

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

AS REPORTED FROM COMMITTEE ON LOCAL GOVERNMENT, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 7, 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 AND CONTRACT PROVISIONS relating to municipal employees, <—
26 municipal firemen and municipal police.

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

1 Section 1. Sections 204 ~~and 305~~, 305 AND 403(13) of the act <—
2 of February 1, 1974 (P.L.34, No.15), known as the Pennsylvania
3 Municipal Retirement Law, amended May 17, 1980 (P.L.135, No.50),
4 are 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] ENTERS the military service of the United States <—
5 [in 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] UPON his separation <—
12 from the service. The municipality shall, during the period of
13 the member's intervening military service, continue to make
14 current service contributions toward the municipal annuity of
15 the member. An active member may file an application with the
16 board for permission to purchase credit toward his member's
17 share of 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
26 employer].

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

30 Section 305. Service Allowance; Change of Employment;

1 Military Service.--In computing the length of service of a
2 contributor for retirement purposes, full credit shall be given
3 to each original member for each year of service rendered to the
4 municipality prior to the time the municipality joined the
5 system.

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

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

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

26 Any municipal fireman or municipal policeman employed by a
27 municipality who has been a regularly appointed fireman or
28 policeman [for a period of at least six months] and is an active <—
29 member of the system and who thereafter, heretofore, or
30 hereafter, [shall be inducted into] ENTERS the military service <—

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

27 An active member may also purchase credit for other than
28 intervening military service performed for the United States [in
29 times of war, armed conflict or National emergency, so
30 proclaimed by the President of the United States,] for a period

1 not to exceed five years: Provided, That the member has
2 completed five years of service to the municipality subsequent
3 to such military service. An active member may file an
4 application with the board for permission to purchase credit for
5 nonintervening military service upon completion of five years of
6 subsequent service to the municipality. The type of service
7 credit for such service shall be determined by the date of entry
8 of the municipality into the system. If the date of the member's
9 separation from military service is prior to the date on which
10 the municipality joined the system, then the credit purchased
11 shall be considered as prior service credit. In this case the
12 amount due from the member shall be computed by applying the
13 member's basic contribution rate plus the rate of contribution
14 the municipality paid for current service during its first year
15 of entry into the system to his prior salary and multiplying the
16 result by the number of years and fractional part of a year of
17 creditable nonintervening military service, plus interest from
18 the later of the date of entry into the system and the date of
19 the member's employment by the municipality to the date of
20 purchase. The amount due from the member shall be certified by
21 the board in accordance with methods approved by the actuary,
22 and may be paid in a lump sum within thirty days or it may be
23 amortized with additional interest through salary deductions in
24 amounts agreed upon by the member and the board. If, on the
25 other hand, the date of the member's separation from military
26 service is later than the date of entry of the municipality into
27 the system, then the credit purchased shall be considered as
28 current service credit. In this case the amount due from the
29 member shall be computed by applying the member's basic
30 contribution rate plus the municipality's normal contribution

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

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

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

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

23 A member may not purchase credit for any military service for
24 which he is entitled to receive [a retirement allowance from the <—
25 United States Government.], ELIGIBLE TO RECEIVE NOW OR IN THE <—
26 FUTURE, OR IS RECEIVING RETIREMENT BENEFITS FOR SUCH SERVICE
27 UNDER A RETIREMENT SYSTEM ADMINISTERED AND WHOLLY OR PARTIALLY
28 PAID FOR BY ANY OTHER GOVERNMENTAL AGENCY.

29 Applications for permission to purchase credit for military
30 service must be accompanied by proof of the nature of his

1 discharge or separation from the military service.

2 SECTION 403. CONTRACT PROVISIONS.--ANY CONTRACT FOR AN <—
3 OPTIONAL RETIREMENT PLAN ENTERED INTO BETWEEN A MUNICIPALITY AND
4 THE BOARD SHALL NOT PROVIDE FOR ANY BENEFITS IN EXCESS OF OR
5 MINIMUM MEMBER'S CONTRIBUTION RATES LESS THAN THOSE AVAILABLE TO
6 THAT MUNICIPALITY FOR THAT CLASS OF EMPLOYES UNDER ANY EXISTING
7 LAW PERTAINING TO THE ESTABLISHMENT OF A RETIREMENT OR PENSION
8 SYSTEM, EXCEPT TO THE EXTENT THAT EXCESS INVESTMENT EARNINGS ARE
9 ALLOCATED TO PROVIDE FOR ADDITIONAL PENSION BENEFITS OR MEMBER
10 ACCRUALS AS OTHERWISE PROVIDED IN THIS LAW.

11 THE CONTRACT SHALL SPECIFICALLY STATE THE FOLLOWING TERMS AND
12 CONDITIONS:

13 * * *

14 (13) THE MANNER IN WHICH CREDIT FOR ANY ALLOWABLE MILITARY
15 SERVICE SHALL BE DETERMINED AND THE MANNER IN WHICH COSTS OF
16 SERVICE SHALL BE PAID. PROVIDED, HOWEVER, IF A CONTRACT ALLOWS
17 FOR THE PURCHASE OF NONINTERVENING MILITARY SERVICE IT SHALL NOT
18 RESTRICT THE PURCHASABLE TIME TO ONLY SERVICE PERFORMED FOR THE
19 UNITED STATES IN TIMES OF WAR, ARMED CONFLICT OR NATIONAL
20 EMERGENCY, THAT IS SO PROCLAIMED BY THE PRESIDENT OF THE UNITED
21 STATES.

22 * * *

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