

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 373

Session of
1979

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

SENATOR LEWIS, LOCAL GOVERNMENT, IN SENATE, AS AMENDED,
FEBRUARY 11, 1980

AN ACT

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

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1 contributions, for return to service and for computation of
2 benefits.

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

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

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

10 * * *

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

23 * * *

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

27 * * *

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

1 ~~allocated by the board.~~

2 * * *

3 Section 2. Section 103 of the act, amended January 4, 1978
4 (P.L.1, No.1), is amended to read:

5 Section 103. Pennsylvania Municipal Retirement Board.--A
6 Pennsylvania Municipal Retirement Board is hereby created, which
7 shall consist of the State Treasurer, Secretary of the
8 Commonwealth, six municipal elected officials or employees of
9 different classes of municipalities which have joined the
10 system, one retired member of the system who is receiving a
11 retirement allowance, one municipal fireman employed by a
12 municipality which has joined the system and one municipal
13 policeman employed by a municipality which has joined the
14 system. The [eight] nine latter members shall be appointed by
15 the Governor from among nominations made by the County
16 Commissioners Association, the Pennsylvania League of Cities,
17 the Pennsylvania Association of Township Commissioners, the
18 Pennsylvania State Association of Township Supervisors, the
19 Pennsylvania State Association of Boroughs and the Pennsylvania
20 Municipal Authorities Association, and associations representing
21 municipal firemen and municipal police, to serve for a term of
22 four years each and until their successors are appointed and
23 qualified. Appointments of members made by the Governor shall
24 not require the advice and consent of the Senate. The two
25 municipal employe members of the Municipal Employees' Retirement
26 Board, appointed by the Governor from among nominations made by
27 various associations of county and municipal officers, who are
28 serving on the effective date of this act, shall continue to
29 serve as members of the Pennsylvania Municipal Retirement Board
30 until the expiration of their respective terms.

1 A chairman and vice chairman of the board shall be elected by
2 the board every year at the January meeting of the board and the
3 chairman and vice-chairman may succeed themselves for the
4 appointed term of four years.

5 Vacancies happening from among members appointed from among
6 the nominations made by the associations shall be filled by the
7 appointment of a successor for a full term of four years.

8 No appointed member shall serve more than two consecutive
9 full terms.

10 Each member of the board shall take an oath of office that he
11 will diligently and honestly administer the affairs of the
12 board, and that he will not knowingly violate or wilfully permit
13 to be violated any of the provisions of this act.

14 A quorum of the board shall consist of six members.

15 Section 3. Sections 104, 105 and 110 of the act are amended
16 to read:

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

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

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

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

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

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

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

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

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

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

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

27 (11) Be authorized to approve any optional retirement plan
28 for municipal employes, municipal firemen or municipal police,
29 with any municipality as long as it is actuarially sound and
30 benefits under the plan are not in excess of or member's minimum

1 contribution rates are not less than those provided in other
2 existing retirement laws pertaining to that class of
3 municipality; except to the extent that excess investment
4 earnings are allocated by the board to provide for additional <—
5 pension benefits or member accruals as otherwise provided in
6 this law;

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

12 (12.1) From time to time, AT THE DIRECTION OF MUNICIPALITIES <—
13 ELECTING TO PROVIDE COST-OF-LIVING INCREASES FROM THEIR SHARE OF
14 EXCESS INVESTMENT EARNINGS, the board may SHALL allocate excess <—
15 investment earnings to provide additional "cost-of-living"
16 pension benefits to those members OF SUCH MUNICIPALITIES who <—
17 have already retired. Such allocations shall be made, with the
18 advice of the actuary, on a fully funded basis employing
19 actuarial assumptions which reflect the nature of the liability.

20 (12.2) From time to time, AT THE DIRECTION OF MUNICIPALITIES <—
21 ELECTING TO APPLY THEIR EXCESS INVESTMENT EARNINGS TO MEMBER
22 CONTRIBUTIONS, the board may SHALL allocate excess investment <—
23 earnings for active members OF SUCH MUNICIPALITIES by applying <—
24 such allocation to member contributions. To the extent that
25 additional liabilities may accrue as a result of such
26 allocation, the actuary shall employ actuarial assumptions, on a
27 fully funded basis, to accurately reflect the nature of the
28 liability generated therefrom.

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

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

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

26 The board shall annually allow regular interest to the credit
27 on each [account, including each contributor's account]
28 contributor's account, municipal account, the retired members
29 reserve account and the total disability reserve account. In
30 addition, the board shall, after paying expenses, annually allow

1 such excess interest ~~it~~ AS EACH MUNICIPALITY deems appropriate <—
2 to the credit of the municipal accounts, member's accounts, the
3 member's excess investment accounts, retired members reserve
4 accounts and total disability reserve accounts. ~~The board may~~ <—
5 ~~also maintain a contingency reserve account made up of such~~
6 ~~additional excess interest as it deems appropriate.~~

7 Section 4. Section 112 of the act, amended January 4, 1978
8 (P.L.1, No.1), is amended to read:

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

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

1 total asset value of the fund as of the beginning of the
2 calendar year. The administration of the Pennsylvania Municipal
3 Retirement System shall be audited annually and a report of this
4 audit shall be made annually to the General Assembly.

5 Section 5. Sections 113, 203, 204, 205 and 206 of the act
6 are amended to read:

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

1 system of the municipality, which moneys shall be credited
2 against the prior service contributions of such member, or a
3 municipality may turn over to the retirement system created by
4 this act any existing local pension system on a completely
5 funded basis, as to pensioners and pension credits of members
6 related to prior service to the date of transfer, or on a
7 partially funded basis if the municipality pays annually into
8 the retirement system amounts sufficient to completely liquidate
9 the municipality's liability for prior service within a period
10 not to exceed thirty years.

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

24 Notwithstanding any other provision herein, the board may, in
25 its discretion, entertain a request from a municipality to join
26 the system established by this act for those employees who are
27 excluded from local pension plan coverage by virtue of the
28 collective bargaining process or otherwise. The request to join
29 the system must be accompanied by an affirmative vote of no less
30 than three-fourths of those employees not covered by the local

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

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

1 municipality, which moneys shall be credited against the prior
2 service contributions of such member, or a municipality may turn
3 over to the retirement system created by this act any existing
4 local pension system on a completely funded basis, as to
5 pensioners and pension credits of members related to prior
6 service to the date of transfer, or on a partially funded basis
7 if the municipality pays annually into the retirement system
8 amounts sufficient to completely liquidate the municipality's
9 liability for prior service within a period not to exceed thirty
10 years.

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

24 If a municipality elects to join the system under the
25 provisions of this Article II, then each officer other than
26 elected officers, and each employe thereof other than a
27 municipal fireman and a municipal policeman, employed on a
28 permanent basis, except one who is not eligible for Federal
29 Social Security coverage and except one who is covered by an
30 existing retirement or pension system and is exempted as

1 outlined above, shall be required to become a member of the
2 system. Each municipality shall determine whether membership in
3 said system for elected officials and employees hired on a
4 temporary or seasonal basis shall be compulsory, optional or
5 prohibited. Where membership may be optional with an elected
6 officer or an employee hired on a temporary or seasonal basis, an
7 election to join the system must be made within one year after
8 the municipality elected to join the system or within one year
9 after the officer or temporary or seasonal employee first entered
10 the service of the municipality. Officers and employees paid only
11 on a fee basis shall not be eligible to join the system.

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

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

1 Section 204. Service Allowance; Change of Employment;
2 Military Service.--In computing the length of service of a
3 contributor for retirement purposes, full credit shall be given
4 to each original member for each year of service rendered to the
5 municipality prior to the time the municipality joined the
6 system, whether or not such service was continuous.

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

13 The time during which a member was absent from service
14 without pay shall not be counted in computing the service of a
15 contributor in his certificate, or upon retirement, unless
16 specifically allowed by the municipality, with the approval of
17 the board.

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

27 A contributor who has been employed by a municipality for a
28 period of at least six months and is an active member of the
29 system and who thereafter, heretofore, or hereafter, shall be
30 inducted into the military service of the United States in times

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

27 An active member may also purchase credit for other than
28 intervening military service performed for the United States in
29 times of war, armed conflict or National emergency, so
30 proclaimed by the President of the United States, for a period

1 not to exceed five years: Provided, That the member has
2 completed five years of service to the municipality subsequent
3 to such military service. An active member may file an
4 application with the board for permission to purchase credit for
5 nonintervening military service upon completion of five years of
6 subsequent service to the municipality. The type of service
7 credit for such service shall be determined by the date of entry
8 of the municipality into the system. If the date of the member's
9 separation from military service is prior to the date on which
10 the municipality joined the system, then the credit purchased
11 shall be considered as prior service credit. In this case the
12 amount due from the member shall be computed by applying the
13 member's basic contribution rate plus the rate of contribution
14 the municipality paid for current service during its first year
15 of entry into the system to his prior salary and multiplying the
16 result by the number of years and fractional part of a year of
17 creditable nonintervening military service, plus interest from
18 the date of the member's employment by the municipality to the
19 date of purchase. [The amount due from the member shall be
20 certified by the board in accordance with methods approved by
21 the actuary, and may be paid in a lump sum within thirty days or
22 it may be amortized with additional interest through salary
23 deductions in amounts agreed upon by the member and the board.]
24 If, on the other hand, the date of the member's separation from
25 military service is later than the date of entry of the
26 municipality into the system, then the credit purchased shall be
27 considered as current service credit. In this case the amount
28 due from the member shall be computed by applying the member's
29 basic contribution rate plus the municipality's normal
30 contribution rate for current service which was in effect on the

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

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

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

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

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

28 Applications for permission to purchase credit for military
29 service must be accompanied by proof of the nature of his
30 discharge or separation from the military service.

1 Section 205. Determination of Municipal Liability.--The
2 [actuary] board shall as soon as may be, determine the present
3 value of the liability of each municipality for the prior
4 service credits to its original members, and shall establish an
5 amount payable annually over a period not exceeding thirty
6 years, through which payments such prior service liability may
7 be funded. Each municipality shall have the option to spread the
8 payment of such prior service liability over such period of
9 years.

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

14 (1) The municipality may limit to ten years the credit for
15 prior service toward the municipal annuity of each original
16 member;

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

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

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

1 covering its contributing members.

2 The cost of making the valuations required by this section
3 and in the transfer of any existing pension system of any
4 municipality, shall be part of the costs of administration of
5 this act.

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

28 In order to increase his member's annuity, each member shall
29 also have the option to make contributions for his prior
30 service. Such contributions for prior service may be anticipated

1 in whole or in part at the time the municipality joins the
2 system, or payment thereof or such part thereof as is not
3 anticipated may be spread over a period of time by increasing
4 the payroll deduction of the member by at least one-third. When
5 a member elects to contribute on account of all of his unpaid
6 prior service, his rate of contribution shall be calculated as
7 of his age at the time he first entered the service of the
8 municipality: Provided, however, That any municipality may, at
9 the time it elects to join the system, or at any time
10 thereafter, agree with the board to pay into the fund as part of
11 its liability under and in accordance with section 205 hereof,
12 the moneys necessary to provide the member's contributions for
13 prior service, and in such case no contributions for prior
14 service shall be made by the members.

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

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

24 Section 6. Section 207 of the act, amended December 19, 1975
25 (P.L.520, No.153), is amended to read:

26 Section 207. Withdrawal; Return to Service; Death in
27 Service.--(a) Should a contributor, before reaching
28 superannuation retirement age, for any reason cease to be a
29 municipal employe, he shall be paid by the board the full amount
30 of the accumulated deductions standing to his credit in the

1 member's account, unless he is entitled to vesting rights or to
2 a retirement allowance for retirement not voluntarily, and
3 elects to exercise such vesting rights or take such retirement
4 allowance. Should such former contributor thereafter return to
5 the service of the same municipality and restore to the fund, in
6 such manner as may be agreed upon by such person and the board,
7 his withdrawn accumulated deductions as they were at the time of
8 his separation from service, his annuity rights as they existed
9 at the time of separation from service shall be restored and his
10 obligations as a member shall begin again. The rate of
11 contribution of such returning member shall be the same as it
12 was at the time he separated from service.

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

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

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

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

1 of the undertaker, or to any person or municipality which shall
2 have paid the claim of the undertaker.

3 Section 7. Sections 208, 210 and 212 of the act are amended
4 to read:

5 Section 208. Superannuation Retirement.--Retirement for
6 superannuation shall be as follows:

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

18 (b) On retirement for superannuation, a contributor shall be
19 entitled to a retirement allowance throughout his life, which
20 shall consist of:

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

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

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

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

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

30 (1) The full amount of the accumulated deductions plus the

1 balance in the member's excess investment account standing to
2 his credit in the member's account of the fund; or

3 (2) Upon the filing of an application in the manner outlined
4 in subsection (a) of section 208, a retirement allowance which
5 shall consist of (i) a member's annuity of equivalent actuarial
6 value to his accumulated deductions plus the balance in the
7 member's excess investment account; and (ii) a municipal annuity
8 of equivalent actuarial value to the present value of a
9 municipal annuity, beginning at superannuation retirement age,
10 calculated in accordance with the provisions of section 208; or

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

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

30 (b) On retirement for disability a member shall receive a

1 retirement allowance which shall consist of:

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

5 (2) A municipal annuity of the equivalent actuarial value to
6 the present value of a municipal annuity, beginning at
7 superannuation retirement age, calculated in accordance with the
8 provision of section 208; and

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

21 (c) Once every year the board may require any disability
22 annuitant, while still under superannuation retirement age, to
23 undergo medical examination by a physician designated by the
24 board. Such examination shall be made at the place of residence
25 of the beneficiary or other place mutually agreed upon. Should
26 the physician report and certify to the board that such
27 disability beneficiary is no longer physically or mentally
28 incapacitated for the performance of duty and is able to engage
29 in a gainful occupation, then his disability retirement
30 allowance shall be discontinued, and in lieu thereof an early

1 involuntary retirement allowance shall at that time be granted
2 as if such person had been retired not voluntarily, if such
3 person shall have had eight or more years of total service.

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

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

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

1 Section 8. Section 213 of the act, amended January 4, 1978
2 (P.L.1, No.1), is amended to read:

3 Section 213. Vesting.--(a) Should a contributor, before
4 reaching superannuation retirement age and after having
5 completed twelve years of total service, for any reason cease to
6 be a municipal employe, he shall be entitled to vest his
7 retirement benefits until he attains superannuation retirement
8 age, by filing with the board a written notice of his intentions
9 to vest, within ninety days of the date of his termination of
10 employment. Accumulated deductions will include interest from
11 date of termination until the earlier of the date of the
12 commencement of the annuity or the date of payment of member
13 contributions.

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

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

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

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

24 (c) A contributor, who voluntarily terminated his
25 employment, 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) If the contributor has completed twenty-four years or
30 more of total service, a voluntary withdrawal allowance computed

1 in accordance with the provisions of section 210; or

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

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

12 Section 9. Sections 214, 215, 303, 305, 306, 307, 308, 309,
13 311 and 313 of the act are amended to read:

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

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

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

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

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

30 The board shall within ninety days of its receipt, take

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

26 Section 215. Procedures for Amending Contracts.--Any
27 municipality which has joined the system under the provisions of
28 this Article II may, with the approval of the board, enter into
29 a contract with the board as outlined in Article IV of this act,
30 to increase any of the benefits enumerated in Article IV. The

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

19 Section 303. Existing Local Retirement Systems and
20 Compulsory Membership.--Where a municipality elects to join the
21 system established by this act, and is then maintaining a
22 retirement or pension system or systems covering its employees in
23 whole or in part, those employees so covered, and employees
24 thereafter eligible to join such pension system, shall not
25 become members of the retirement system established by this act,
26 unless at the time the municipality elects to join the system,
27 the members of each such existing retirement or pension system
28 shall, by the affirmative vote of seventy-five per cent of all
29 the members of each pension system, elect to be covered by the
30 retirement system established by this act. At any time

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

24 No liability, on account of retirement allowances or pensions
25 being paid from any retirement or pension fund of the
26 municipality, shall attach against the fund, except as provided
27 in the agreement, making a transfer of an existing system in
28 accordance with this section. The liability to continue payment
29 of pensions not so transferred shall attach against the
30 municipality, which shall annually make appropriations from its

1 tax revenues sufficient to pay the same. In cases where workers
2 covered by an existing retirement or pension system elect to
3 join the system created by this act, the election to join shall
4 be deemed to have been made at the time the municipality elected
5 to join the system, and the liabilities of the municipality
6 shall be fixed accordingly.

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

11 If a municipality elects to cover its municipal police under
12 the provisions of the system created by this Article III, then
13 each municipal policeman shall be required to become a member of
14 the system.

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

1 other requirements of this section for joining this system shall
2 be observed.

3 Section 305. Service Allowance; Change of Employment;
4 Military Service.--In computing the length of service of a
5 contributor for retirement purposes, full credit shall be given
6 to each original member for each year of service rendered to the
7 municipality prior to the time the municipality joined the
8 system.

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

15 The time during which a member was absent from service
16 without pay, except for military service, shall not be counted
17 in computing the service of a contributor in his certificate, or
18 upon retirement unless specially allowed by the municipality,
19 with the approval of the board.

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

29 Any municipal fireman or municipal policeman employed by a
30 municipality who has been a regularly appointed fireman or

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

30 An active member may also purchase credit for other than

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

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1 current service credit. In this case the amount due from the
2 member shall be computed by applying the member's basic
3 contribution rate plus the municipality's normal contribution
4 rate for current service which was in effect on the date of the
5 member's entry into employment with the municipality to his
6 average annual rate of compensation over the first five years of
7 his subsequent employment and multiplying the result by the
8 number of years and fractional part of a year of creditable
9 nonintervening military service being purchased, plus interest
10 from the date of employment by the municipality to date of
11 purchase.

12 The amount due from the member shall be certified by the
13 board in accordance with methods approved by the actuary, and
14 may be paid in a lump sum within thirty days or it may be
15 amortized with additional interest through salary deductions in
16 amounts agreed upon by the member and the board.

17 The rate of interest to be charged to members on their
18 purchase of credit for intervening or nonintervening military
19 service shall be the rate being credited by the system to
20 member's contribution accounts in effect on the date of the
21 member's application, compounded annually.

22 A member may purchase credit for intervening or
23 nonintervening military service only if his discharge or
24 separation from the service was granted under other than
25 dishonorable conditions.

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

29 Applications for permission to purchase credit for military
30 service must be accompanied by proof of the nature of his

1 discharge or separation from the military service.

2 Section 306. Determination of Municipal Liability.--The
3 [actuary] board shall, as soon as may be, determine the present
4 value of the liability of each municipality for the prior
5 service credits to its original members, and shall establish an
6 amount payable annually over a period not exceeding thirty
7 years, through which payments such prior service liability may
8 be funded. Each municipality shall have the option to spread the
9 payment of such prior service liability over such period of
10 years.

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

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

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

26 The payments made by the State Treasurer to the treasurer of
27 the municipality from moneys received from taxes paid upon
28 premiums by foreign fire insurance companies for purposes of
29 pension, retirement or disability benefits for municipal firemen
30 shall be used as follows: (i) to reduce the unfunded liability

1 or, after such liability has been funded, (ii) to apply against
2 the annual obligation of the municipality for future service and
3 disability reserve costs. It shall be the duty of the governing
4 body to apply such payments in accordance with the provisions of
5 this act.

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

16 The cost of making the valuations required by this section
17 and in the transfer of any existing pension system of any
18 municipality, shall be part of the costs of administration of
19 this act.

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

1 as determined by the actuary to provide the benefit under this
2 article.

3 The amount of contribution by each joint coverage member
4 shall be computed in the manner described above for a single
5 coverage member, except that the amount of such deductions from
6 salary or compensation shall be reduced with respect to wages
7 (as defined in the Federal Insurance Contributions Act) by forty
8 per cent of the tax on employes prescribed by the Federal
9 Insurance Contributions Act exclusive of that portion of such
10 tax attributable to disability coverage.

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

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

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

1 superannuation age, elect, upon leaving the service of the
2 municipality, not to claim the retirement allowance to which he
3 is entitled, he shall, upon written application, be paid by the
4 board the full amount of the accumulated deductions standing to
5 his credit in the member's account, and the balance in the
6 member's excess investment account.

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

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

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

22 Section 309. Superannuation Retirement.--Retirement for
23 superannuation shall be as follows:

24 (1) Any contributor who has reached superannuation
25 retirement age may retire for superannuation by filing with the
26 board a written statement, duly attested, setting forth on what
27 date he desires to be retired. Said application shall make the
28 superannuation retirement allowance effective on the date so
29 specified, if such application was filed in the office of the
30 board or deposited in the United States mail, addressed to the

1 board, before the date specified in the application and before
2 the death of the contributor, but the date so specified in the
3 application shall not be more than ninety days after the date of
4 filing, or the date the application was deposited in the mail.

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

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

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

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

26 (5) Other provisions of this act notwithstanding, any member
27 of a police force who was a member of a pension fund created
28 under the provisions of the act of May 29, 1956 (P.L.1804,
29 No.600), and who was entitled to retire at the age of fifty-five
30 or sixty years after twenty years of total service, or at the

1 age of fifty or fifty-five after twenty-five years of service,
2 and to receive the pension provided by that act, shall have the
3 same entitlement under the system created pursuant to this act.
4 The municipal annuity, computed under subclause (ii) of clause
5 (3) above, shall be increased as needed, in addition to the
6 member's annuity, in order to pay any increased retirement
7 allowance resulting from the provisions of the act.

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

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

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

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

27 Section 313. Disability Retirement.--(a) After a
28 contributor has had ten or more years of total service, he may,
29 upon application or on application of one acting in his behalf,
30 or upon application of a head of the department of the

1 municipality by which he is employed, be retired by the board on
2 a disability allowance if he is under superannuation retirement
3 age, and on a superannuation retirement allowance if he has
4 attained or passed such age, if the physician designated by the
5 board, after medical examination of the contributor made at the
6 place of residence of the contributor or at a place mutually
7 agreed upon, shall certify to the board that the contributor is
8 unable to engage in any gainful employment and that said
9 contributor ought to be retired. When the disability of a
10 contributor is determined to be service-connected, as defined in
11 this act, no minimum period of service shall be required for
12 eligibility. Application filing requirements shall be identical
13 to those outlined in clause (1) of section 309.

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

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

19 (2) A municipal annuity of equivalent actuarial value to the
20 present value of a municipal annuity, beginning at
21 superannuation retirement age, calculated in accordance with the
22 provisions of section 309; and

23 (3) A disability annuity payable from the total disability
24 reserve account which, together with the member's annuity and
25 the municipal annuity, shall be sufficient to produce a
26 retirement allowance of thirty per cent of the contributor's
27 final salary. Where the disability of the member is determined
28 to be service-connected, as defined in this act, the retirement
29 allowance shall equal fifty per cent of his final salary. The
30 disability annuity shall be reduced by the amount of any

1 payments for which the member shall be eligible under the act of
2 June 2, 1915 (P.L.736, No.338), known as "The Pennsylvania
3 Workmen's Compensation Act," or the act of June 21, 1939
4 (P.L.566, No.284), known as "The Pennsylvania Occupational
5 Disease Act."

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

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

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

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

15 Section 10. Section 314 of the act, amended January 4, 1978
16 (P.L.1, No.1), is amended to read:

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

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

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

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

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

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

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

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

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

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

28 Section 11. Sections 316, 317, 402, 403, 404, 406, 408, 411,
29 412 and 413 of the act are amended to read:

30 Section 316. Withdrawal Provisions.--A municipality which

1 has joined the retirement system created or continued under this
2 Article III may, for good and stated cause, file an application
3 with the board for permission to withdraw from the system if it
4 meets all of the following requirements:

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

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

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

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

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

1 transferred to a retirement system established subsequent to its
2 withdrawal from the system or from moneys appropriated annually
3 from tax revenues sufficient to pay the same. If the board
4 disapproves the application of the municipality for permission
5 to withdraw from the system the board shall promptly notify the
6 municipality of its decision and advise the municipality of the
7 board's reason or reasons for disapproval. The board shall
8 establish rules and regulations, in accordance with the
9 provisions of clause (10) of section 104 of this act, governing
10 the details of the procedures to be followed in the withdrawal
11 of municipalities from the system.

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

1 the written consent of at least seventy-five per cent of its
2 then member employees. Additional costs for contracted increases
3 in benefits shall become the responsibility of the municipality
4 and/or the members as specified in the contract.

5 Section 402. Existing Local Retirement Systems and
6 Compulsory and Optional Membership.--Where a municipality elects
7 to join the system established by this act, and is then
8 maintaining a retirement or pension system or systems covering
9 its employees in whole or in part, those employees so covered, and
10 employees thereafter eligible to join such pension system, shall
11 not become members of the retirement system established by this
12 act, unless at the time the municipality elects to join the
13 system, the members of each such existing retirement or pension
14 system shall, by the affirmative vote of seventy-five per cent
15 of all the members of each pension system, elect to be covered
16 by the retirement system established by this act. At any time
17 thereafter, within a period of three years after the
18 municipality has elected to join the system, but not thereafter,
19 the members of an existing retirement or pension system may, in
20 like manner, elect to join the system established by this act.
21 In any such case, provisions may be made for the transfer of
22 moneys and securities in its retirement or pension fund or
23 funds, in whole or in part, to the fund established by this act.
24 Securities so transferred shall be only those acceptable to the
25 board. Securities not so acceptable shall be converted into
26 cash, and said cash transferred to the fund created by this act.
27 In any such transfer, provision shall be made to credit the
28 accumulated deductions of each member, at least the amount he
29 has paid into the retirement or pension system of the
30 municipality, which moneys shall be credited against the prior

1 service contributions of such member, or a municipality may turn
2 over to the retirement system created by this act any existing
3 local pension system on a completely funded basis, as to
4 pensioners and pension credits of members related to prior
5 service to the date of transfer, or on a partially funded basis
6 if the municipality pays annually into the retirement system
7 amounts sufficient to completely liquidate the municipality's
8 liability for prior service within a period not to exceed thirty
9 years.

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

23 If a municipality elects to join the system under the
24 provisions of this Article IV, it shall first negotiate a
25 contract with the board, acceptable to both the municipality and
26 the board, which shall set forth all the specific details of
27 municipal and member contribution rates and benefits. The
28 municipality shall then pass an ordinance or resolution electing
29 to join the system, and confirming the terms of the contract by
30 reference thereto. Separate contracts and separate resolutions

1 shall be executed for each class of employees, namely municipal
2 employees, municipal firemen and municipal police in those cases
3 where the municipality elects to bring more than one class of
4 its employees into the system.

5 When a municipality elects to enroll its municipal employees
6 into the system, then each officer other than elected officers,
7 and each municipal employee thereof, employed on a permanent
8 basis, shall be required to become a member of the system. Each
9 municipality shall determine whether membership in said system
10 for elected officials and employees hired on a temporary or
11 seasonal basis shall be compulsory, optional or prohibited.

12 Where membership may be optional with an elected officer or an
13 employee hired on a temporary or seasonal basis, an election to
14 join the system must be made within one year after the
15 municipality elected to join the system or within one year after
16 the officer or temporary or seasonal employee first entered the
17 service of the municipality. Officers and employees paid only on
18 a fee basis shall not be eligible to join the system.

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

23 When a municipality has established a policy of placing new
24 employees on a probationary status it may elect to refrain from
25 enrolling such employees into the system for a period of up to
26 one year from the date the probationary employee first entered
27 the service of the municipality. In such cases service credits
28 shall not be earned by the employee for probationary time served
29 prior to enrollment. Notwithstanding any other provision herein,
30 the board may, in its discretion, entertain a request from a

1 municipality to join the system established by this act for
2 those employees who are excluded from local pension plan coverage
3 by virtue of the collective bargaining process or otherwise. The
4 request to join the system must be accompanied by an affirmative
5 vote of no less than three-fourths of those employees not covered
6 by the local pension plan. The benefits to be established may be
7 in 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 403. Contract Provisions.--Any contract for an
12 optional retirement plan entered into between a municipality and
13 the board shall not provide for any benefits in excess of or
14 minimum member's contribution rates less than those available to
15 that municipality for that class of employees under any existing
16 law pertaining to the establishment of a retirement or pension
17 system, except to the extent that excess investment earnings are
18 allocated by the board to provide for additional pension <—
19 benefits or member accruals as otherwise provided in this law.

20 The contract shall specifically state the following terms and
21 conditions:

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

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

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

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

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

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

15 (7) The formula used to determine the amount of normal
16 retirement benefits, including an explanation of the salary or
17 compensation to be used in the computations, and a statement
18 concerning any social security offset provisions included in the
19 contract.

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

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

24 (10) The manner in which the rate or rates of employee
25 contributions shall be determined, together with any provisions
26 for additional voluntary contributions.

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

29 (12) The manner in which costs for prior service for which
30 the municipality is willing to assume liability shall be

1 determined, with respect to both the municipality's share and
2 the member's share, if any.

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

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

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

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

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

1 allowance payable to original and new members, in order that all
2 future service liability may be fully funded on an actuarial
3 basis.

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

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

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

29 The cost of making the valuations required by this section
30 and in the transfer of any existing pension system of any

1 municipality, shall be part of the costs of administration of
2 this act.

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

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

28 (c) Should a person who has been retired on a retirement
29 allowance under this act, return to employment on a regular
30 full-time basis in the same municipality, his retirement

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

29 (d) Should a contributor die while in service, any death or
30 survivor benefits for which he may be eligible under the

1 provisions of the contract shall be paid in accordance with the
2 terms of the contract.

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

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

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

29 (2) The early retirement allowance, if any, specified in the
30 contract.

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

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

21 (c) Once every year the board may require any disability
22 annuitant, while still under superannuation retirement age, to
23 undergo medical examination by a physician designated by the
24 board. Such examination shall be made at the place of residence
25 of the beneficiary or other place mutually agreed upon. Should
26 the physician report and certify to the board that such
27 disability beneficiary is no longer physically or mentally
28 incapacitated for the performance of duty and is able to engage
29 in a gainful occupation, then his disability retirement
30 allowance shall be discontinued, and in lieu thereof an early

1 involuntary retirement allowance shall at that time be granted
2 as if such person had been retired not voluntarily, if such a
3 provision is included in the contract and if such person shall
4 have had the required number of years of total service as stated
5 in the contract.

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

15 (e) Any contributor entitled to retire for disability may,
16 in lieu of such retirement, if he has a required number of years
17 of total service, elect to retire not voluntarily under the
18 provisions of this act if such provisions are included in the
19 contract.

20 (f) Should a disability annuitant die before the total
21 disability retirement allowance received shall be at least equal
22 to the amount of the credit in his member's account plus the
23 balance in the member's excess investment account at the time of
24 disability retirement, then the board shall pay to the named
25 beneficiary, if living, or if the beneficiary predeceased the
26 annuitant, or no beneficiary was named, then to the annuitant's
27 estate, an amount equal to the difference between such total
28 retirement allowance received and the annuitant's accumulated
29 deductions plus excess interest, and if such difference is less
30 than one hundred dollars (\$100) and no letters have been taken

1 out on the estate within six months after death, then such
2 difference may be paid to the undertaker or to any person or
3 municipality who or which shall have paid the claim of the
4 undertaker. If the contract between the municipality and the
5 board provides that upon the death of a disability annuitant
6 payments in a specific amount shall be continued to certain
7 beneficiaries, then the provisions of subsection (f) shall not
8 apply and payments shall be made in accordance with the terms of
9 the contract.

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

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

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

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

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

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

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

22 Section 413. Procedures for Amending Contracts.--Any
23 municipality which has joined the system under the provisions of
24 this Article IV may, with the approval of the board, amend the
25 contract with the board to increase any of the benefits
26 enumerated in Article IV to its members. The board shall not
27 enter into any amended contract with any municipality which
28 decreases benefits, nor shall it enter into any amended contract
29 with a municipality which provides for benefits in excess of or
30 minimum member's 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 members
5 accruals as otherwise provided in this law. Before the board
6 approves any such amended contract it shall first determine,
7 through its actuary, that the plan outlined is actuarially
8 sound. Any member municipality which elects to enter into an
9 amended contract for increased benefits which would result in an
10 increase in its employees contribution rates shall first obtain
11 the written consent of at least seventy-five per cent of its
12 then member employees. Additional costs for increases in benefits
13 shall become the responsibility of the municipality and/or the
14 member as specified in the contract.

15 Section 12. This act shall take effect in 60 days.