

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 740 Session of  
2005

INTRODUCED BY DALLY, BELARDI, BOYD, BUNT, CALTAGIRONE,  
DENLINGER, DeWEESE, GINGRICH, GOODMAN, GRUCELA, HARHART,  
HERMAN, HESS, O'NEILL, PAYNE, PHILLIPS, READSHAW, REICHLEY,  
ROBERTS, SAINATO, SCAVELLO, STERN, R. STEVENSON, THOMAS,  
TIGUE, WILT AND YOUNGBLOOD, MARCH 1, 2005

REFERRED TO COMMITTEE ON FINANCE, MARCH 1, 2005

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  
24 service allowance, change of employment and military service  
25 relating to municipal employees, municipal firemen and  
26 municipal police.

27 The General Assembly of the Commonwealth of Pennsylvania  
28 hereby enacts as follows:

1       Section 1. Sections 204 and 305 of the act of February 1,  
2   1974 (P.L.34, No.15), known as the Pennsylvania Municipal  
3   Retirement Law, amended May 17, 1980 (P.L.135, No.50), are  
4   amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

29 Section 305. Service Allowance; Change of Employment;  
30 Military Service.--In computing the length of service of a

1 contributor for retirement purposes, full credit shall be given  
2 to each original member for each year of service rendered to the  
3 municipality prior to the time the municipality joined the  
4 system.

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

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

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

25 Any municipal fireman or municipal policeman employed by a  
26 municipality who has been a regularly appointed fireman or  
27 policeman for a period of at least six months and is an active  
28 member of the system and who thereafter, heretofore, or  
29 hereafter, shall be inducted into the military service of the  
30 United States [in times of war, armed conflict, or National

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

26 An active member may also purchase credit for other than  
27 intervening military service performed for the United States [in  
28 times of war, armed conflict or National emergency, so  
29 proclaimed by the President of the United States,] for a period  
30 not to exceed five years: Provided, That the member has

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



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

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

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

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

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

25       Applications for permission to purchase credit for military  
26 service must be accompanied by proof of the nature of his  
27 discharge or separation from the military service.

28       Section 2. This act shall take effect in 60 days.