shall become the responsibility of the municipality and/or the
9 member as specified in the contract.

10 Section ~~11~~. 12. This act shall take effect in 60 days.

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