

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 373

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

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, FEBRUARY 21, 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," further providing for the
24 actuarial soundness of the fund, for excess interest, for
25 payment of administrative funds from excess interest
26 earnings, for member's excess investment account, for joining
27 the fund, for municipal liability, for credit for other
28 governmental service, for contributions, for return to
29 service and for computation of benefits.

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

1 Section 1. The definition of "actuarially sound" in section
2 102, act of February 1, 1974 (P.L.34, No.15), known as the
3 "Pennsylvania Municipal Retirement Law," is amended and the
4 section is amended by adding definitions to read:

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

6 * * *

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

19 * * *

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

23 * * *

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

28 * * *

29 Section 2. Sections 104, 105 and 110 of the act, are amended
30 to read:

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

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

10 (2) Contract for professional services, including but not
11 limited to actuarial, investment and medical as it deems
12 advisable;

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

15 (4) From time to time, through its actuary, make an
16 actuarial investigation into the mortality and service
17 experience of the contributors and annuitants and of the various
18 accounts created by this act;

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

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

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

27 (8) Prepare and publish annually a financial statement
28 showing the condition of the fund and the various accounts
29 thereof, and setting forth such other facts, recommendations and
30 data as may be of use in the advancement of knowledge concerning

1 the Pennsylvania Municipal Retirement System, and furnish a copy
2 thereof to each municipality which has joined the system, and to
3 such persons as may request copies thereof;

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

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

11 (11) Be authorized to approve any optional retirement plan
12 for municipal employes, municipal firemen or municipal police,
13 with any municipality as long as it is actuarially sound and
14 benefits under the plan are not in excess of or member's minimum
15 contribution rates are not less than those provided in other
16 existing retirement laws pertaining to that class of
17 municipality; except to the extent that excess investment
18 earnings are allocated by the board to provide for additional
19 pension benefits or member accruals as otherwise provided in
20 this law;

21 (12) Prepare and distribute annual statements of accounts to
22 each of the active members of the system, showing the
23 contributions made during the year, the interest earned and the
24 total balance standing in the member's account at the end of the
25 year;

26 (12.1) From time to time, the board may allocate excess
27 investment earnings to provide additional "cost-of-living"
28 pension benefits to those members who have already retired. Such
29 allocations shall be made, with the advice of the actuary, on a
30 fully funded basis employing actuarial assumptions which reflect

1 the nature of the liability.

2 (12.2) From time to time, the board may allocate excess
3 investment earnings for active members by applying such
4 allocation to member contributions. To the extent that
5 additional liabilities may accrue as a result of such
6 allocation, the actuary shall employ actuarial assumptions, on a
7 fully funded basis, to accurately reflect the nature of the
8 liability generated therefrom.

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

11 Section 105. Preliminary Actuarial Investigation Tables and
12 Rates.--As soon as may be after the passage of this act, the
13 actuary shall make an investigation of the mortality, service
14 and salary experience of municipal employes, municipal firemen
15 and municipal police as he shall deem necessary, for the purpose
16 of determining upon tentative tables and municipal
17 contributions. On the basis of such investigation and
18 recommendation, the board shall adopt such tentative tables and
19 certify such tentative rates for the purpose of giving
20 municipalities and municipal employes, municipal firemen and
21 municipal police estimates of the cost involved in electing to
22 join the retirement system established by this act. [Such tables
23 may thereafter be accepted or changed by the board, as
24 experience may require.] The actuary shall make subsequent
25 investigations at least once every five years in order to enable
26 the board to change such tables when necessary.

27 Section 110. Management and Investment of Fund; Interest
28 Credits.--The members of the board shall be trustees of the
29 fund, and shall have the exclusive management of said fund, with
30 full power to invest the moneys therein, subject to the terms,

1 conditions, limitations and restrictions imposed by law upon
2 fiduciaries. The said trustees shall have power to hold,
3 purchase, sell, assign, transfer and dispose of any securities
4 and investments in said fund, as well as the proceeds of such
5 investments, and of the money belonging to such fund.

6 The board shall annually allow regular interest to the credit
7 on each [account, including each contributor's account]
8 contributor's account, municipal account, the retired members
9 reserve account and the total disability reserve account. In
10 addition, the board shall, after paying expenses, annually allow
11 such excess interest it deems appropriate to the credit of the
12 municipal accounts, member's accounts, the member's excess
13 investment accounts, retired members reserve accounts and total
14 disability reserve accounts. The board may also maintain a
15 contingency reserve account made up of such additional excess
16 interest as it deems appropriate.

17 Section 3. Section 112 of the act, amended January 4, 1978
18 (No.1), is amended to read:

19 Section 112. Annual Estimates to Municipalities;
20 Administrative Expenses.--The board shall prepare and submit to
21 each municipality, on or before the first day of the third
22 month preceding the commencing of each municipality's fiscal
23 year, an itemized estimate of the amounts necessary to be
24 appropriated by the municipality to complete the payments of the
25 obligations of the municipality to the fund during its next
26 fiscal year.

27 The board shall annually prepare and approve a budget
28 covering the administrative expenses of this act. Such expenses
29 as approved by the board shall be paid from [receipts from
30 assessments made against each municipality for administrative

1 expenses. This assessment shall be based on the number of
2 members in each municipality and shall not exceed the sum of
3 twenty dollars (\$20) per member per year. If, in the calendar
4 years 1974, 1975, 1976, 1977, 1978 and 1979, the amount received
5 from such assessments, when imposed at the maximum rate, is not
6 sufficient to cover the administrative expenses, then the
7 balance of such expenses shall be paid from] interest earnings
8 on the fund in excess of the regular interest credited to the
9 municipal and member's accounts and shall not, in any year,
10 exceed [three-quarters of one] one and one-half per cent of the
11 total asset value of the fund as of the beginning of the
12 calendar year. The administration of the Pennsylvania Municipal
13 Retirement System shall be audited annually and a report of this
14 audit shall be made annually to the General Assembly.

15 Section 4. Sections 113, 203, 204, 205 and 206 of the act
16 are amended to read:

17 Section 113. Existing Local Retirement Systems.--Where a
18 municipality elects to join the system established by this act,
19 and is then maintaining a retirement or pension system or
20 systems covering its employees in whole or in part, those
21 employees so covered, and employees thereafter eligible to join
22 such pension system, shall not become members of the retirement
23 system established by this act, unless at the time the
24 municipality elects to join the system, the members of each such
25 existing retirement or pension system shall, by the affirmative
26 vote of seventy-five per cent of all the members of each pension
27 system, elect to be covered by the retirement system established
28 by this act. At any time thereafter, within a period of three
29 years after the municipality has elected to join the system, but
30 not thereafter, the members of an existing retirement or pension

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

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

1 be deemed to have been made at the time the municipality elected
2 to join the system, and the liabilities of the municipality
3 shall be fixed accordingly.

4 Notwithstanding any other provision herein, the board may, in
5 its discretion, entertain a request from a municipality to join
6 the system established by this act for those employees who are
7 excluded from local pension plan coverage by virtue of the
8 collective bargaining process or otherwise. The request to join
9 the system must be accompanied by an affirmative vote of no less
10 than three-fourths of those employees not covered by the local
11 pension plan. The benefits to be established may be in
12 accordance with the provisions of this article or to any other
13 relevant pension law covering that class of municipality. The
14 other requirements of this section for joining this system shall
15 be observed.

16 Section 203. Existing Local Retirement Systems and
17 Compulsory and Optional Membership.--Where a municipality elects
18 to join the system established by this act, and is then
19 maintaining a retirement or pension system or systems covering
20 its employees in whole or in part, those employees so covered, and
21 employees thereafter eligible to join such pension system, shall
22 not become members of the retirement system established by this
23 act, unless at the time the municipality elects to join the
24 system, the members of each such existing retirement or pension
25 system shall, by the affirmative vote of seventy-five per cent
26 of all the members of each pension system, elect to be covered
27 by the retirement system established by this act. At any time
28 thereafter, within a period of three years after the
29 municipality has elected to join the system, but not thereafter,
30 the members of an existing retirement or pension system may, in

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

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

1 be deemed to have been made at the time the municipality elected
2 to join the system, and the liabilities of the municipality
3 shall be fixed accordingly.

4 If a municipality elects to join the system under the
5 provisions of this Article II, then each officer other than
6 elected officers, and each employe thereof other than a
7 municipal fireman and a municipal policeman, employed on a
8 permanent basis, except one who is not eligible for Federal
9 Social Security coverage and except one who is covered by an
10 existing retirement or pension system and is exempted as
11 outlined above, shall be required to become a member of the
12 system. Each municipality shall determine whether membership in
13 said system for elected officials and employes hired on a
14 temporary or seasonal basis shall be compulsory, optional or
15 prohibited. Where membership may be optional with an elected
16 officer or an employe hired on a temporary or seasonal basis, an
17 election to join the system must be made within one year after
18 the municipality elected to join the system or within one year
19 after the officer or temporary or seasonal employe first entered
20 the service of the municipality. Officers and employes paid only
21 on a fee basis shall not be eligible to join the system.

22 When a municipality has established a policy of placing new
23 employes on a probationary status it may elect to refrain from
24 enrolling such employes into the system for a period of up to
25 one year from the date the probationary employe first entered
26 the service of the municipality. In such cases service credits
27 shall not be earned by the employe for probationary time served
28 prior to enrollment.

29 Notwithstanding any other provision herein, the board may, in
30 its discretion, entertain a request from a municipality to join

1 the system established by this act for those employees who are
2 excluded from local pension plan coverage by virtue of the
3 collective bargaining process or otherwise. The request to join
4 the system must be accompanied by an affirmative vote of no less
5 than three-fourths of those employees not covered by the local
6 pension plan. The benefits to be established may be in
7 accordance with the provisions of this article or any other
8 relevant pension law covering that class of municipality. The
9 other requirements of this section for joining this system shall
10 be observed.

11 Section 204. Service Allowance; Change of Employment;
12 Military Service.--In computing the length of service of a
13 contributor for retirement purposes, full credit shall be given
14 to each original member for each year of service rendered to the
15 municipality prior to the time the municipality joined the
16 system, whether or not such service was continuous.

17 As soon as practicable, the board shall issue to each
18 original member a certificate certifying the aggregate length of
19 service rendered to the municipality prior to the time it joined
20 the system. Such certificate shall be final and conclusive as to
21 his prior service unless thereafter modified by the board, upon
22 application of the member.

23 The time during which a member was absent from service
24 without pay shall not be counted in computing the service of a
25 contributor in his certificate, or upon retirement, unless
26 specifically allowed by the municipality, with the approval of
27 the board.

28 When a contributor leaves the employ of a municipality which
29 has joined the system, and enters into the employ of another
30 municipality which has also joined the system, his service

1 credits shall remain unimpaired, but in such cases the unpaid
2 municipal liability for prior service shall be prorated by the
3 board between the municipalities on an equitable basis. Such
4 basis will be determined, with the advice of the actuary,
5 according to the number of years of service performed by the
6 contributor for each municipality.

7 A contributor who has been employed by a municipality for a
8 period of at least six months and is an active member of the
9 system and who thereafter, heretofore, or hereafter, shall be
10 inducted into the military service of the United States in times
11 of war, armed conflict, or National emergency, so proclaimed by
12 the President of the United States, shall have credited to his
13 employment record, for pension or retirement benefits, all of
14 the time spent by him in such military service during the
15 continuance of such war, armed conflict, or National emergency
16 if such person returns or has heretofore returned to his
17 employment within six months after his separation from the
18 service. The municipality shall, during the period of the
19 member's intervening military service, continue to make current
20 service contributions toward the municipal annuity of the
21 member. An active member may file an application with the board
22 for permission to purchase credit toward his member's share of
23 the annuity for intervening military service. These
24 contributions shall be computed by applying the member's
25 contribution rate to his annual rate of compensation at the time
26 of entry of the member into active military service, and
27 multiplying the result by the number of years and fractional
28 part of a year of creditable intervening military service,
29 together with interest from date of return to employment to date
30 of purchase. The amount due from the member shall be certified

1 by the board in accordance with methods approved by the actuary,
2 and may be paid by (1) regular monthly payments during active
3 military service, or (2) a lump sum payment within thirty days
4 or (3) it may be amortized with additional interest through
5 salary deductions in amounts agreed upon by the member of the
6 board.

7 An active member may also purchase credit for other than
8 intervening military service performed for the United States in
9 times of war, armed conflict or National emergency, so
10 proclaimed by the President of the United States, for a period
11 not to exceed five years: Provided, That the member has
12 completed five years of service to the municipality subsequent
13 to such military service. An active member may file an
14 application with the board for permission to purchase credit for
15 nonintervening military service upon completion of five years of
16 subsequent service to the municipality. The type of service
17 credit for such service shall be determined by the date of entry
18 of the municipality into the system. If the date of the member's
19 separation from military service is prior to the date on which
20 the municipality joined the system, then the credit purchased
21 shall be considered as prior service credit. In this case the
22 amount due from the member shall be computed by applying the
23 member's basic contribution rate plus the rate of contribution
24 the municipality paid for current service during its first year
25 of entry into the system to his prior salary and multiplying the
26 result by the number of years and fractional part of a year of
27 creditable nonintervening military service, plus interest from
28 the date of the member's employment by the municipality to the
29 date of purchase. [The amount due from the member shall be
30 certified by the board in accordance with methods approved by

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

18 The amount due from the member shall be certified by the
19 board in accordance with methods approved by the actuary, and
20 may be paid in a lump sum within thirty days or it may be
21 amortized with additional interest through salary deductions in
22 amounts agreed upon by the member and the board.

23 The rate of interest to be charged to members on their
24 purchase of credit for intervening or nonintervening military
25 service shall be the rate being credited by the system to
26 member's contribution accounts in effect on the date of the
27 member's application, compounded annually.

28 A member may purchase credit for intervening or
29 nonintervening military service only if his discharge or
30 separation from the service was granted under other than

1 dishonorable conditions.

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

8 Applications for permission to purchase credit for military
9 service must be accompanied by proof of the nature of his
10 discharge or separation from the military service.

11 Section 205. Determination of Municipal Liability.--The
12 [actuary] board shall as soon as may be, determine the present
13 value of the liability of each municipality for the prior
14 service credits to its original members, and shall establish an
15 amount payable annually over a period not exceeding thirty
16 years, through which payments such prior service liability may
17 be funded. Each municipality shall have the option to spread the
18 payment of such prior service liability over such period of
19 years.

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

24 (1) The municipality may limit to ten years the credit for
25 prior service toward the municipal annuity of each original
26 member;

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

30 The [actuary] board shall also determine, from time to time,

1 the amount which shall be contributed annually by each
2 municipality for service credits of original and new members
3 subsequent to the time the municipality joined the system, and
4 the additional amount which shall be contributed annually by
5 each municipality toward a reserve account for disability
6 allowances payable to original or new members, in order that all
7 future service liability may be fully funded on an actuarial
8 basis.

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

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

16 Section 206. Contributions by Members; Consolidation of
17 Credits; Change of Employment.--Each member of the system shall
18 be required to contribute to the fund [such per cent of his
19 actual salary or compensation, including fees where paid in part
20 on a fee basis, as shall be computed by the actuary to be
21 approximately sufficient to procure for him on a superannuation
22 retirement age, a member's annuity of approximately one two-
23 hundred-fiftieth of that portion of his final salary on which
24 social security benefits are payable and of one one-hundred-
25 twenty-fifth of any portion of his final salary in excess of the
26 amount on which social security benefits are payable for each
27 year of service, after the time the municipality by which he is
28 employed joined the system.] three per cent of that portion of
29 their actual salary or compensation, including fees where paid
30 in part on a fee basis, on which social security benefits are

1 payable, and six per cent of any salary, compensation or fees in
2 excess of the amount on which social security benefits are
3 payable. However, in the event of a contributor who became a
4 member prior to January 1, 1979, the required rate of
5 contribution shall be the lesser of the rate herein provided and
6 the rate applicable to said member upon his entry into the
7 system.

8 In order to increase his member's annuity, each member shall
9 also have the option to make contributions for his prior
10 service. Such contributions for prior service may be anticipated
11 in whole or in part at the time the municipality joins the
12 system, or payment thereof or such part thereof as is not
13 anticipated may be spread over a period of time by increasing
14 the payroll deduction of the member by at least one-third. When
15 a member elects to contribute on account of all of his unpaid
16 prior service, his rate of contribution shall be calculated as
17 of his age at the time he first entered the service of the
18 municipality: Provided, however, That any municipality may, at
19 the time it elects to join the system, or at any time
20 thereafter, agree with the board to pay into the fund as part of
21 its liability under and in accordance with section 205 hereof,
22 the moneys necessary to provide the member's contributions for
23 prior service, and in such case no contributions for prior
24 service shall be made by the members.

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

28 When a municipal employe is employed by more than one
29 municipality, he shall be required to make contributions on
30 account of his salary paid by each municipality. In such cases

1 the board shall provide for the consolidation of credits of the
2 contributor and, upon his retirement, for a consolidated
3 retirement allowance.

4 Section 5. Section 207 of the act, amended December 19, 1975
5 (P.L.520, No.153), is amended to read:

6 Section 207. Withdrawal; Return to Service; Death in
7 Service.--(a) Should a contributor, before reaching
8 superannuation retirement age, for any reason cease to be a
9 municipal employe, he shall be paid by the board the full amount
10 of the accumulated deductions standing to his credit in the
11 member's account, unless he is entitled to vesting rights or to
12 a retirement allowance for retirement not voluntarily, and
13 elects to exercise such vesting rights or take such retirement
14 allowance. Should such former contributor thereafter return to
15 the service of the same municipality and restore to the fund, in
16 such manner as may be agreed upon by such person and the board,
17 his withdrawn accumulated deductions as they were at the time of
18 his separation from service, his annuity rights as they existed
19 at the time of separation from service shall be restored and his
20 obligations as a member shall begin again. The rate of
21 contribution of such returning member shall be the same as it
22 was at the time he separated from service.

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

30 (c) Should a person who has been retired on a retirement

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

29 (d) Should a contributor die while in service, prior to
30 becoming eligible for a retirement allowance, his accumulated

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

13 Section 6. Sections 208, 210 and 212 of the act are amended
14 to read:

15 Section 208. Superannuation Retirement.--Retirement for
16 superannuation shall be as follows:

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

28 (b) On retirement for superannuation, a contributor shall be
29 entitled to a retirement allowance throughout his life, which
30 shall consist of:

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

(2) A municipal annuity which shall be equal to (i) for current service, one two-hundred-fiftieth of that portion of his final salary on which social security benefits are payable plus one one-hundred-twenty-fifth of any portion of his final salary in excess of the amount on which social security benefits are payable for each year of service while a member, and in addition thereto, (ii) for prior service in case of an original member, one two-hundred-fiftieth of that portion of his prior salary on which social security benefits are payable plus one one-hundred-twenty-fifth of any portion of his prior salary in excess of the amount on which social security benefits are payable for each year of prior service or for a maximum of ten years if the municipality has so limited the period of prior service, and in addition thereto, one two-hundred-fiftieth of his prior salary on which social security benefits are payable plus one one-hundred-twenty-fifth of any portion of his prior salary in excess of the amount on which social security benefits are payable for each year of prior service for which the municipality has paid or has obligated itself to pay the member's contributions. For the purposes of calculating the current service benefit, an average of the social security wage base will be determined for the period of time over which final salary is taken, and this average will be the basis for calculating the amount of salary on which social security benefits are payable. For the purposes of calculating the prior service benefit, the social security wage base in effect on the date of the municipality's entry into the system will be used as the basis for calculating the amount of prior salary on which

1 social security benefits are payable.

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

4 Section 210. Early Retirement.--Should a contributor be
5 discontinued from service not voluntarily, after having
6 completed eight years of total service, or voluntarily after
7 having completed twenty-four years of total service, but in
8 either event before reaching superannuation retirement age, he
9 shall be paid as he may elect, as follows:

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

13 (2) Upon the filing of an application in the manner outlined
14 in subsection (a) of section 208, a retirement allowance which
15 shall consist of (i) a member's annuity of equivalent actuarial
16 value to his accumulated deductions plus the balance in the
17 member's excess investment account; and (ii) a municipal annuity
18 of equivalent actuarial value to the present value of a
19 municipal annuity, beginning at superannuation retirement age,
20 calculated in accordance with the provisions of section 208; or

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

23 Section 212. Disability Retirement.--(a) After a
24 contributor has had ten or more years of total service, he may,
25 upon application or on the application of one acting in his
26 behalf, or upon application of a head of the department of the
27 municipality by which he is employed, be retired by the board on
28 a disability allowance if he is under superannuation retirement
29 age, and on a superannuation retirement allowance if he has
30 attained or passed such age, if the physician designated by the

1 board, after medical examination of the contributor made at the
2 place of residence of the contributor or at a place mutually
3 agreed upon, shall certify to the board that the contributor is
4 unable to engage in any gainful employment and that said
5 contributor ought to be retired. When the disability of a
6 contributor is determined to be service-connected, as defined in
7 this act, no minimum period of service shall be required for
8 eligibility. Application filing requirements shall be identical
9 to those outlined in subsection (a) of section 208.

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

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

15 (2) A municipal annuity of the equivalent actuarial value to
16 the present value of a municipal annuity, beginning at
17 superannuation retirement age, calculated in accordance with the
18 provision of section 208; and

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

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

28 (P.L.736, No.338), known as "The Pennsylvania Workmen's
29 Compensation Act," or the act of June 21, 1939 (P.L.566,
30 No.284), known as "The Pennsylvania Occupational 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. Such examination shall be made at the place of residence
5 of the beneficiary or other place mutually agreed upon. Should
6 the physician report and certify to the board that such
7 disability beneficiary 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 had 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 the 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 for by this act, shall be
22 forfeited.

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

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

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

11 Section 7. Section 213 of the act, amended January 4, 1978
12 (No.1), is amended to read:

13 Section 213. Vesting.--(a) Should a contributor, before
14 reaching superannuation retirement age and after having
15 completed twelve years of total service, for any reason cease to
16 be a municipal employe, he shall be entitled to vest his
17 retirement benefits until he attains superannuation retirement
18 age, by filing with the board a written notice of his intentions
19 to vest, within ninety days of the date of his termination of
20 employment. Accumulated deductions will include interest from
21 date of termination until the earlier of the date of the
22 commencement of the annuity or the date of payment of member
23 contributions.

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

27 (1) The full amount of the accumulated deductions, including
28 interest; or

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

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

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

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

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

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

(d) Should a contributor, who has vested, die before he becomes eligible for a retirement allowance, the full amount of the accumulated deductions plus the balance in the member's excess investment account, including interest to the date of his death, standing to his credit in the member's account of the fund shall be paid to his estate or to his named beneficiary in accordance with the provisions of subsection (d) of section 207.

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

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

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

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

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

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

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

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

6 Section 215. Procedures for Amending Contracts.--Any
7 municipality which has joined the system under the provisions of
8 this Article II may, with the approval of the board, enter into
9 a contract with the board as outlined in Article IV of this act,
10 to increase any of the benefits enumerated in Article IV. The
11 board shall not enter into any contract with any municipality
12 which decreases benefits, nor shall it enter into any contract
13 with a municipality which provides for benefits in excess of or
14 minimum member's contribution rates less than those available to
15 it under any other existing law pertaining to the establishment
16 of retirement systems for that class of municipality, except to
17 the extent that excess investment earnings are allocated by the
18 board to provide for additional pension benefits or member
19 accruals as otherwise provided in this law. Before the board
20 approves any such contract it shall first determine, through its
21 actuary, that the plan outlined in the contract is actuarially
22 sound. Any municipality which elects to enter into a contract
23 for increased benefits which would result in an increase in its
24 employees contribution rates shall first obtain the written
25 consent of at least seventy-five per cent of its then member
26 employees. Additional costs for contracted increases in benefits
27 shall become the responsibility of the municipality and/or the
28 members as specified in the contract.

29 Section 303. Existing Local Retirement Systems and
30 Compulsory Membership.--Where a municipality elects to join the

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

1 amounts sufficient to completely liquidate the municipality's
2 liability for prior service within a period not to exceed thirty
3 years.

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

17 If a municipality elects to cover its municipal firemen under
18 the provisions of the system created by this Article III, then
19 each municipal fireman shall be required to become a member of
20 the system.

21 If a municipality elects to cover its municipal police under
22 the provisions of the system created by this Article III, then
23 each municipal policeman shall be required to become a member of
24 the system.

25 When a municipality has established a policy of placing new
26 employes on a probationary status it may elect to refrain from
27 enrolling such employes into the system for a period of up to
28 one year from the date the probationary employe first entered
29 the service of the municipality. In such cases service credits
30 shall not be earned by the employe for probationary time served

1 prior to enrollment. Notwithstanding any other provision herein,
2 the board may, in its discretion, entertain a request from a
3 municipality to join the system established by this act for
4 those employees who are excluded from local pension plan coverage
5 by virtue of the collective bargaining process or otherwise. The
6 request to join the system must be accompanied by an affirmative
7 vote of no less than three-fourths of those employees not covered
8 by the local pension plan. The benefits to be established may be
9 in accordance with the provisions of this article or any other
10 relevant pension law covering that class of municipality. The
11 other requirements of this section for joining this system shall
12 be observed.

13 Section 305. Service Allowance; Change of Employment;
14 Military Service.--In computing the length of service of a
15 contributor for retirement purposes, full credit shall be given
16 to each original member for each year of service rendered to the
17 municipality prior to the time the municipality joined the
18 system.

19 As soon as practicable, the board shall issue to each
20 original member a certificate certifying the aggregate length of
21 service rendered to the municipality prior to the time it joined
22 the system. Such certificate shall be final and conclusive as to
23 his prior service unless thereafter modified by the board, upon
24 application of the member.

25 The time during which a member was absent from service
26 without pay, except for military service, shall not be counted
27 in computing the service of a contributor in his certificate, or
28 upon retirement unless specially allowed by the municipality,
29 with the approval of the board.

30 When a contributor leaves the employ of a municipality which

1 has joined the system, and enters into the employ of another
2 municipality which has also joined the system, his service
3 credits shall remain unimpaired, but in such cases the unpaid
4 municipal liability for prior service shall be prorated by the
5 board between the municipalities on an equitable basis. The
6 basis will be determined, with the advice of the actuary,
7 according to the number of years of service performed by the
8 contributor for each municipality.

9 Any municipal fireman or municipal policeman employed by a
10 municipality who has been a regularly appointed fireman or
11 policeman for a period of at least six months and is an active
12 member of the system and who thereafter, heretofore, or
13 hereafter, shall be inducted into the military service of the
14 United States in times of war, armed conflict, or National
15 emergency, so proclaimed by the President of the United States,
16 shall have credited to his employment record, for pension or
17 retirement benefits, all of the time spent by him in such
18 military service during the continuance of such war, armed
19 conflict, or National emergency if such person returns or has
20 heretofore returned to his employment within six months after
21 his separation from the service. The municipality shall, during
22 the period of the member's intervening military service,
23 continue to make current service contributions toward the
24 municipal annuity of the member. An active member may file an
25 application with the board for permission to purchase credit
26 toward his member's share of the annuity for intervening
27 military service. These contributions shall be computed by
28 applying the member's contribution rate to his annual rate of
29 compensation at the time of entry of the member into active
30 military service, and multiplying the result by the number of

1 years and fractional part of a year of creditable intervening
2 military service, together with interest from date of return to
3 employment to date of purchase. The amount due from the member
4 shall be certified by the board in accordance with methods
5 approved by the actuary, and may be paid by (1) regular monthly
6 payments during active military service, or (2) a lump sum
7 payment within thirty days, or (3) it may be amortized with
8 additional interest through salary deductions in amounts agreed
9 upon by the member and the board.

10 An active member may also purchase credit for other than
11 intervening military service performed for the United States in
12 times of war, armed conflict or National emergency, so
13 proclaimed by the President of the United States, for a period
14 not to exceed five years: Provided, That the member has
15 completed five years of service to the municipality subsequent
16 to such military service. An active member may file an
17 application with the board for permission to purchase credit for
18 nonintervening military service upon completion of five years of
19 subsequent service to the municipality. The type of service
20 credit for such service shall be determined by the date of entry
21 of the municipality into the system. If the date of the member's
22 separation from military service is prior to the date on which
23 the municipality joined the system, then the credit purchased
24 shall be considered as prior service credit. In this case the
25 amount due from the member shall be computed by applying the
26 member's basic contribution rate plus the rate of contribution
27 the municipality paid for current service during its first year
28 of entry into the system to his prior salary and multiplying the
29 result by the number of years and fractional part of a year of
30 creditable nonintervening military service, plus interest from

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

22 The amount due from the member shall be certified by the
23 board in accordance with methods approved by the actuary, and
24 may be paid in a lump sum within thirty days or it may be
25 amortized with additional interest through salary deductions in
26 amounts agreed upon by the member and the board.

27 The rate of interest to be charged to members on their
28 purchase of credit for intervening or nonintervening military
29 service shall be the rate being credited by the system to
30 member's contribution accounts in effect on the date of the

1 member's application, compounded annually.

2 A member may purchase credit for intervening or
3 nonintervening military service only if his discharge or
4 separation from the service was granted under other than
5 dishonorable conditions.

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

9 Applications for permission to purchase credit for military
10 service must be accompanied by proof of the nature of his
11 discharge or separation from the military service.

12 Section 306. Determination of Municipal Liability.--The
13 [actuary] board shall, as soon as may be, determine the present
14 value of the liability of each municipality for the prior
15 service credits to its original members, and shall establish an
16 amount payable annually over a period not exceeding thirty
17 years, through which payments such prior service liability may
18 be funded. Each municipality shall have the option to spread the
19 payment of such prior service liability over such period of
20 years.

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

24 The [actuary] board shall also determine, from time to time,
25 the amount which shall be contributed annually by each
26 municipality, for service credits of original and new members
27 subsequent to the time the municipality joined the system, and
28 the additional amount which shall be contributed annually by
29 each municipality toward a reserve account for disability
30 allowances payable to original and new members, in order that

1 all future service liability may be fully funded on an actuarial
2 basis.

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

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

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

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

30 Section 307. Contributions by Members; Consolidation of

1 Credits.--Each single coverage member of the system created
2 under this Article III, shall be required to contribute [to the
3 fund such per cent of his actual salary or compensation as shall
4 be computed by the actuary to be approximately sufficient to
5 procure for him on superannuation retirement, a member's annuity
6 of approximately one one-hundredth of his final salary for each
7 year of service after the time the municipality by which he is
8 employed joined the system. The member shall not be required to
9 contribute more than] no more than eight per cent of his salary
10 or compensation to the fund based on a uniform contribution rate
11 as determined by the actuary to provide the benefit under this
12 article.

13 The amount of contribution by each joint coverage member
14 shall be computed in the manner described above for a single
15 coverage member, except that the amount of such deductions from
16 salary or compensation shall be reduced with respect to wages
17 (as defined in the Federal Insurance Contributions Act) by forty
18 per cent of the tax on employes prescribed by the Federal
19 Insurance Contributions Act exclusive of that portion of such
20 tax attributable to disability coverage.

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

24 Section 308. Withdrawal; Return to Service; Death in
25 Service.--(a) Should a contributor, before reaching
26 superannuation retirement age, for any reason cease to be a
27 municipal fireman or a municipal policeman, he shall be paid by
28 the board the full amount of the accumulated deductions standing
29 to his credit in the member's account, unless he is entitled to
30 vesting rights or to a retirement allowance for retirement not

1 voluntarily, and elects to exercise such vesting rights or take
2 such retirement allowance. Should such former contributor
3 thereafter return to the service of the same municipality and
4 restore to the fund, in such manner as may be agreed upon by
5 such person and the board, his withdrawn accumulated deductions
6 as they were at the time of his separation from service, his
7 annuity rights as they existed at the time of separation from
8 service shall be restored and his obligations as a member shall
9 begin again.

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

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

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

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

1 shall have paid the claim of the undertaker.

2 Section 309. Superannuation Retirement.--Retirement for
3 superannuation shall be as follows:

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

15 (2) On retirement for superannuation, a contributor shall be
16 entitled to a retirement allowance throughout his life, which
17 shall consist of (i) a member's annuity of equivalent actuarial
18 value to his accumulated deductions, and the balance in the
19 member's excess investment account, and (ii) a municipal annuity
20 which shall be equal to, for current service, one one-hundredth
21 of his final salary for each year of service while a member,
22 and, in addition thereto for prior service in the case of an
23 original member, one one-hundredth of his prior salary for each
24 year of prior service.

25 (3) The superannuation retirement allowance provided in this
26 section or the withdrawal allowance provided in section 311, as
27 the case may be, payable to a joint coverage member after the
28 age at which social security old age insurance benefits become
29 payable shall be reduced by an amount equal to forty per cent of
30 the primary insurance amount of social security paid or payable

1 to him. Such reduction shall be subject to the following
2 provisions: (i) the reduction in benefits in accordance with
3 this clause (3) shall not be applied in the case of an annuitant
4 until age sixty-five, unless such annuitant shall have elected
5 to receive social security benefits prior to age sixty-five,
6 (ii) the eligibility of such member for the old age insurance
7 benefit (primary insurance amount) and the amount of such old
8 age insurance benefit upon which the reduction in his allowance
9 shall be based, shall be determined by the board in accordance
10 with the provisions of the Federal Social Security Act, in
11 effect on the effective date of superannuation retirement, or
12 withdrawal, of the member, except that in determining such
13 eligibility and such amount only wages or compensation for
14 service covered by the system shall be included, (iii) the
15 reduction in benefits in accordance with this clause (3) shall
16 apply only to that portion of benefits based on wages as defined
17 in the Federal Insurance Contribution Act, (iv) the reduction of
18 benefits in accordance with this clause (3) shall be limited to
19 the municipal annuity calculated in accordance with clause (2)
20 of this section, (v) the total sum including social security old
21 age insurance benefits to be received upon superannuation
22 retirement or withdrawal by a joint coverage member shall not be
23 less than the allowance that he would be paid as a single
24 coverage member, (vi) whenever the amount of the reduction from
25 the superannuation retirement allowance or the withdrawal
26 allowance shall have been once determined, it shall remain fixed
27 for the duration of the allowance, except that any decrease in
28 the old age insurance benefit under the Federal Social Security
29 Act shall result in a corresponding decrease in the amount of
30 the reduction in the allowance, (vii) the reduction provided for

1 in this clause (3) shall not apply to disability allowances
2 payable under section 313 of this act.

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

6 (5) Other provisions of this act notwithstanding, any member
7 of a police force who was a member of a pension fund created
8 under the provisions of the act of May 29, 1956 (P.L.1804,
9 No.600), and who was entitled to retire at the age of fifty-five
10 or sixty years after twenty years of total service, or at the
11 age of fifty or fifty-five after twenty-five years of service,
12 and to receive the pension provided by that act, shall have the
13 same entitlement under the system created pursuant to this act.
14 The municipal annuity, computed under subclause (ii) of clause
15 (3) above, shall be increased as needed, in addition to the
16 member's annuity, in order to pay any increased retirement
17 allowance resulting from the provisions of the act.

18 Section 311. Early Retirement.--Should a contributor be
19 discontinued from service not voluntarily after having completed
20 eight years of total service, or voluntarily after having
21 completed twenty-four years of total service, but in either
22 event before reaching superannuation retirement age, he shall be
23 paid as he may elect, as follows:

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

27 (2) Upon the filing of an application in the manner outlined
28 in section 309 (1) a retirement allowance which shall consist of
29 (i) a member's annuity of equivalent actuarial value to his
30 accumulated deductions, plus the balance in the member's excess

1 investment account, and (ii) a municipal annuity of equivalent
2 actuarial value to the present value of a municipal annuity,
3 beginning at superannuation retirement age, calculated in
4 accordance with the provisions of section 309; or

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

7 Section 313. Disability Retirement.--(a) After a
8 contributor has had ten or more years of total service, he may,
9 upon application or on application of one acting in his behalf,
10 or upon application of a head of the department of the
11 municipality by which he is employed, be retired by the board on
12 a disability allowance if he is under superannuation retirement
13 age, and on a superannuation retirement allowance if he has
14 attained or passed such age, if the physician designated by the
15 board, after medical examination of the contributor made at the
16 place of residence of the contributor or at a place mutually
17 agreed upon, shall certify to the board that the contributor is
18 unable to engage in any gainful employment and that said
19 contributor ought to be retired. When the disability of a
20 contributor is determined to be service-connected, as defined in
21 this act, no minimum period of service shall be required for
22 eligibility. Application filing requirements shall be identical
23 to those outlined in clause (1) of section 309.

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

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

29 (2) A municipal annuity of equivalent actuarial value to the
30 present value of a municipal annuity, beginning at

1 superannuation retirement age, calculated in accordance with the
2 provisions of section 309; and

3 (3) A disability annuity payable from the total disability
4 reserve account which, together with the member's annuity and
5 the municipal annuity, shall be sufficient to produce a
6 retirement allowance of thirty per cent of the contributor's
7 final salary. Where the disability of the member is determined
8 to be service-connected, as defined in this act, the retirement
9 allowance shall equal fifty per cent of his final salary. The
10 disability annuity shall be reduced by the amount of any
11 payments for which the member shall be eligible under the act of
12 June 2, 1915 (P.L.736, No.338), known as "The Pennsylvania
13 Workmen's Compensation Act," or the act of June 21, 1939
14 (P.L.566, No.284), known as "The Pennsylvania Occupational
15 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, and such examination shall be made at the place of
20 residence of the annuitant or other place mutually agreed upon.
21 Should the physician report and certify to the board that such
22 disabled annuitant 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 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 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 by this act shall be forfeited.

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

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

25 Section 9. Section 314 of the act, amended January 4, 1978
26 (No.1), is amended to read:

27 Section 314. Vesting.--(a) Should a contributor, before
28 reaching superannuation retirement age and after having
29 completed twelve years of total service, for any reason cease to
30 be a municipal fireman or a municipal policeman, he shall be

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

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

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

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

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

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 plus the
23 balance in the member's excess investment account, including
24 interest; or

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

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

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

Section 10. Sections 316, 317, 402, 403, 404, 406, 408, 411, 412 and 413 of the act are amended to read:

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

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

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

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

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

The board shall within ninety days of its receipt, take action on an application filed by a municipality for permission to withdraw from the system. If the application is approved the withdrawing municipality shall be entitled to receive a net refund of the amounts then standing to the credit of the

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

22 Section 317. Procedures for Amending Contracts.--Any
23 municipality which has joined the system under the provisions of
24 this Article III may, with the approval of the board, enter into
25 a contract with the board as outlined in Article IV of this act,
26 to increase any of the benefits enumerated in Article IV. The
27 board shall not enter into any contract with any municipality
28 which decreases benefits, nor shall it enter into any contract
29 with a municipality which provides for benefits in excess of or
30 minimum members contribution rates less than those available to

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

15 Section 402. Existing Local Retirement Systems and
16 Compulsory and Optional Membership.--Where a municipality elects
17 to join the system established by this act, and is then
18 maintaining a retirement or pension system or systems covering
19 its employes in whole or in part, those employes so covered, and
20 employes thereafter eligible to join such pension system, shall
21 not become members of the retirement system established by this
22 act, unless at the time the municipality elects to join the
23 system, the members of each such existing retirement or pension
24 system shall, by the affirmative vote of seventy-five per cent
25 of all the members of each pension system, elect to be covered
26 by the retirement system established by this act. At any time
27 thereafter, within a period of three years after the
28 municipality has elected to join the system, but not thereafter,
29 the members of an existing retirement or pension system may, in
30 like manner, elect to join the system established by this act.

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

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

1 to join the system, and the liabilities of the municipality
2 shall be fixed accordingly.

3 If a municipality elects to join the system under the
4 provisions of this Article IV, it shall first negotiate a
5 contract with the board, acceptable to both the municipality and
6 the board, which shall set forth all the specific details of
7 municipal and member contribution rates and benefits. The
8 municipality shall then pass an ordinance or resolution electing
9 to join the system, and confirming the terms of the contract by
10 reference thereto. Separate contracts and separate resolutions
11 shall be executed for each class of employes, namely municipal
12 employes, municipal firemen and municipal police in those cases
13 where the municipality elects to bring more than one class of
14 its employes into the system.

15 When a municipality elects to enroll its municipal employes
16 into the system, then each officer other than elected officers,
17 and each municipal employe thereof, employed on a permanent
18 basis, shall be required to become a member of the system. Each
19 municipality shall determine whether membership in said system
20 for elected officials and employes hired on a temporary or
21 seasonal basis shall be compulsory, optional or prohibited.
22 Where membership may be optional with an elected officer or an
23 employe hired on a temporary or seasonal basis, an election to
24 join the system must be made within one year after the
25 municipality elected to join the system or within one year after
26 the officer or temporary or seasonal employe first entered the
27 service of the municipality. Officers and employes paid only on
28 a fee basis shall not be eligible to join the system.

29 When a municipality elects to enroll its municipal firemen or
30 its municipal police into the system, then each municipal

1 fireman or each municipal policeman, as defined in section 102
2 of this act, shall be required to become a member of the system.

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

21 Section 403. Contract Provisions.--Any contract for an
22 optional retirement plan entered into between a municipality and
23 the board shall not provide for any benefits in excess of or
24 minimum member's contribution rates less than those available to
25 that municipality for that class of employes under any existing
26 law pertaining to the establishment of a retirement or pension
27 system, except to the extent that excess investment earnings are
28 allocated by the board to provide for additional pension
29 benefits or member accruals as otherwise provided in this law.

30 The contract shall specifically state the following terms and

1 conditions:

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

5 (2) Length of service requirements which must be met before
6 a member becomes eligible for either a superannuation retirement
7 allowance, an early retirement allowance and the method of
8 determining any reduction factors involved in the computation of
9 the amount of the allowance because of retirement prior to
10 attaining superannuation age.

11 (3) Provisions for the refunding of accumulated deductions
12 plus excess interest to employees who leave the service of the
13 municipality before they become eligible for any type of
14 retirement benefit and whether or not the employee shall be
15 entitled to interest earned on contributions.

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

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

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

25 (7) The formula used to determine the amount of normal
26 retirement benefits, including an explanation of the salary or
27 compensation to be used in the computations, and a statement
28 concerning any social security offset provisions included in the
29 contract.

30 (8) A description of any optional methods of payment of

1 retirement allowances available to a member.

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

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

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

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

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

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

19 Section 404. Determination of Municipal Liability.--[The
20 actuary] The board shall as soon as may be, determine the
21 present value of the liability of each municipality for any
22 prior service credits it has elected to extend to its original
23 members, and shall establish an amount payable annually over a
24 period not exceeding thirty years, through which payments such
25 prior service liability may be funded. Each municipality shall
26 have the option to spread the payment of such prior service
27 liability over such period of years.

28 The municipal liability [to be determined by the actuary]
29 shall be based upon credit for those years of prior service
30 toward the municipal annuity of each original member, for which

1 the municipality has agreed to pay, plus any liability for
2 payment of the member's contributions for the prior service or
3 any portion thereof of each original member which the
4 municipality has agreed to pay.

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

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

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

28 The payments made by the State Treasurer to the treasurer of
29 the municipality from the moneys received from taxes paid upon
30 premiums by foreign casualty insurance companies for purposes of

1 pension, retirement or disability benefits for municipal
2 policemen shall be used as follows: (i) to reduce the unfunded
3 liability or, after such liability has been funded, (ii) to
4 apply against the annual obligation of the municipality for
5 future service and disability reserve costs, and (iii) to reduce
6 member contributions. It shall be the duty of the governing body
7 to apply such payments in accordance with the provisions of this
8 act.

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

13 Section 406. Withdrawal; Return to Service; Death in
14 Service.--(a) Should a contributor, before reaching
15 superannuation retirement age, for any reason terminate his
16 employment with the municipality, he shall receive a refund of
17 his contributions in full, either with or without interest and
18 excess interest earned as specified in the contract, unless he
19 may be entitled to a retirement allowance for early retirement,
20 and elects to take such retirement allowance. Should such former
21 contributor thereafter return to the service of the same
22 municipality and restore to the fund in such manner as may be
23 agreed upon by such person and the board, his withdrawn
24 contributions as they were at the time of his separation from
25 service, his annuity rights as they existed at the time of
26 separation from service, shall be restored and his obligations
27 as a member shall begin again. The rate of contribution of such
28 returning member shall be the same as it was at the time he
29 separated from service.

30 (b) Should a contributor, having attained or passed

1 superannuation age, elect, upon leaving the service of the
2 member municipality, not to claim the retirement allowance to
3 which he is entitled, he shall, upon written application, be
4 paid by the board the full amount of his contributions standing
5 to his credit in the member's account, either with or without
6 interest earned and the amount in his excess investment account
7 as stipulated in the contract.

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

1 dollars (\$2,520) or such other maximum as the board may
2 establish in any calendar year he shall not be entitled to
3 receive his retirement allowance for that month or any
4 subsequent month in the calendar year in which he continues in
5 service. The municipality is required to notify the board
6 immediately of the reemployment status of any retired former
7 employe and file separate monthly reports of his gross earnings
8 as prescribed by the board.

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

13 (e) Should a contributor die while in service, and before
14 becoming eligible for any other benefits contained in the
15 contract, the full amount of his contributions, either with or
16 without interest and excess interest earned as stipulated in the
17 contract, shall be paid to his estate, or to such person, if
18 living, as he shall have designated in writing, filed with the
19 board as his beneficiary. In case any contributor has failed to
20 designate a beneficiary, or if the named beneficiary has
21 predeceased the member and no such successor beneficiary has
22 been named, and upon the death in service shall have less than
23 one hundred dollars (\$100) in accumulated deductions standing to
24 his credit, the board may, if letters testamentary or of
25 administration have not been taken out on his estate within six
26 months after death, pay such accumulated deductions on the claim
27 of the undertaker, or to any person or municipality which shall
28 have paid the claim of the undertaker.

29 Section 408. Early Retirement.--Should a member be
30 discontinued from service not voluntarily, after having

1 completed a required number of years of total service, or
2 voluntarily after having completed a required number of years of
3 total service, but in either event before reaching
4 superannuation retirement age, he shall be paid, as he may
5 elect, as follows:

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

9 (2) The early retirement allowance, if any, specified in the
10 contract.

11 Section 411. Disability Retirement.--(a) After a member has
12 had the required number of years of total service as stated in
13 the contract, he may, upon application or on the application of
14 one acting in his behalf, or upon application of a head of the
15 department of the municipality by which he is employed, be
16 retired by the board on a disability allowance if he is under
17 superannuation retirement age, and on a superannuation
18 retirement allowance if he has attained or passed such age, if
19 the physician designated by the board, after medical examination
20 of the member made at the place of residence of the member or at
21 a place mutually agreed upon, shall certify to the board that
22 the member is unable to engage in any gainful employment and
23 that said member ought to be retired. Where the disability of a
24 member is determined to be service-connected, as defined in this
25 act, no minimum period of service shall be required for
26 eligibility. Requirements for filing applications shall be
27 identical to those outlined in clause (1) of section 407.

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

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. Such examination shall be made at the place of residence
5 of the beneficiary or other place mutually agreed upon. Should
6 the physician report and certify to the board that such
7 disability beneficiary 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 a
13 provision is included in the contract and if such person shall
14 have had the required number of years of total service as stated
15 in the contract.

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

25 (e) Any contributor entitled to retire for disability may,
26 in lieu of such retirement, if he has a required number of years
27 of total service, elect to retire not voluntarily under the
28 provisions of this act if such provisions are included in the
29 contract.

30 (f) Should a disability annuitant die before the total

1 disability retirement allowance received shall be at least equal
2 to the amount of the credit in his member's account plus the
3 balance in the member's excess investment account at the time of
4 disability retirement, then the board shall pay to the named
5 beneficiary, if living, or if the beneficiary predeceased the
6 annuitant, or no beneficiary was named, then to the annuitant's
7 estate, an amount equal to the difference between such total
8 retirement allowance received and the annuitant's accumulated
9 deductions plus excess interest, and if such difference is less
10 than one hundred dollars (\$100) and no letters have been taken
11 out on the estate within six months after death, then such
12 difference may be paid to the undertaker or to any person or
13 municipality who or which shall have paid the claim of the
14 undertaker. If the contract between the municipality and the
15 board provides that upon the death of a disability annuitant
16 payments in a specific amount shall be continued to certain
17 beneficiaries, then the provisions of subsection (f) shall not
18 apply and payments shall be made in accordance with the terms of
19 the contract.

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

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

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

29 (3) The legislative body of the municipality has passed an
30 ordinance or resolution signifying its intention to withdraw

1 from the system.

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

6 The board shall within ninety days of its receipt, take
7 action on an application filed by a municipality for permission
8 to withdraw from the system. If the application is approved the
9 withdrawing municipality shall be entitled to receive a net
10 refund of the amounts then standing to the credit of the
11 municipality in the member's account, the member's excess
12 interest account, the municipal account and the retired member's
13 reserve accounts of the system. In no event shall the total
14 amount of the net refund to the municipality exceed the pro rata
15 interest of the withdrawing municipality in the net assets of
16 the entire fund based on the market value of the investments of
17 the fund as of the date of receipt of the application for
18 permission to withdraw. The liability for the continuation of
19 retirement or disability allowances being paid from the fund
20 shall attach against the withdrawing municipality and be paid
21 from funds transferred to a retirement system established
22 subsequent to its withdrawal from the system or from moneys
23 appropriated annually from tax revenues sufficient to pay the
24 same. If the board disapproves the application of the
25 municipality for permission to withdraw from the system the
26 board shall promptly notify the municipality of its decision and
27 advise the municipality of the board's reason or reasons for
28 disapproval. The board shall establish rules and regulations, in
29 accordance with the provisions of clause (10) of section 104 of
30 this act, governing the details of the procedures to be followed

1 in the withdrawal of municipalities from the system.

2 Section 413. Procedures for Amending Contracts.--Any
3 municipality which has joined the system under the provisions of
4 this Article IV may, with the approval of the board, amend the
5 contract with the board to increase any of the benefits
6 enumerated in Article IV to its members. The board shall not
7 enter into any amended contract with any municipality which
8 decreases benefits, nor shall it enter into any amended contract
9 with a municipality which provides for benefits in excess of or
10 minimum member's contribution rates less than those available to
11 it under any other existing law pertaining to the establishment
12 of retirement systems for that class of municipality except to
13 the extent that excess investment earnings are allocated by the
14 board to provide for additional pension benefits or members
15 accruals as otherwise provided in this law. Before the board
16 approves any such amended contract it shall first determine,
17 through its actuary, that the plan outlined is actuarially
18 sound. Any member municipality which elects to enter into an
19 amended contract for increased benefits which would result in an
20 increase in its employes contribution rates shall first obtain
21 the written consent of at least seventy-five per cent of its
22 then member employes. Additional costs for increases in benefits
23 shall become the responsibility of the municipality and/or the
24 member as specified in the contract.

25 Section 11. This act shall take effect in 60 days.