

## Permanent Part-time Eligibility Requirement Addressed by General Assembly

*(The following information has been prepared and is being released by the staff of the Pennsylvania Municipal Retirement System to inform enrolled municipalities. The municipalities are encouraged to share it with all of their employees. It is derived from Act 169 of the 2004 Session of the General Assembly of Pennsylvania.)*

Within the past year, there has been much notoriety associated with the System's enforcement of the requirement that all **permanent** employees of municipal pension plans administered by the Pennsylvania Municipal Retirement System (PMRS) must be enrolled in the pension plan. The issue became contentious when the PMRS Board found in favor of a permanent part-time employee who sought to be enrolled into the pension system despite the employer's insistence that the employee was prohibited from becoming a member of the pension plan. On November 29, 2004, the Governor signed into law Act 169 of 2004, which is intended to clarify the existing controversy surrounding the issue of "permanent" part-time employment. The new amendment narrows and limits the classification of mandatory enrollment going forward to permanent **full-time** employees.

Municipalities that establish a new PMRS-administered pension plan have always had the option to prohibit, require, or make optional, the participation of elected officials and temporary or seasonal employees. Now they will also be allowed to determine the eligibility rights of permanent part-time employees in the PMRS retirement plan. A municipality that is currently a member of PMRS, however, may only prohibit **future** permanent part-time employees from entering the plan, provided it enacts an ordinance (or resolution if it is an authority) and enters into a new agreement redefining the eligibility requirements. The restrictions would only be applicable to those hired after the effective date of the new agreement. The effective date cannot be retroactive.

Permanent part-time employees who are currently in the System will retain their membership, unless the municipality has enacted its ordinance (or resolution if it is an authority) and entered into an agreement to apply restrictions on permanent part-time employee membership by July 1, 2005 **and** the member has filed a written election to withdraw from membership by July 1, 2005. Current part-time employees who should be enrolled in the System will retain their right to membership in the plan if the employee makes a written election to enroll by July 1, 2005 and pays the employee portion of the cost.

A municipality that chooses to amend its plan and does not adopt the change by July 1, 2005, will be required to maintain **all** current permanent part-time employees, who are currently enrolled, in the pension system. In other words, even though a municipality has the ability to amend its plan at any time, if it wishes to prohibit permanent part-time employees from membership **and** wants to give current permanent part-time employees who are already enrolled in PMRS the right to be excluded, it must adopt the amendment so that the affected employees can indicate their decision to withdraw by July 1, 2005. Doing so will grant current permanent part-time employees who are already enrolled in PMRS the right to revoke membership and will ensure that future part-time employees are excluded from membership.

**To reiterate, municipalities that want to grant existing permanent part-time employees who are currently enrolled in PMRS the right to withdraw from pension coverage must amend the existing plan document by July 1, 2005, otherwise their permanent part-time employees will be required to remain in the pension plan. Regardless of whether a municipality chooses to amend its plan, all current, permanent, part-time employees who are currently improperly excluded from membership must be enrolled if the employee elects to be enrolled by July 1, 2005.**

PMRS would like to emphasize that municipalities will still be able to amend their plan to redefine eligibility requirements after the July 2005 deadline. Amendments made after this date, however, cannot grant latitude to existing permanent part-time employees.

**What this means for current, permanent, part-time employees:**

If you are a current, permanent, part-time employee who is **not enrolled** in PMRS:

- **If you wish to be enrolled** in PMRS, you must file a written election with your employer municipality by July 1, 2005 and pay your portion of the cost. Your cost may be paid in a lump sum or by payroll deduction over a period not to exceed five years. Your election is irrevocable.
- If you do **not** wish to be enrolled in PMRS, you are **not** required to take any action.

If you are a current, permanent, part-time employee who **is enrolled** in PMRS:

Your current membership is irrevocable, unless your employer municipality amends its plan to make membership for permanent part-time employees either prohibited or optional by July 1, 2005, **and** you elect to withdraw your membership by July 1, 2005. If your municipality takes the required action, you will have the option to remain a member or to discontinue membership as follows:

- If you wish **to remain a PMRS member**, you are **not** required to take any action.
- If you wish **to discontinue your membership**, you must file a written election to withdraw from PMRS with your employer municipality by July 1, 2005.

As always, the staff at PMRS looks forward to assisting all municipalities. Questions about changes to plan agreements should be directed to the Pennsylvania Municipal Retirement System's Municipal Services Division at (800) 622-7968.