



mockenhaupt

Experience matters

Senate Bill 464 is Signed into Law as Act 49 on July 8, 2024

This law permits the governing body of municipalities and regional police departments across the state (other than the City of Philadelphia) to amend their police pension plan to allow officers who are vested in their current plan the option to purchase prior part-time or full-time police service to be credited for pension service purposes.

A previous version of the bill would have made it mandatory for police pension plans to be amended to allow officers to purchase prior service. But the final amended version that was passed made it an optional provision.

Adding the Benefit to a Pension Plan

Before a municipality can consider adopting this benefit, a cost study must be completed, as required by Act 205. Where pension benefits are a subject of collective bargaining, adding this benefit may also need to be negotiated. Then if the municipality decides to add the benefit to the pension plan, the pension ordinance/plan document will need to be formally amended.

Service Eligible for Purchase

Officers may purchase service credit in their current pension plan for prior part-time or full-time police service with a “police department” as that term is defined in Section 2162 of Chapter 53 of the Pennsylvania Consolidated Statutes. (This includes part-time police service with the same municipality or another municipality, full-time police service with another municipality, and also other police service such as the Capitol Police, Harrisburg International Airport Police, certain campus and university police, etc.)

The total amount of service that a police officer can purchase is limited to five years. This limit includes both prior police service authorized under this Act and military service purchased for credit under the plan. An officer may not purchase service credit for prior police service for which the officer “otherwise receives or is entitled to receive pension service credit from any other pension fund.”

Before permitting an officer to purchase prior service for pension service credit, employers will have an obligation to obtain evidence of the prior service having been completed, and to confirm that the officer will not receive pension service credit from another pension fund by virtue of having completed that service.

Purchase Price

The amount an officer is required to deposit into the plan in order to purchase the prior service credit is calculated in the same manner as a non-intervening military service purchase is calculated for

participants of Act 600 plans. The normal cost rate for the police pension plan a police officer is buying into (not to exceed 10%) is multiplied by the officer's average annual rate of compensation for the first three years of service with the department then multiplied by the number of years (including fractional parts of years) being purchased. The resulting value is credited with 4.75% interest from date of hire through date of purchase, compounded annually.

Next Steps

Municipalities interested in adding the prior police service buyback provision to their police pension plan should request a pension study from their actuary ([contact us](#)) that illustrates the potential impact of this provision on the plan's funded status and funding requirements. Information that would be needed for the study, for each officer with prior service that is eligible for purchase, includes:

- Number of years of eligible prior service
- First three years of compensation
- Confirmation of the number of years of military service previously purchased by the officer under the terms of the plan (if applicable)

If the addition of this benefit is ultimately approved, we will be happy to draft an enabling pension plan amendment.

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The above analysis represents our understanding of the Act and its requirements for passage and does not represent legal opinion or advice.