

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 718 Session of  
1989

INTRODUCED BY STUBAN, GAMBLE, LESCOVITZ, FOSTER AND NAHILL,  
MARCH 13, 1989

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, MARCH 13, 1989

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 of the act of  
3 February 1, 1974 (P.L.34, No.15), known as the Pennsylvania  
4 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 2. Section 108 of the act is amended to read:

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

29 (b) Contributions made by municipalities toward  
30 superannuation retirement and death benefits of members shall be

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

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

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

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

1 as is needed in addition thereto to provide the actuarial  
2 equivalent of the total disability allowance to which the  
3 contributor is entitled.

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

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

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

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

29 (b) No liability, on account of retirement allowances or  
30 pensions being paid from any retirement or pension fund of the

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

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

1 system.

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

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

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

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

9 \* \* \*

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

25 Section 4. Section 211 of the act, amended June 10, 1982  
26 (P.L.446, No.131), is amended to read:

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



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

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

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

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

1 Section 5. Sections 213, 305 and 308(a) and (d) of the act,  
2 amended May 17, 1980 (P.L.135, No.50), are amended to read:

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

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

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

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

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

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

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

1 account and the balance in the member's excess interest account;  
2 or

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

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

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

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

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

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

1 upon retirement unless specially allowed by the municipality,  
2 with the approval of the board.

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

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

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

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

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

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

30     (h) The rate of interest to be charged to members on their

1 purchase of credit for intervening or nonintervening military  
2 service shall be the rate being credited by the system to  
3 member's contribution accounts in effect on the date of the  
4 member's application, compounded annually.

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

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

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

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

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

6 \* \* \*

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

22 Section 6. Section 312 of the act amended June 10, 1982  
23 (P.L.446, No.131), is amended to read:

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



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

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

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

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

27 Section 7. Sections 402 and 403 of the act, amended May 17,  
28 1980 (P.L.135, No.50), are amended to read:

29 Section 402. Existing Local Retirement Systems and  
30 Compulsory and Optional Membership.--(a) Where a municipality

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

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

4     **(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. In cases where workers  
12 covered by an existing retirement or pension system elect to  
13 join the system created by this act, the election to join shall  
14 be deemed to have been made at the time the municipality elected  
15 to join the system, and the liabilities of the municipality  
16 shall be fixed accordingly.

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

29     **(d)** When a municipality elects to enroll its municipal  
30 employes into the system, then each officer other than elected

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

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

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

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

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

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

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

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

28 (3) Provisions for the refunding of accumulated deductions  
29 plus excess interest to employees who leave the service of the  
30 municipality before they become eligible for any type of

1 retirement benefit and whether or not the employe shall be  
2 entitled to interest earned on contributions.

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

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

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

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

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

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

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

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

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

30 (13) The manner in which credit for any allowable military

1 service shall be determined and the manner in which costs of  
2 service shall be paid.

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

6 Section 8. Section 409 of the act, amended June 10, 1982  
7 (P.L.446, No.131), is amended to read:

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

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

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

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

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

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

14 Section 9. Section 411(a) and (c) of the act, amended May  
15 17, 1980 (P.L.135, No.50), are amended to read:

16 Section 411. Disability Retirement.--(a) After a member has  
17 had the required number of years of total service as stated in  
18 the contract, he may, upon application or on the application of  
19 one acting in his behalf, or upon application of a head of the  
20 department of the municipality by which he is employed, be  
21 retired by the board on a disability allowance if he is under  
22 superannuation retirement age, and on a superannuation  
23 retirement allowance if he has attained or passed such age, if  
24 the physician designated by the board, after medical examination  
25 of the member made at the place of residence of the member or at  
26 a place mutually agreed upon, shall certify to the board that  
27 the member [is unable to engage in any gainful employment] meets  
28 the qualifications of the disability requirements defined in the  
29 contract and that said member ought to be retired. Where the  
30 disability of a member is determined to be service-connected, as



1 defined in this act, no minimum period of service shall be  
2 required for eligibility. Requirements for filing applications  
3 shall be identical to those outlined in clause (1) of section  
4 407.

5 \* \* \*

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

22 \* \* \*

23 Section 10. This act shall take effect the first day of the  
24 first calendar month after the date of approval by the Governor.