
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1742 Session of
1987

INTRODUCED BY STUBAN, SWEET, DUFFY, FOSTER AND NAHILL,
SEPTEMBER 29, 1987

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, SEPTEMBER 29, 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," redefining the terms
24 "municipal employe" and "retired member's reserve account";
25 further providing for qualifications for disability; further
26 providing for purchase of military time; changing provisions
27 relating to payout of contributions and excess investment
28 moneys; and making technical changes.

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

1 Section 1. The definitions of "municipal employe" and
2 "retired member's reserve account" in section 102 and section
3 108 of the act of February 1, 1974 (P.L.34, No.15), known as the
4 Pennsylvania Municipal Retirement Law, are amended to read:

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

6 * * *

7 "Municipal employe" means a person holding an office or
8 position, other than that of a municipal fireman or municipal
9 policeman, under a municipality or a municipal government
10 association and [paid on a regular salary or per diem basis] who
11 provides regular serve in return for compensation. The term
12 shall not include officers and employes paid wholly on a fee
13 basis or independent contractors.

14 * * *

15 "Retired member's reserve account" means the account from
16 which all retirement allowances shall be paid for superannuation
17 and total disability retirement and voluntary and involuntary
18 [withdrawals] retirements.

19 * * *

20 Section 108. Retirement Funds and Accounts.--(a) The
21 Pennsylvania Municipal Retirement Fund shall consist of the
22 money received from municipalities arising from contributions by
23 municipalities, and from payroll deductions from salary or
24 compensation of members, and other contributions made by members
25 through the municipality to the system, from transfers made from
26 municipal retirement or pension systems and credited as provided
27 in this act, and investment earnings thereon.

28 (b) Contributions made by municipalities toward
29 superannuation retirement and death benefits of members shall be
30 credited to the municipal account of said fund, contributions

1 made by municipalities toward disability retirement of members
2 shall be credited to the total disability reserve account of
3 said fund, and payroll deductions and other contributions of
4 members shall be credited to the member's account of said fund.
5 Transfers made from existing municipal retirement or pension
6 systems shall be credited as provided in this act.

7 (c) The board shall keep separate accounts of each
8 municipality and for each separate class of employes enrolled by
9 that municipality under the several articles of this act, except
10 the total disability reserve account and the retired member's
11 reserve account which shall be maintained as pooled accounts.
12 Each municipality and the members thereof shall be liable to the
13 board for the amount of contributions required to cover the cost
14 of the retirement allowance and other benefits payable to such
15 members.

16 (d) Upon the granting of a superannuation or voluntary or
17 involuntary [withdrawal] retirement allowance to any
18 contributor, the amount of such contributor's accumulated
19 deductions in the member's account shall lose their status as
20 accumulated deductions and shall be transferred to the retired
21 member's reserve account and the actuarial equivalent of the
22 municipal annuity shall be similarly transferred from the
23 municipal account to the retired member's reserve account.

24 (e) Upon the granting of a disability retirement allowance
25 to any contributor, there shall be transferred to the retired
26 member's reserve account the amount of the contributor's
27 accumulated deductions in the member's account, the amount of
28 the equivalent actuarial value to the municipal annuity, and
29 such additional amount from the total disability reserve account
30 as is needed in addition thereto to provide the actuarial

1 equivalent of the total disability allowance to which the
2 contributor is entitled.

3 Section 2. Sections 110, 203 and 207 (a) and (d) of the act,
4 amended May 17, 1980 (P.L.135, No.50), are amended to read:

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

14 (b) The board shall annually allow regular interest to the
15 credit on each contributor's account, municipal account[,]
16 the retired members reserve account [and the total disability
17 reserve account]. In addition, the board shall, after paying
18 expenses, annually allow such excess interest as each
19 municipality deems appropriate to the credit of the municipal
20 accounts, member's accounts, the member's excess investment
21 accounts[,]
22 and retired members reserve accounts [and total
23 disability reserve accounts].

24 Section 203. Existing Local Retirement Systems and
25 Compulsory and Optional Membership.--(a) Where a municipality
26 elects to join the system established by this act, and is then
27 maintaining a retirement or pension system or systems covering
28 its employees in whole or in part, those employees so covered, and
29 employees thereafter eligible to join such pension system, shall
30 not become members of the retirement system established by this
act, unless at the time the municipality elects to join the

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

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. In cases where workers
6 covered by an existing retirement or pension system elect to
7 join the system created by this act, the election to join shall
8 be deemed to have been made at the time the municipality elected
9 to join the system, and the liabilities of the municipality
10 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] full-time basis, except one who is not eligible for
16 Federal Social Security coverage and except one who is covered
17 by an 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, part-time or seasonal basis shall be compulsory,
22 optional or prohibited. Where membership may be optional with an
23 elected officer or an employe hired on a temporary, part-time or
24 seasonal basis, an election to join the system must be made
25 within one year after the municipality elected to join the
26 system or within one year after the officer or temporary, part-
27 time or seasonal employe first entered the service of the
28 municipality. Officers and employes paid only on a fee basis and
29 independent contractors shall not be eligible to join the
30 system.

1 (d) When a municipality has established a policy of placing
2 new employees on a probationary status it may elect to refrain
3 from enrolling such employees into the system for a period of up
4 to one year from the date the probationary employee first entered
5 the service of the municipality. In such cases service credits
6 shall not be earned by the employee for probationary time served
7 prior to enrollment.

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

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

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

8 * * *

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

24 Section 3. Section 211 of the act, amended June 10, 1982
25 (P.L.446, No.131), is amended to read:

26 Section 211. Options on Superannuation or Early
27 Retirement.--At the time of his superannuation or early
28 retirement, a contributor may elect to receive his benefits in a
29 retirement allowance payable throughout his life, which shall be
30 known as a single life annuity. In the event of the death of an

1 annuitant who has elected to receive the maximum single life
2 annuity before he has received in annuity payments the full
3 amount of the total accumulated deductions standing to his
4 credit in the member's account and the balance in the member's
5 excess investment account on the effective date of retirement,
6 the balance shall be paid to his designated beneficiary, or
7 instead, he may elect to receive the equivalent actuarial value
8 at that time of his retirement allowance in a lesser allowance,
9 payable throughout life with provisions that:

10 (1) Option 1. If he shall die before receiving in payments
11 the present value of his retirement allowance as it was at the
12 time of his retirement, the balance, if less than five thousand
13 dollars (\$5,000), shall be paid in a lump sum to his legal
14 representative, or to or in trust for his beneficiary. If the
15 balance is five thousand dollars (\$5,000) or more, the
16 beneficiary may elect by application duly acknowledged and filed
17 with the board to receive payment of such balance according to
18 any one of the following provisions: (i) a lump sum payment;
19 (ii) an annuity having a present value equal to the balance
20 payable; (iii) a lump sum payment and an annuity. Such annuity
21 shall be of equivalent actuarial value to the balance payable
22 less the amount of the lump sum payment specified by the
23 beneficiary.

24 (2) Option 2. Upon his death, his retirement allowance
25 shall be continued throughout the life of and paid to his
26 survivor annuitant, if then living.

27 (3) Option 3. Upon his death, one-half of his retirement
28 allowance shall be continued throughout the life of and paid to
29 his survivor annuitant, if then living.

30 Section 4. Sections 213, 305 and 308(a) and (d) of the act,

1 amended May 17, 1980 (P.L.135, No.50), are amended to read:

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

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

16 (1) The full amount of the accumulated deductions[,
17 including interest] standing to his credit in the member's
18 account and the balance in the member's excess interest account;
19 or

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

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

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

28 (1) The full amount of the accumulated deductions[,
29 including interest] standing to his credit in the member's
30 account and the balance in the member's excess interest account;

1 or

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

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

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

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

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

27 (c) The time during which a member was absent from service
28 without pay, except for military service, shall not be counted
29 in computing the service of a contributor in his certificate, or
30 upon retirement unless specially allowed by the municipality,

1 with the approval of the board.

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 the
6 unpaid municipal liability for prior service shall be prorated
7 by the board between the municipalities on an equitable basis.
8 The basis will be determined, with the advice of the actuary,
9 according to the number of years of service performed by the
10 contributor for each municipality.

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

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

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

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

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

29 (h) The rate of interest to be charged to members on their
30 purchase of credit for intervening or nonintervening military

1 service shall be the rate being credited by the system to
2 member's contribution accounts in effect on the date of the
3 member's application, compounded annually.

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

8 (j) A member may not purchase credit for any military
9 service for which he is entitled to receive [a retirement
10 allowance from the United States Government], eligible to
11 receive now or in the future, or is receiving retirement
12 benefits for such service under a retirement system administered
13 and wholly or partially paid for by any other governmental
14 agency, or private employer.

15 (k) Applications for permission to purchase credit for
16 military service must be accompanied by proof of the nature of
17 his discharge or separation from the military service.

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

1 as they were at the time of his separation from service, his
2 annuity rights as they existed at the time of separation from
3 service shall be restored and his obligations as a member shall
4 begin again.

5 * * *

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

21 Section 5. Section 312 of the act amended June 10, 1982
22 (P.L.446, No.131), is amended to read:

23 Section 312. Options on Superannuation or Early
24 Retirement.--At the time of his superannuation or early
25 retirement, a contributor may elect to receive his benefits in a
26 retirement allowance payable throughout his life, which shall be
27 known as a single life annuity. In the event of the death of an
28 annuitant who has elected to receive the maximum single life
29 annuity before he has received in annuity payments the full
30 amount of the total accumulated deductions standing to his

1 credit in the member's account and the balance in the member's
2 excess interest account on the effective date of retirement, the
3 balance shall be paid to his designated beneficiary, or instead,
4 he may elect, to receive the actuarial equivalent value at that
5 time of his retirement allowance in a lesser allowance, payable
6 throughout life with provisions that:

7 (1) Option 1. If he shall die before receiving in payments
8 the present value of his retirement allowance as it was at the
9 time of his retirement, the balance, if less than five thousand
10 dollars (\$5,000) shall be paid in a lump sum to his legal
11 representative, or to or in trust for his beneficiary. If the
12 balance is five thousand dollars (\$5,000) or more, the
13 beneficiary may elect by application duly acknowledged and filed
14 with the board to receive payment of such balance according to
15 any of the following provisions: (i) a lump sum payment, (ii) an
16 annuity having a present value equal to the balance payable,
17 (iii) a lump sum payment and an annuity. Such annuity shall be
18 of equivalent actuarial value to the balance payable less the
19 amount of the lump sum payment specified by the beneficiary.

20 (2) Option 2. Upon his death his retirement allowance shall
21 be continued throughout the life of and paid to his survivor
22 annuitant, if then living.

23 (3) Option 3. Upon his death, one-half of his retirement
24 allowance shall be continued throughout the life of and paid to
25 his survivor annuitant, if then living.

26 Section 6. Sections 402 and 403 of the act, amended May 17,
27 1980 (P.L.135, No.50), are amended to read:

28 Section 402. Existing Local Retirement Systems and
29 Compulsory and Optional Membership.--(a) Where a municipality
30 elects to join the system established by this act, and is then

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

1 liability for prior service within a period not to exceed thirty
2 years.

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

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

28 (d) When a municipality elects to enroll its municipal
29 employes into the system, then each officer other than elected
30 officers, and each municipal employe thereof, employed on a

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

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

19 (f) When a municipality has established a policy of placing
20 new employes on a probationary status it may elect to refrain
21 from enrolling such employes into the system for a period of up
22 to one year from the date the probationary employee first entered
23 the service of the municipality. In such cases service credits
24 shall not be earned by the employee for probationary time served
25 prior to enrollment. Notwithstanding any other provision herein,
26 the board may, in its discretion, entertain a request from a
27 municipality to join the system established by this act for
28 those employes who are excluded from local pension plan coverage
29 by virtue of the collective bargaining process or otherwise. The
30 request to join the system must be accompanied by an affirmative

1 vote of no less than three-fourths of those employees not covered
2 by the local pension plan. The benefits to be established may be
3 in accordance with the provisions of this article or any other
4 relevant pension law covering that class of municipality. The
5 other requirements of this section for joining this system shall
6 be observed.

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

16 (b) The contract shall specifically state the following
17 terms and conditions:

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

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

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

1 entitled to interest earned on contributions.

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

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

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

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

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

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

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

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

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

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

1 service shall be paid.

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

5 Section 7. Section 409 of the act, amended June 10, 1982
6 (P.L.446, No.131), is amended to read:

7 Section 409. Options on Superannuation or Early
8 Retirement.--At the time of his superannuation or early
9 retirement, a contributor may elect to receive his benefits in a
10 retirement allowance payable throughout his life, which shall be
11 known as a single life annuity. In the event of the death of an
12 annuitant who has elected to receive the maximum single life
13 annuity before he has received in annuity payments the full
14 amount of the total accumulated deductions standing to his
15 credit in the member's account and the balance in the member's
16 excess investment account on the effective date of retirement,
17 the balance shall be paid to his designated beneficiary, or
18 instead, he may elect to receive the actuarial equivalent at
19 that time of his retirement allowance in a lesser allowance,
20 payable throughout life with provisions that:

21 (1) Option 1. If he shall die before receiving in payments
22 the present value of his retirement allowance as it was at the
23 time of his retirement, the balance, if less than five thousand
24 dollars (\$5,000), shall be paid in a lump sum to his legal
25 representative, or to or in trust for his beneficiary. If the
26 balance is five thousand dollars (\$5,000) or more, the
27 beneficiary may elect by application duly acknowledged and filed
28 with the board to receive payment of such balance according to
29 any one of the following provisions: (i) a lump sum payment,
30 (ii) an annuity having a present value equal to the balance

1 payable, (iii) a lump sum payment and an annuity. Such annuity
2 shall be of equivalent actuarial value to the balance payable
3 less the amount of the lump sum payment specified by the
4 beneficiary.

5 (2) Option 2. Upon his death, his retirement allowance
6 shall be continued throughout the life of and paid to his
7 survivor annuitant, if then living.

8 (3) Option 3. Upon his death, one-half of his retirement
9 allowance shall be continued throughout the life of and paid to
10 his survivor annuitant, if then living.

11 (4) Option 4. Any other optional form of payment contained
12 in the contract.

13 Section 8. Section 411(a) and (c) of the act, amended May
14 17, 1980 (P.L.135, No.50), are amended to read:

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

1 required for eligibility. Requirements for filing applications
2 shall be identical to those outlined in clause (1) of section
3 407.

4 * * *

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

21 * * *

22 Section 9. This act shall take effect the first day of the
23 first calendar month after the date of approval by the Governor.