

No. 1998-24

AN ACT

HB 595

Amending the act of May 29, 1956 (1955 P.L.1804, No.600), entitled, as amended, "An act providing for the establishment of police pension funds or pension annuities in certain boroughs, towns and townships; authorizing the establishment of police pension funds or pension annuities by regional police departments; providing for the regulation and maintenance of police pension funds or pension annuities; providing for an actuary; continuance of existing funds or transfer thereof to funds herein established; prescribing rights of beneficiaries; contributions by members; providing for expenses of administration; continuation of existing authority to provide annuity contracts; credit for military service; refunds; exempting allowances from judicial process; and repealing certain acts," providing for early retirement.

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

Section 1. Section 5 of the act of May 29, 1956 (1955 P.L.1804, No.600), referred to as the Municipal Police Pension Law, amended May 10, 1996 (P.L.162, No.33), is amended to read:

Section 5. (a) Payments made under the provisions of this act shall not be a charge on any other fund in the treasury of any borough, town, township or regional police department, or under its control, save the police pension fund herein provided for.

(b) The basis for determining any pension payable under this act, following retirement of any member of the force meeting the service and age qualifications of the ordinance or resolution establishing a police pension fund, shall be as provided in subsections (c) [and], (d) *and* (i).

(c) Monthly pension or retirement benefits other than length of service increments shall be computed at one-half the monthly average salary of such member during not more than the last sixty nor less than the last thirty-six months of employment. Such pension or retirement benefits for any month shall be computed as the sum of (1) any pension benefits from pension plans heretofore established by a private organization or association for the members of the police force but only to the extent that this Commonwealth or any of its municipalities shall have contributed to such pension plan moneys raised by taxation; (2) if positions covered by the fund are included in an agreement under the Federal Social Security Act, up to seventy-five per centum of his full social security old-age insurance benefit calculated in accordance with the provisions of the Federal Social Security Act in effect on the date of his termination of employment, except that such amount shall be included only upon attainment of the age at which the officer would be eligible to receive full social security old-age insurance benefits and in

determining such eligibility and such amount only compensation for services actually rendered by the officer and covered by the police pension fund shall be included; and (3) benefits from the police pension fund established pursuant to this act to the extent necessary to bring the total benefits in any month up to one-half the aforesaid monthly average salary except that any officer who receives pension or retirement benefits from any plan established at any time pursuant to this act and who is also entitled to receive social security old-age insurance benefits shall not regardless of when the officer retired from active service have his pension or retirement benefits offset or reduced by more than seventy-five per centum of the social security old-age insurance benefits which he receives.

(d) If this Commonwealth or one of its municipalities shall have contributed moneys raised by taxation to a pension plan established by a private organization or association for the members of the police force, the pension benefits to be taken into account under clause (1) of subsection (c) shall be that proportion of the total pension benefits payable under clause (1) as the assets attributable to contributions of moneys raised by taxation bear to the total assets of the pension plan.

(e) In the case of the payment of pensions for permanent injuries incurred in service and to families of members killed in service, the amount and commencement of the payments shall be fixed by regulations of the governing body of the borough, town, township or regional police department.

(f) Any borough, town, township or regional police department may establish and pay length of service increments for years of service beyond twenty-five years for each completed year of service in excess of twenty-five years, not to exceed one hundred dollars (\$100). Such length of service increments may be paid in addition to other monthly pension or retirement allowances.

(g) (1) The ordinance or resolution establishing the police pension fund may provide for a cost of living increase for members of the police force receiving retirement benefits. The cost of living increase shall not exceed the percentage increase in the Consumer Price Index from the year in which the police member last worked, shall not cause the total police pension benefits to exceed seventy-five per centum of the salary for computing retirement benefits and shall not cause the total cost of living increase to exceed thirty per centum. No cost of living increase shall be granted which would impair the actuarial soundness of the pension fund.

(2) (i) Subject to the limitations in clause (ii), if the assets of the police pension fund exceed the present value of future benefits as reported in the last actuarial valuation report filed with the Public Employee Retirement Commission under the act of December 18, 1984 (P.L.1005, No.205), known as the "Municipal Pension Plan Funding Standard and Recovery Act," a cost of living increase for members of the police force receiving retirement

benefits for twenty or more years may be provided in excess of the limits herein prescribed.

(ii) If the total benefits to be paid to a retired member from the police pension fund exceed ten thousand dollars (\$10,000) a year, then the police pension fund shall not pay benefits to a retired member in excess of one hundred per centum of the retired member's average compensation as defined in section 415 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 415) or in any successor statute.

(h) The ordinance or resolution establishing the police pension fund may provide for a vested benefit provided that such would not impair the actuarial soundness of the pension fund. Under the provisions of such benefit, should a police officer, before completing superannuation retirement age and service requirements but after having completed twelve years of total service, for any reason cease to be employed as a full-time police officer by the municipality or regional police department in whose pension fund he has been a member, he shall be entitled to vest his retirement benefits by filing with the governing body within ninety days of the date he ceases to be a full-time police officer a written notice of his intention to vest. Upon reaching the date which would have been his superannuation retirement date if he had continued to be employed as a full-time police officer he shall be paid a partial superannuation retirement allowance determined by applying the percentage his years of service bears to the years of service which he would have rendered had he continued to work until his superannuation retirement date to the gross pension, using however the monthly average salary during the appropriate period prior to his termination of employment. Such pension or retirement benefits for any month shall be the sum of clauses (1), (2) and (3) of subsection (c) of such benefits from the police pension fund established pursuant to this act to the extent necessary to bring the total benefits in any month up to his partial superannuation retirement allowance outlined above.

(i) The ordinance or resolution establishing the police pension fund may provide for an early retirement benefit. The early retirement benefit shall be provided to a member of the police force with twenty or more years of service who terminates employment prior to the completion of superannuation retirement age and service requirements and who files a written application for an early retirement benefit with the governing body of the municipality or regional police department. The early retirement benefit shall become effective as of the date the application is filed with the governing body or the date designated on the application, whichever is later, and shall be the actuarial equivalent of a partial superannuation retirement benefit calculated as follows:

(1) A partial superannuation retirement benefit shall be determined by applying the percentage that the member's years of service bear to the years of service that the member would have rendered had the member continued to be employed until his superannuation retirement date to the gross

pension amount calculated using the monthly average salary during the appropriate period prior to his termination of employment.

(2) The actuarial equivalent of the partial superannuation retirement benefit shall be determined by actuarially reducing the partial superannuation retirement benefit to reflect that it will commence on the effective date of the early retirement rather than on the date on which the member would have completed superannuation age and service requirements. The actuarial reduction shall be calculated using the actuarial assumptions reported in the last actuarial valuation report filed with the Public Employee Retirement Commission under the act of December 18, 1984 (P.L.1005, No.205), known as the "Municipal Pension Plan Funding Standard and Recovery Act."

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

APPROVED—The 18th day of February, A.D. 1998.

THOMAS J. RIDGE