

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1217 Session of
1991

INTRODUCED BY VAN HORNE AND HECKLER, APRIL 22, 1991

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, APRIL 22, 1991

AN ACT

1 Amending the act of May 23, 1945 (P.L.903, No.362), entitled "An
2 act authorizing cities of the third class to establish an
3 optional retirement system for officers and employes
4 independently of any pension system or systems existing in
5 such cities," further providing for payments by the city and
6 contributors into the retirement fund.

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

9 Section 1. Sections 4(e) and 5 of the act of May 23, 1945
10 (P.L.903, No.362), entitled "An act authorizing cities of the
11 third class to establish an optional retirement system for
12 officers and employes independently of any pension system or
13 systems existing in such cities," amended or added October 19,
14 1967 (P.L.465, No.220), are amended to read:

15 Section 4. * * *

16 (e) In addition to the retirement allowance which is
17 authorized to be paid from the pension fund by this act,
18 notwithstanding the limitations therein placed upon such
19 retirement allowances and upon contributions, every contributor

1 who shall become entitled to the retirement allowance may also
2 by ordinance be entitled to the payment of a "service increment"
3 in accordance with and subject to the conditions hereinafter set
4 forth.

5 (1) Service increment shall be the sum obtained by computing
6 the number of whole years after having served twenty (20) years,
7 required by this act, during which a contributor has been
8 employed by such city and paid out of the city treasury and
9 multiplying the said number of years so computed by an amount
10 equal to one-fortieth ($1/40$) of the retirement allowance which
11 has become payable to such contributor in accordance with the
12 provisions of this act. In computing the service increment, no
13 employment after the contributor has reached the age of sixty-
14 five (65) years shall be included.

15 (2) [Each] Except to the extent that subsection (c) of
16 section 607 of the act of December 18, 1984 (P.L.1005, No.205),
17 known as the "Municipal Pension Plan Funding Standard and
18 Recovery Act," applies, each contributor, who so chooses to
19 become entitled to the service increments provided by this act,
20 shall, from and after the effective date of this amendment, pay
21 into the retirement fund a monthly sum in addition to his or her
22 retirement contribution, which shall be equal to one-half of one
23 per centum of his or her salary: Provided, That such service
24 increment contribution shall not be paid after a contributor has
25 reached the age of sixty-five (65) years.

26 (3) Persons who are contributors on the effective date of
27 this amendment who have already reached the age of sixty-five
28 (65) years shall have his or her service increment computed on
29 the years of employment prior to the date of reaching his or her
30 sixty-fifth (65th) birthday.

1 (4) Service increment contributions shall be paid at the
2 same time and in the same manner as retirement contributions,
3 and may be withdrawn in full, without interest, by persons who
4 leave the employment of such city, subject to the same
5 conditions by which retirement contributions may be withdrawn,
6 or by persons who retire before becoming entitled to any service
7 increment.

8 (5) All persons who are now contributors to the retirement
9 fund and all those employed by the city after the effective date
10 of this amendment, if required to become contributors to the
11 retirement fund, shall be subject to the provisions of this act.

12 Section 5. [The] (a) Except to the extent that subsection
13 (c) of section 607 of the act of December 18, 1984 (P.L.1005,
14 No.205), known as the "Municipal Pension Plan Funding Standard
15 and Recovery Act," applies, the officers and employees of any
16 city, creating such fund and board, shall, upon the acceptance
17 of this act, pay unto said board monthly an amount equal to
18 three (3) per centum of their monthly salaries or wages, and if
19 the council elects to make such payments, an additional amount
20 not to exceed one per centum if deemed necessary by the council
21 to provide sufficient funds for payments to widows and widowers
22 of members retired on pension or killed in the service, except
23 as hereinafter provided concerning laborers, which shall be
24 applied to the purpose of this act.

25 (b) If any compensation be granted to a person who has not
26 been a contributor to the fund, as herein provided, for an
27 aggregate period of twenty (20) years, such person shall be
28 required to pay unto the board for the benefit of the fund,
29 monthly, an amount equal to three (3) per centum of his
30 compensation until such time as his contribution shall have been

1 extended to a period of twenty (20) years.

2 (c) If for any cause any person contributing to the fund who
3 has served less than twelve (12) years shall cease to be in the
4 service of the city, he shall become entitled to the total
5 amount of the contributions paid into the fund by him, without
6 interest. Any person, who has served for a period of less than
7 twenty (20) years, and who has not reached the age of fifty-five
8 (55) years, and who voluntarily retires from such service, shall
9 be entitled only to the return of his total contributions to the
10 fund without interest.

11 (d) If for any cause any person contributing to the fund
12 shall cease to be in the service of any city before he shall
13 have become entitled to any compensation, the total amount of
14 the contributions paid into the fund by him shall be refunded,
15 in full, without interest: Provided, however, If any such person
16 shall have returned to him the amount contributed, as aforesaid,
17 and shall afterwards re-enter the service of the city, he shall
18 not be entitled to the compensation designated, unless he shall
19 return to the fund the amount withdrawn, in which event, the
20 required period of service under this act shall be computed from
21 the time he first entered the service of the city; otherwise the
22 date of his period of service shall commence upon re-entry. In
23 the event of the death of any person after he becomes entitled
24 to any compensation and has not elected to retire, the total
25 amount of contributions paid into the fund by him shall be paid
26 over to his estate, without interest.

27 Section 2. Section 10 of the act, amended July 15, 1968
28 (P.L.340, No.165), is amended to read:

29 Section 10. The councils of the cities shall annually set
30 aside, apportion and appropriate out of all taxes and income of

1 such city unto the board, a sum sufficient to [maintain the
2 compensation due under this act and any additional amount deemed
3 necessary, to provide sufficient funds for payments to widows of
4 members retired on pension or killed in the service.] meet the
5 minimum obligation of the municipality with respect to the
6 pension plan pursuant to the act of December 18, 1984 (P.L.1005,
7 No.205), known as the "Municipal Pension Plan Funding Standard
8 and Recovery Act."

9 Section 3. Section 10.1 of the act, amended July 21, 1959
10 (P.L.552, No.168), is amended to read:

11 Section 10.1. Determination of Liability Upon Extension of
12 Social Security.--(a) Where a city has entered into an
13 agreement with the Commonwealth to place its employees under the
14 Federal Social Security Act, the board shall appoint an actuary,
15 and may fix his compensation. The actuary shall [determine the
16 present value of the liability on account of pensions payable
17 under the provisions of section four of this act to employees who
18 are members of the system on the effective date of the
19 agreement, and shall offset the value of any assets in the
20 pension fund to determine the unfunded liability. The city may
21 make such payments as it desires towards the unfunded liability
22 until the accumulated reserve equals the present value of the
23 liability. The actuary shall also determine the amount which
24 shall be contributed, annually, into the fund on account of
25 service of all new and original members subsequent to the date
26 of the agreement.] assist the chief administrative officer of
27 the city in the preparation of the periodic actuarial valuation
28 reports pursuant to Chapter 2 of the act of December 18, 1984
29 (P.L.1005, No.205), known as the "Municipal Pension Plan Funding
30 Standard and Recovery Act."

1 [Officers] (b) Except to the extent that subsection (c) of
2 section 607 of the "Municipal Pension Plan Funding Standard and
3 Recovery Act," applies, officers and employes shall pay to the
4 board, monthly, an amount equal to three and one-half per centum
5 of that portion of monthly compensation on which social security
6 allowances are payable and five per centum of any monthly
7 compensation in excess of that on which social security
8 allowances are payable. The remainder of the needed annual
9 contribution for service subsequent to the date of the
10 agreement, as determined by the actuary, shall become the
11 obligation of the city and shall be paid by it to the board by
12 annual appropriations. The provisions of this section shall, in
13 all applicable cases, supersede the provisions relating to
14 contributions in section 5 and section 10 of this act.

15 Section 4. This act shall take effect immediately.