

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 615

Session of  
1987

INTRODUCED BY VAN HORNE, TRELLO, IRVIS, MOWERY, FOSTER, NOYE,  
KUKOVICH, VEON, GODSHALL, HECKLER, PRESTON, BURD, HALUSKA,  
OLASZ, FARGO, SEVENTY, COLAFELLA AND WOZNIAK, MARCH 3, 1987

REFERRED TO COMMITTEE ON FINANCE, MARCH 3, 1987

AN ACT

1 Amending the act of February 1, 1974 (P.L.34, No.15), entitled  
2 "An act creating a Pennsylvania Municipal Retirement System  
3 for the payment of retirement allowances to officers,  
4 employes, firemen and police of political subdivisions and  
5 municipal authorities and of institutions supported and  
6 maintained by political subdivisions and municipal government  
7 associations and providing for the administration of the same  
8 by a board composed of the State Treasurer and others  
9 appointed by the Governor; imposing certain duties on the  
10 Pennsylvania Municipal Retirement Board and the actuary  
11 thereof; providing the procedure whereby political  
12 subdivisions and municipal authorities may join such system,  
13 and imposing certain liabilities and obligations on such  
14 political subdivisions and municipal authorities in  
15 connection therewith, and as to certain existing retirement  
16 and pension systems, and upon officers, employes, firemen and  
17 police of such political subdivisions, institutions supported  
18 and maintained by political subdivisions, and upon municipal  
19 authorities; providing for the continuation of certain  
20 municipal retirement systems now administered by the  
21 Commonwealth; providing certain exemptions from taxation,  
22 execution, attachment, levy and sale and providing for the  
23 repeal of certain related acts," further providing for the  
24 definitions of "actuarially sound" and "actuary," for annual  
25 estimates to municipalities, for existing local systems, for  
26 the source of municipal funds, for determination of municipal  
27 liability, for withdrawal from the system, for contributions  
28 by members, and for contracts for optional retirement plans.

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

1 Section 1. The definitions of "actuarially sound" and  
2 "actuary" in section 102 of the act of February 1, 1974 (P.L.34,  
3 No.15), known as the Pennsylvania Municipal Retirement Law,  
4 amended May 17, 1980 (P.L.135, No.50), are amended to read:

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

6 \* \* \*

7 "Actuarially sound" means a plan [which is being operated  
8 under supervision of an actuary and] which is being funded  
9 annually at a level not lower than the [normal cost of the plan  
10 plus a contribution towards the unfunded accrued liability  
11 sufficient to complete the funding thereof within thirty years  
12 of the effective date of the system. If the unfunded accrued  
13 liability is increased subsequent to the effective date of the  
14 system, such additional liability shall be funded within a  
15 period of thirty years from the effective date of the increase.  
16 If deemed advisable by the actuary, the initial liability and  
17 any increase thereof, may be combined and amortized over a  
18 period of years, not to exceed thirty.] financial requirements  
19 of the pension plan pursuant to the act of December 18, 1984  
20 (P.L.1005, No.205), known as the "Municipal Pension Plan Funding  
21 Standard and Recovery Act."

22 "Actuary" means[: (i) a member of the American Academy of  
23 Actuaries, or (ii) an individual who has demonstrated to the  
24 satisfaction of the Insurance Commissioner of Pennsylvania that  
25 he had the educational background necessary for the practice of  
26 actuarial science and has had at least seven years of actuarial  
27 experience, or (iii) a firm, partnership or corporation of which  
28 one or more members meets the requirements of subclauses (i) or  
29 (ii) above.] a person who has met the requirements of the  
30 definition of "approved actuary" set forth in section 102 of the

1 act of December 18, 1984 (P.L.1005, No.205), known as the  
2 "Municipal Pension Plan Funding Standard and Recovery Act."

3 \* \* \*

4 Section 2. Section 111 of the act is amended to read:

5 Section 111. Municipal Guarantee.--(a) The regular interest  
6 charges payable and the creation and maintenance of the  
7 necessary reserves for the payment of the municipal and member's  
8 annuities, as to any municipality in accordance with this act,  
9 are hereby made the obligation of that municipality.

10 (b) In the case of the failure of a municipality to make  
11 payments as required by this act, the Commonwealth shall  
12 withhold payment to the municipality of any [funds] general  
13 municipal pension system State aid pursuant to Chapter 4 of the  
14 act of December 18, 1984 (P.L.1005, No.205), known as the  
15 "Municipal Pension Plan Funding Standard and Recovery Act," to  
16 which the municipality may be entitled [for pension purposes].  
17 The board may recover any sums due to the fund by suit at law,  
18 or other appropriate remedy.

19 Section 3. Section 112 of the act, amended December 18, 1985  
20 (P.L.338, No.94), is amended to read:

21 Section 112. Annual Estimates to Municipalities;  
22 Administrative Expenses.--(a) The board shall prepare and  
23 submit to each municipality, on or before the [first day of the  
24 third month preceding the commencing of each municipality's  
25 fiscal year] last business day in September, annually, an  
26 itemized estimate of the amounts necessary to be appropriated by  
27 the municipality to complete the payments of the obligations of  
28 the municipality to the fund during its next fiscal year  
29 pursuant to the applicable minimum funding provisions of the act  
30 of December 18, 1984 (P.L.1005, No.205), known as the "Municipal

1 Pension Plan Funding Standard and Recovery Act," and consistent  
2 with any more stringent funding requirements of any agreement  
3 between the municipality and the system.

4     **(b)** The board shall annually prepare and approve a budget  
5 covering the administrative expenses of this act. Such expenses  
6 as approved by the board shall be paid from receipts from  
7 assessments made against each municipality for administrative  
8 expenses. This assessment shall be based on the number of  
9 members in each municipality and shall not exceed the sum of  
10 twenty dollars (\$20) per member per year. If, in the calendar  
11 years 1986 and 1987, the amount received from such assessments,  
12 when imposed at the maximum rate, is not sufficient to cover the  
13 administrative expenses, then the balance of such expenses shall  
14 be paid from interest earnings on the fund in excess of the  
15 regular interest credited to the municipal, member's and retired  
16 members' reserve accounts and shall not, in any year, exceed  
17 six-tenths of one per cent of the total asset value of the fund  
18 as of the beginning of the calendar year. The administration of  
19 the Pennsylvania Municipal Retirement System shall be audited  
20 annually and a report of this audit shall be made annually to  
21 the General Assembly.

22     **(c)** The secretary of the board shall submit a proposed  
23 budget for the following fiscal year to the Senate and House  
24 Local Government Committees no later than November 1 of the year  
25 preceding that for which the budget is being prepared. The  
26 respective committees shall meet and review such budget  
27 document. If the committees take no action within sixty days of  
28 said November 1, the budget for the following calendar year  
29 shall be deemed approved.

30     Section 4. Section 113 of the act, amended May 17, 1980

1 (P.L.135, No.50), is amended to read:

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

1 related to prior service to the date of transfer, or on a  
2 partially funded basis if the municipality pays annually into  
3 the retirement system amounts sufficient to completely liquidate  
4 the municipality's unfunded accrued liability [for prior  
5 service] within a period not to exceed [thirty years.] the  
6 applicable amortization period pursuant to the act of December  
7 18, 1984 (P.L.1005, No.205), known as the "Municipal Pension  
8 Plan Funding Standard and Recovery Act."

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

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

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

5 Section 5. Section 116 of the act is amended to read:

6 Section 116. Source of Municipal Funds.--The amounts to be  
7 paid by municipalities under the provisions of this act shall be  
8 paid out of moneys raised annually by general taxation, or in  
9 the case of townships of the second class, out of taxes levied  
10 for road, bridge and general township purposes and out of moneys  
11 received from the State [which are designated for pension  
12 purposes.] as general municipal pension system State aid  
13 pursuant to the act of December 18, 1984 (P.L.1005, No.205),  
14 known as the "Municipal Pension Plan Funding Standard and  
15 Recovery Act."

16 Section 6. Sections 203, 205, 206, 214, 303, 306, 307, 316,  
17 402, 403 and 404 of the act, amended May 17, 1980 (P.L.135,  
18 No.50), are amended to read:

19 Section 203. Existing Local Retirement Systems and  
20 Compulsory and Optional Membership.--(a) Where a municipality  
21 elects to join the system established by this act, and is then  
22 maintaining a retirement or pension system or systems covering  
23 its employees in whole or in part, those employees so covered, and  
24 employees thereafter eligible to join such pension system, shall  
25 not become members of the retirement system established by this  
26 act, unless at the time the municipality elects to join the  
27 system, the members of each such existing retirement or pension  
28 system shall, by the affirmative vote of seventy-five per cent  
29 of all the members of each pension system, elect to be covered  
30 by the 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 unfunded accrued liability [for prior service] within a period  
23 not to exceed [thirty years.] the applicable amortization period  
24 pursuant to the act of December 18, 1984 (P.L.1005, No.205),  
25 known as the "Municipal Pension Plan Funding Standard and  
26 Recovery Act."

27     **(b)** No liability, on account of retirement allowances or  
28 pensions being paid from any retirement or pension fund of the  
29 municipality, shall attach against the fund, except as provided  
30 in the agreement, making a transfer of an existing system in



1 accordance with this section. The liability to continue payment  
2 of pensions not so transferred shall attach against the  
3 municipality, which shall annually make appropriations from its  
4 tax revenues sufficient to pay the same[.] pursuant to the  
5 "Municipal Pension Plan Funding Standard and Recovery Act." In  
6 cases where [workers] active employees covered by an existing  
7 retirement or pension system elect to join the system created by  
8 this act, the election to join shall be deemed to have been made  
9 at the time the municipality elected to join the system, and the  
10 liabilities of the municipality shall be fixed accordingly.

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

29 (d) When a municipality has established a policy of placing  
30 new employes on a probationary status it may elect to refrain

1 from enrolling such employees into the system for a period of up  
2 to one year from the date the probationary employee first entered  
3 the service of the municipality. In such cases service credits  
4 shall not be earned by the employee for probationary time served  
5 prior to enrollment.

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

18 Section 205. Determination of Municipal Liability.--(a) The  
19 board shall as soon as may be, determine the [present value of  
20 the] accrued liability and unfunded accrued liability of each  
21 municipality [for the prior service credits to its original  
22 members,] pursuant to Chapter 2 of the act of December 18, 1984  
23 (P.L.1005, No.205), known as the "Municipal Pension Plan Funding  
24 Standard and Recovery Act," and shall establish an amount  
25 payable annually over a period not exceeding [thirty years,] the  
26 applicable amortization period pursuant to paragraph (4) of  
27 subsection (b) of section 202 of the "Municipal Pension Plan  
28 Funding Standard and Recovery Act," through which payments [such  
29 prior service] the unfunded accrued liability may be funded.

30 Each municipality shall have the option to spread the payment of

1 [such prior service] the unfunded accrued liability over such  
2 period of years.

3 (b) The municipal accrued liability and unfunded accrued  
4 liability shall be based upon credit for all years of prior  
5 service toward the municipal annuity of each original member,  
6 subject to such of the following options as the municipality may  
7 elect:

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

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

14 (c) The board shall also determine, from time to time, the  
15 [amount] normal cost amount pursuant to Chapter 2 of the  
16 "Municipal Pension Plan Funding Standard and Recovery Act,"  
17 which shall be contributed annually by each municipality for  
18 service credits of original and new members subsequent to the  
19 time the municipality joined the system, and the additional  
20 amount which shall be contributed annually by each municipality  
21 toward a reserve account for disability allowances payable to  
22 original or new members, in order that all future service  
23 liability may be fully funded on an actuarial basis.

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

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

1       Section 206. Contributions by Members; Consolidation of  
2 Credits; Change of Employment.--[Each] (a) Except to the extent  
3 that subsection (c) of section 607 of the act of December 18,  
4 1984 (P.L.1005, No.205), known as the "Municipal Pension Plan  
5 Funding Standard and Recovery Act," applies, each member of the  
6 system shall be required to contribute to the fund three per  
7 cent of that portion of their actual salary or compensation,  
8 including fees where paid in part on a fee basis, on which  
9 social security benefits are payable, and six per cent of any  
10 salary, compensation or fees in excess of the amount on which  
11 social security benefits are payable. However, in the event of a  
12 contributor who became a member prior to January 1, 1979, the  
13 required rate of contribution shall be the lesser of the rate  
14 herein provided and the rate applicable to said member upon his  
15 entry into the system.

16       (b) In order to increase his member's annuity, each member  
17 shall also have the option to make contributions for his prior  
18 service. Such contributions for prior service may be anticipated  
19 in whole or in part at the time the municipality joins the  
20 system, or payment thereof or such part thereof as is not  
21 anticipated may be spread over a period of time by increasing  
22 the payroll deduction of the member by at least one-third. When  
23 a member elects to contribute on account of all of his unpaid  
24 prior service, his rate of contribution shall be calculated as  
25 of his age at the time he first entered the service of the  
26 municipality: Provided, however, That any municipality may, at  
27 the time it elects to join the system, or at any time  
28 thereafter, agree with the board to pay into the fund as part of  
29 its liability under and in accordance with section 205 hereof,  
30 the moneys necessary to provide the member's contributions for

prior service, and in such case no contributions for prior service shall be made by the members.

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

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

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

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

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

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

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

(b) The board shall within ninety days of its receipt, take action on an application filed by a municipality for permission to withdraw from the system. If the application is approved the

1 withdrawing municipality shall be entitled to receive a net  
2 refund of the amounts then standing to the credit of the  
3 municipality in the member's account, the member's excess  
4 investment account, the municipal account and the retired  
5 member's reserve accounts of the system. In no event shall the  
6 total amount of the net refund to the municipality exceed the  
7 pro rata interest of the withdrawing municipality in the net  
8 assets of the entire fund based on the market value of the  
9 investments of the fund as of the date of receipt of the  
10 application for permission to withdraw. The liability for the  
11 continuation of retirement or disability allowances being paid  
12 from the fund shall attach against the withdrawing municipality  
13 and be paid from funds transferred to a retirement system  
14 established subsequent to its withdrawal from the system or from  
15 moneys appropriated annually from tax revenues sufficient to pay  
16 the same[.] pursuant to the act of December 18, 1984 (P.L.1005,  
17 No.205), known as the "Municipal Pension Plan Funding Standard  
18 and Recovery Act." If the board disapproves the application of  
19 the 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 303. Existing Local Retirement Systems and  
27 Compulsory Membership.--(a) Where a municipality elects to join  
28 the system established by this act, and is then maintaining a  
29 retirement or pension system or systems covering its employees in  
30 whole or in part, those employees so covered, and employees

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

1 pursuant to the act of December 18, 1984 (P.L.1005, No.205),  
2 known as the "Municipal Pension Plan Funding Standard and  
3 Recovery Act."

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

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

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

26     (e) When a municipality has established a policy of placing  
27 new employes on a probationary status it may elect to refrain  
28 from enrolling such employes into the system for a period of up  
29 to one year from the date the probationary employe first entered  
30 the service of the municipality. In such cases service credits



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

14 Section 306. Determination of Municipal Liability.--(a) The  
15 board shall, as soon as may be, determine the [present value of  
16 the] accrued liability and unfunded accrued liability of each  
17 municipality [for the prior service credits to its original  
18 members,] pursuant to Chapter 2 of the act of December 18, 1984  
19 (P.L.1005, No.205), known as the "Municipal Pension Plan Funding  
20 Standard and Recovery Act," and shall establish an amount  
21 payable annually over a period not exceeding [thirty years,] the  
22 applicable amortization period pursuant to the "Municipal  
23 Pension Plan Funding Standard and Recovery Act," through which  
24 payments [such prior service] the unfunded accrued liability may  
25 be funded. Each municipality shall have the option to spread the  
26 payment of [such prior service] the unfunded accrued liability  
27 over such period of years.

28 (b) The municipal accrued liability and unfunded accrued  
29 liability shall be based upon credit for all years of prior  
30 service toward the municipal annuity of each original member.

1       (c) The board shall also determine, from time to time, the  
2 [amount] normal cost amount pursuant to Chapter 2 of the  
3 "Municipal Pension Plan Funding Standard and Recovery Act,"  
4 which shall be contributed annually by each municipality, for  
5 service credits of original and new members subsequent to the  
6 time the municipality joined the system, and the additional  
7 amount which shall be contributed annually by each municipality  
8 toward a reserve account for disability allowances payable to  
9 original and new members, in order that all future service  
10 liability may be fully funded on an actuarial basis.

11       (d) The amounts so determined by the board may be expressed  
12 in a percentage of payroll of the municipality covering its  
13 contributing members.

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

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

1 apply against the annual obligation of the municipality for  
2 future service and disability reserve costs. It shall be the  
3 duty of the governing body to apply such payments in accordance  
4 with the provisions of this act.] pursuant to Chapter 4 of the  
5 "Municipal Pension Plan Funding Standard and Recovery Act," and  
6 allocated to the police pension plan or to the paid firefighters  
7 pension plan by the governing body of the municipality shall be  
8 used only for authorized expenditures pursuant to subsection (g)  
9 of section 402 of the "Municipal Pension Plan Funding Standard  
10 and Recovery Act."

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

15 Section 307. Contributions by Members; Consolidation of  
16 Credits.--[Each] (a) Except to the extent that subsection (c)  
17 of section 607 of the act of December 18, 1984 (P.L.1005,  
18 No.205), known as the "Municipal Pension Plan Funding Standard  
19 and Recovery Act," applies, each single coverage member of the  
20 system created under this Article III, shall be required to  
21 contribute no more than eight per cent of his salary or  
22 compensation to the fund based on a uniform contribution rate as  
23 determined by the actuary to provide the benefit under this  
24 article.

25 (b) The amount of contribution by each joint coverage member  
26 shall be computed in the manner described above for a single  
27 coverage member, except that the amount of such deductions from  
28 salary or compensation shall be reduced with respect to wages  
29 (as defined in the Federal Insurance Contributions Act) by forty  
30 per cent of the tax on employes prescribed by the Federal

1 Insurance Contributions Act exclusive of that portion of such  
2 tax attributable to disability coverage.

3 (c) Members' contributions shall be paid into the fund by  
4 the municipality through payroll deductions in such manner and  
5 at such time as the board may by rule and regulation determine.

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

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

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

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

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

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

1 of the withdrawing municipality in the net assets of the entire  
2 fund based on the market value of the investments of the fund as  
3 of the date of receipt of the application for permission to  
4 withdraw. The liability for the continuation of retirement or  
5 disability allowances being paid from the fund shall attach  
6 against the withdrawing municipality and be paid from funds  
7 transferred to a retirement system established subsequent to its  
8 withdrawal from the system or from moneys appropriated annually  
9 from tax revenues sufficient to pay the same[.] pursuant to the  
10 act of December 18, 1984 (P.L.1005, No.205), known as the  
11 "Municipal Pension Plan Funding Standard and Recovery Act." If  
12 the board disapproves the application of the municipality for  
13 permission to withdraw from the system the board shall promptly  
14 notify the municipality of its decision and advise the  
15 municipality of the board's reason or reasons for disapproval.  
16 The board shall establish rules and regulations, in accordance  
17 with the provisions of clause (10) of section 104 of this act,  
18 governing the details of the procedures to be followed in the  
19 withdrawal of municipalities from the system.

20 Section 402. Existing Local Retirement Systems and  
21 Compulsory and Optional Membership.--(a) Where a municipality  
22 elects to join the system established by this act, and is then  
23 maintaining a retirement or pension system or systems covering  
24 its employees in whole or in part, those employees so covered, and  
25 employees thereafter eligible to join such pension system, shall  
26 not become members of the retirement system established by this  
27 act, unless at the time the municipality elects to join the  
28 system, the members of each such existing retirement or pension  
29 system shall, by the affirmative vote of seventy-five per cent  
30 of all the members of each pension system, elect to be covered

1 by the retirement system established by this act. At any time  
2 thereafter, within a period of three years after the  
3 municipality has elected to join the system, but not thereafter,  
4 the members of an existing retirement or pension system may, in  
5 like manner, elect to join the system established by this act.  
6 In any such case, provisions may be made for the transfer of  
7 moneys and securities in its retirement or pension fund or  
8 funds, in whole or in part, to the fund established by this act.  
9 Securities so transferred shall be only those acceptable to the  
10 board. Securities not so acceptable shall be converted into  
11 cash, and said cash transferred to the fund created by this act.  
12 In any such transfer, provision shall be made to credit the  
13 accumulated deductions of each member, at least the amount he  
14 has paid into the retirement or pension system of the  
15 municipality, which moneys shall be credited against the prior  
16 service contributions of such member, or a municipality may turn  
17 over to the retirement system created by this act any existing  
18 local pension system on a completely funded basis, as to  
19 pensioners and pension credits of members related to prior  
20 service to the date of transfer, or on a partially funded basis  
21 if the municipality pays annually into the retirement system  
22 amounts sufficient to completely liquidate the municipality's  
23 unfunded accrued liability [for prior service] within a period  
24 not to exceed [thirty years.] the applicable amortization period  
25 pursuant to the act of December 18, 1984 (P.L.1005, No.205),  
26 known as the "Municipal Pension Plan Funding Standard and  
27 Recovery Act."

28 (b) No liability, on account of retirement allowances or  
29 pensions being paid from any retirement or pension fund of the  
30 municipality, shall attach against the fund, except as provided

1 in the agreement, making a transfer of an existing system in  
2 accordance with this section. The liability to continue payment  
3 of pensions not so transferred shall attach against the  
4 municipality, which shall annually make appropriations from its  
5 tax revenues sufficient to pay the same[.] pursuant to the  
6 "Municipal Pension Plan Funding Standard and Recovery Act." In  
7 cases where [workers] active employees covered by an existing  
8 retirement or pension system elect to join the system created by  
9 this act, the election to join shall be deemed to have been made  
10 at the time the municipality elected to join the system, and the  
11 liabilities of the municipality shall be fixed accordingly.

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

24 (d) When a municipality elects to enroll its municipal  
25 employees into the system, then each officer other than elected  
26 officers, and each municipal employee thereof, employed on a  
27 permanent basis, shall be required to become a member of the  
28 system. Each municipality shall determine whether membership in  
29 said system for elected officials and employees hired on a  
30 temporary or seasonal basis shall be compulsory, optional or

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

8     (e) When a municipality elects to enroll its municipal  
9 firemen or its municipal police into the system, then each  
10 municipal fireman or each municipal policeman, as defined in  
11 section 102 of this act, shall be required to become a member of  
12 the system.

13     (f) When a municipality has established a policy of placing  
14 new employees on a probationary status it may elect to refrain  
15 from enrolling such employees into the system for a period of up  
16 to one year from the date the probationary employee first entered  
17 the service of the municipality. In such cases service credits  
18 shall not be earned by the employee for probationary time served  
19 prior to enrollment. Notwithstanding any other provision herein,  
20 the board may, in its discretion, entertain a request from a  
21 municipality to join the system established by this act for  
22 those employees who are excluded from local pension plan coverage  
23 by virtue of the collective bargaining process or otherwise. The  
24 request to join the system must be accompanied by an affirmative  
25 vote of no less than three-fourths of those employees not covered  
26 by the local pension plan. The benefits to be established may be  
27 in 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 403. Contract Provisions.--(a) Any contract for an  
2 optional retirement plan entered into between a municipality and  
3 the board shall not provide for any benefits in excess of or  
4 minimum member's contribution rates less than those available to  
5 that municipality for that class of employees under any existing  
6 law pertaining to the establishment of a retirement or pension  
7 system, except to the extent that excess investment earnings are  
8 allocated to provide for additional pension benefits or member  
9 accruals as otherwise provided in this law.

10       (b) The contract shall specifically state the following  
11 terms and conditions:

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

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

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

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

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

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

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

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

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

14 (10) The manner in which the rate or rates of employe  
15 contributions shall be determined, together with any provisions  
16 for additional voluntary contributions, which shall be  
17 consistent with subsection (c) of section 607 of the act of  
18 December 18, 1984 (P.L.1005, No.205), known as the "Municipal  
19 Pension Plan Funding Standard and Recovery Act," if applicable.

20 (11) The manner in which the rates of contribution from the  
21 municipalities shall be determined[.], which shall be consistent  
22 with the "Municipal Pension Plan Funding Standard and Recovery  
23 Act."

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

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

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

4 Section 404. Determination of Municipal Liability.--(a) The  
5 board shall, as soon as may be, determine the [present value of  
6 the] accrued liability and unfunded accrued liability of each  
7 municipality [for any prior service credits it has elected to  
8 extend to its original members,] pursuant to Chapter 2 of the  
9 act of December 18, 1984 (P.L.1005, No.205), known as the  
10 "Municipal Pension Plan Funding Standard and Recovery Act," and  
11 shall establish an amount payable annually over a period not  
12 exceeding [thirty years,] the applicable amortization period  
13 pursuant to the "Municipal Pension Plan Funding Standard and  
14 Recovery Act," through which payments [such prior service] the  
15 unfunded accrued liability may be funded. Each municipality  
16 shall have the option to spread the payment of [such prior  
17 service] the unfunded accrued liability over such period of  
18 years.

19 (b) The municipal accrued liability and unfunded accrued  
20 liability shall be based upon credit for those years of prior  
21 service toward the municipal annuity of each original member,  
22 for which the municipality has agreed to pay, plus any liability  
23 for payment of the member's contributions for the prior service  
24 or any portion thereof of each original member which the  
25 municipality has agreed to pay.

26 (c) The board shall also determine, from time to time, the  
27 [amount] normal cost amount pursuant to Chapter 2 of the  
28 "Municipal Pension Plan Funding Standard and Recovery Act,"  
29 which shall be contributed annually by each municipality for  
30 service credits of original and new members subsequent to the

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

6 (d) The amounts so determined by the board may be expressed  
7 in a percentage of the payroll of the municipality covering its  
8 contributing members.

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

20 The payments made by the State Treasurer to the treasurer of  
21 the municipality from the moneys received from taxes paid upon  
22 premiums by foreign casualty insurance companies for purposes of  
23 pension, retirement or disability benefits for municipal  
24 policemen shall be used as follows: (i) to reduce the unfunded  
25 liability or, after such liability has been funded, (ii) to  
26 apply against the annual obligation of the municipality for  
27 future service and disability reserve costs, and (iii) to reduce  
28 member contributions. It shall be the duty of the governing body  
29 to apply such payments in accordance with the provisions of this  
30 act.] pursuant to Chapter 4 of the "Municipal Pension Plan

1 Funding Standard and Recovery Act," and allocated to the police  
2 pension plan or to the paid firefighters pension plan by the  
3 governing body of the municipality shall be used only for  
4 authorized expenditures pursuant to subsection (g) of section  
5 402 of the "Municipal Pension Plan Funding Standard and Recovery  
6 Act."

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

11     Section 7. Section 405 of the act is amended to read:

12     Section 405. Contributions by Members; Consolidation of  
13 Credits; Change of Employment.--[Each] (a) Except to the extent  
14 that subsection (c) of section 607 of the act of December 18,  
15 1984 (P.L.1005, No.205), known as the "Municipal Pension Plan  
16 Funding Standard and Recovery Act," applies, each member of the  
17 system shall be required to contribute to the fund such per cent  
18 of his actual salary or compensation, including fees where paid  
19 in part on a fee basis, as specified in the contract, which  
20 contributions shall be paid into the fund by the municipality  
21 through payroll deductions in such manner and at such time as  
22 the board may by rule and regulation determine.

23     (b) If such provision is contained in the contract between  
24 the municipality and the board, each member may increase his  
25 member's annuity by electing to make such additional voluntary  
26 contributions as prescribed therein.

27     (c) When a member is employed by more than one municipality,  
28 he shall be required to make contributions on account of his  
29 salary paid by each municipality. In such cases the board shall  
30 provide for the consolidation of credits of the contributor, and

1 upon his retirement, for a consolidated retirement allowance.

2 (d) When a contributor leaves the employ of a municipality  
3 which has joined the system, and enters into the employ of  
4 another municipality which has also joined the system, his  
5 service credits shall remain unimpaired, but in such cases any  
6 unpaid municipal liability for prior service shall be prorated  
7 by the board between the municipalities on an equitable basis.

8 Section 8. Section 412 of the act, amended May 17, 1980  
9 (P.L.135, No.50), is amended to read:

10 Section 412. Withdrawal Provisions.--(a) A municipality  
11 which has joined the retirement system created or continued  
12 under this Article IV may, for good and stated cause, file an  
13 application with the board for permission to withdraw from the  
14 system if it 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 (b) 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 investment account, the municipal account and the retired  
3 member's reserve accounts of the system. In no event shall the  
4 total amount of the net refund to the municipality exceed the  
5 pro rata interest of the withdrawing municipality in the net  
6 assets of the entire fund based on the market value of the  
7 investments of the fund as of the date of receipt of the  
8 application for permission to withdraw. The liability for the  
9 continuation of retirement or disability allowances being paid  
10 from the fund shall attach against the withdrawing municipality  
11 and be paid from funds transferred to a retirement system  
12 established subsequent to its withdrawal from the system or from  
13 moneys appropriated annually from tax revenues sufficient to pay  
14 the same[.] pursuant to the act of December 18, 1984 (P.L.1005,  
15 No.205), known as the "Municipal Pension Plan Funding Standard  
16 and Recovery Act." If the board disapproves the application of  
17 the municipality for permission to withdraw from the system the  
18 board shall promptly notify the municipality of its decision and  
19 advise the municipality of the board's reason or reasons for  
20 disapproval. The board shall establish rules and regulations, in  
21 accordance with the provisions of clause (10) of section 104 of  
22 this act, governing the details of the procedures to be followed  
23 in the withdrawal of municipalities from the system.

24 Section 9. This act shall take effect immediately.