

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2342 Session of
1990

INTRODUCED BY VAN HORNE AND MOWERY, MARCH 19, 1990

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, MARCH 19, 1990

AN ACT

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

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

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

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

6 * * *

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

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

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

3 * * *

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

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

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

19 Section 3. Section 112 of the act, amended May 26, 1988
20 (P.L.411, No.70), is amended to read:

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

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

4 **(b)** The board shall annually prepare and approve a budget
5 covering the administrative expenses of this act. Such expenses
6 as approved by the board shall be paid from receipts from
7 assessments made against each municipality for administrative
8 expenses. This assessment shall be based on the number of
9 members in each municipality and shall not exceed the sum of
10 twenty dollars (\$20) per member per year. If, in the calendar
11 years 1987, 1988, 1989 and 1990, the amount received from such
12 assessments, when imposed at the maximum rate, is not sufficient
13 to cover the administrative expenses, then the balance of such
14 expenses shall be paid from interest earnings on the fund in
15 excess of the regular interest credited to the municipal,
16 member's and retired members' reserve accounts and shall not, in
17 any year, exceed six-tenths of one per cent of the total asset
18 value of the fund as of the beginning of the calendar year. The
19 administration of the Pennsylvania Municipal Retirement System
20 shall be audited annually and a report of this audit shall be
21 made annually to the General Assembly.

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

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

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

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

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

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

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

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

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

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

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

19 Section 203. Existing Local Retirement Systems and
20 Compulsory and Optional Membership.--(a) Where a municipality
21 elects to join the system established by this act, and is then
22 maintaining a retirement or pension system or systems covering
23 its employees in whole or in part, those employees so covered, and
24 employees thereafter eligible to join such pension system, shall
25 not become members of the retirement system established by this
26 act, unless at the time the municipality elects to join the
27 system, the members of each such existing retirement or pension
28 system shall, by the affirmative vote of seventy-five per cent
29 of all the members of each pension system, elect to be covered
30 by the retirement system established by this act. At any time

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 Section 303. Existing Local Retirement Systems and
27 Compulsory Membership.--(a) Where a municipality elects to join
28 the system established by this act, and is then maintaining a
29 retirement or pension system or systems covering its employees in
30 whole or in part, those employees so covered, and employees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 upon his retirement, for a consolidated retirement allowance.

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

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

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

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

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

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

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

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

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

24 Section 9. This act shall take effect immediately.