

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 561 Session of
2007

INTRODUCED BY DALLY, BEYER, CALTAGIRONE, CAPPELLI, CASORIO,
COHEN, COX, DALEY, DENLINGER, FABRIZIO, FREEMAN, GINGRICH,
GOODMAN, GRUCELA, HARHART, HENNESSEY, HESS, HORNAMAN,
HUTCHINSON, KILLION, McILHATTAN, MELIO, MILLARD, MOYER,
NICKOL, M. O'BRIEN, PAYNE, PEIFER, PETRONE, PHILLIPS,
READSHAW, REICHLEY, ROAE, SAINATO, SCAVELLO, SIPTROTH,
SOLOBAY, STERN, R. STEVENSON, SWANGER AND YOUNGBLOOD,
MARCH 6, 2007

REFERRED TO COMMITTEE ON FINANCE, MARCH 6, 2007

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, military service and
25 contract provisions relating to municipal employees,
26 municipal firemen and municipal police.

27 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. Sections 204, 305 and 403(13) of the act of
3 February 1, 1974 (P.L.34, No.15), known as the Pennsylvania
4 Municipal Retirement Law, amended May 17, 1980 (P.L.135, No.50),
5 are amended to read:

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

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

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

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

1 contributor for each municipality.

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

1 board.

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

1 which was in effect on the date of the member's entry into
2 employment with the municipality to his average annual rate of
3 compensation over the first five years of his subsequent
4 employment and multiplying the result by the number of years and
5 fractional part of a year of creditable nonintervening military
6 service being purchased, plus interest from the date of
7 employment by the municipality to date of 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, eligible to receive now or in
24 the future, or is receiving retirement benefits for such service
25 under a retirement system administered and wholly or partially
26 paid for by any other governmental agency[, or private
27 employer].

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

1 Section 305. Service Allowance; Change of Employment;
2 Military Service.--In computing the length of service of a
3 contributor for retirement purposes, full credit shall be given
4 to each original member for each year of service rendered to the
5 municipality prior to the time the municipality joined the
6 system.

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

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

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

27 Any municipal fireman or municipal policeman employed by a
28 municipality who has been a regularly appointed fireman or
29 policeman [for a period of at least six months] and is an active
30 member of the system and who thereafter, heretofore, or

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

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

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

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

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

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

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

24 A member may not purchase credit for any military service for
25 which he is entitled to receive [a retirement allowance from the
26 United States Government.], is eligible to receive now or in the
27 future, or is receiving retirement benefits for such service
28 under a retirement system administered and wholly or partially
29 paid for by any other governmental agency.

30 Applications for permission to purchase credit for military

1 service must be accompanied by proof of the nature of his
2 discharge or separation from the military service.

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

12 The contract shall specifically state the following terms and
13 conditions:

14 * * *

15 (13) The manner in which credit for any allowable military
16 service shall be determined and the manner in which costs of
17 service shall be paid. Provided, however, if a contract allows
18 for the purchase of nonintervening military service it shall not
19 restrict the purchasable time to only service performed for the
20 United States in times of war, armed conflict or national
21 emergency, that is so proclaimed by the President of the United
22 States.

23 * * *

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