

ORDINANCE NO. _____

AN ORDINANCE OF HONEY BROOK BOROUGH, CHESTER COUNTY, COMMONWEALTH OF PENNSYLVANIA, ELECTING TO JOIN THE PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM UNDER ARTICLE IV OF THE PENNSYLVANIA MUNICIPAL RETIREMENT LAW: AGREEING TO BE BOUND BY ALL PROVISIONS OF THE PENNSYLVANIA MUNICIPAL RETIREMENT LAW AS AMENDED AND AS APPLICABLE TO MEMBER MUNICIPALITIES JOINING UNDER THE PROVISIONS OF THIS ARTICLE: STATING WHICH OF CERTAIN OPTIONS PERMITTED UNDER THE SAID LAW ARE ACCEPTED BY THE BOROUGH. IT IS HEREBY ORDAINED BY HONEY BROOK BOROUGH, CHESTER COUNTY, AS FOLLOWS:

SECTION I. Honey Brook Borough, (the Borough), hereby elects to enroll its municipal employees in the Pennsylvania Municipal Retirement System (the System), established by the Pennsylvania Municipal Retirement Law, Act 15 of 1974, as amended, with the express purpose of having the System administer the pension plan established for the municipal employees of the Borough. The Borough does hereby agree to be bound by all the requirements and provisions of said Law, and to assume all obligations, financial and otherwise, placed upon member municipalities by said Law. All references hereafter shall be based on benefits negotiated between the Pennsylvania Municipal Retirement Board (the Board) and the Borough under the provisions of Article IV of the Pennsylvania Municipal Retirement Law.

SECTION II. Membership in the System shall be mandatory for all full-time municipal employees of the Borough. Membership for elected officials, part-time employees, and employees hired on a temporary or seasonal basis is prohibited, as is membership for individuals paid only on a fee basis.

SECTION III. Credit for service toward the annuity of each original member shall begin to accrue upon the member's date of enrollment in the System. However, for purposes of determining eligibility for vesting, credited service shall accrue from each original member's date of hire or upon the expiration of the member's probationary period if one so existed, whichever is more recent. Benefits provided to members in the Agreement dated _____, 2009 (the Agreement) shall accrue based on all credited service granted and earned in accordance with this section.

SECTION IV. Payment for any obligation established by the adoption of this Ordinance and the Agreement between the Board and the Borough shall be made by the Borough in accordance with the Pennsylvania Municipal Retirement Law and Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act.

SECTION V. As part of this Ordinance, the Borough agrees that the System shall provide the benefits set forth in the Agreement. The passage and adoption of this Ordinance by the Borough is an official acceptance of said Agreement and the financial obligations resulting from the administration of said benefit package. The Borough hereby assumes all liability for any unfundedness created due to the acceptance of the benefit structure outlined in the above-referenced Agreement.

SECTION VI. The Borough intends this Ordinance to be the complete authorization of the Borough's municipal pension plan.

SECTION VII. A duly certified copy of this Ordinance and the referenced Agreement shall be filed with the Pennsylvania Municipal Retirement System of the Commonwealth of Pennsylvania. Membership for the municipal employees of the Borough in the System shall be effective the first day of July, 2009.

ORDAINED this _____ of _____, 2009.

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ATTEST:

HONEY BROOK BOROUGH
MUNICIPAL EMPLOYEE PENSION PLAN AGREEMENT

This Agreement, dated this _____ day of _____, 2009, by and between Honey Brook Borough (the Borough) and the Pennsylvania Municipal Retirement Board (the Board);

WHEREAS, Article IV, Section 401 of the Act of February 1, 1974, No. 15, states:

“401. This article shall provide for the enrollment of those municipalities in the Pennsylvania Municipal Retirement System which want to offer retirement benefits to their employees . . .”; and,

WHEREAS, the Borough desires to establish a pension plan for its municipal employees and has negotiated an optional retirement plan contract with the Pennsylvania Municipal Retirement System (the System);

NOW THEREFORE, the Board and Borough hereby agree to the following retirement pension plan for the municipal employees:

1. Coverage: This plan shall cover all full-time municipal employees, hereinafter referred to as member, of the Borough. Membership for elected officials, part-time employees, and employees hired on a temporary or seasonal basis is prohibited, as is membership for individuals paid only on a fee basis. Individual membership shall be effective as of the date the Borough entered into the System or upon the expiration of the individual’s probationary status, whichever is more recent.

Credited service shall accrue from the original member’s date of enrollment in the System. However, for purposes of determining eligibility for vesting, credited service shall accrue from each original member’s date of hire or the expiration of the member’s probationary period if one so existed, whichever is more recent. No credited service time shall be granted for time employed in a status other than as an active employee of the Borough excluding credit for purchased military service time, reinstatement of previous service time or service earned and credited under Section 10, the portability section of this Agreement.

2. Superannuation Retirement: Eligibility for a superannuation retirement shall occur upon the member’s attainment of sixty-five (65) years of age or older.

3. Basic Benefit: The basic benefit will be based on accumulated contributions, interest and excess investment monies credited to the member’s account. Upon the election of a benefit, the member will receive an annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the accumulated municipal contributions and any member deductions, regular interest and all excess investment monies credited to the member’s account.

4. Permanent Disability Benefits: In the event of a disability occurring, a member's account shall be vested and the member immediately eligible to receive a basic benefit calculated in accordance with Section 3 of this Agreement. A member may, upon application or on application of one acting in their behalf, or upon application of a responsible official of the Borough, be retired by the Board on a disability allowance if the physician designated by the Board, after medical examination of the member shall certify to the Board that the member is unable to engage in any gainful employment and that said member ought to be retired.

5. Death Benefit: In the event of a member's death, the member's account shall be one hundred percent (100%) vested and the named beneficiary shall be entitled to receive the assets credited to the member's account. If the value of the account is five thousand dollars (\$5,000) or more, the beneficiary may elect, by application duly acknowledged and filed with the Board, to receive payment of such balance according to any one of the following provisions:

- (a) a lump-sum payment,
- (b) an annuity having a present value equal to the balance payable, or
- (c) a lump-sum payment and an annuity. Such annuity shall be of equivalent actuarial value to the balance payable less the amount of the lump-sum payment specified by the beneficiary.

6) Military Service: Any member employed by the Borough who enters the uniformed services as defined by the 1994 Uniformed Services Employment and Re-Employment Rights Act (P.L. 103-353) and returns to the Borough to again be a member of the plan within the authorized time period of the law, shall have the authorized time spent in such service credited to the member's employment record for pension or retirement benefits if the individual makes the required employee contributions.

An active member may also purchase credit for other than intervening military service performed for the United States in times of war, armed conflict or national emergency, so proclaimed by the President of the United States, for a period not to exceed five (5) years, provided the member has completed five (5) years of service to the Borough subsequent to such military service. An active member may file an application with the Board for permission to purchase credit for non-intervening military service upon completion of five (5) years of subsequent service to the Borough.

The amount due from the member shall be certified by the Board in accordance with methods approved by the actuary. It may be paid in a lump sum within thirty (30) days or it may be amortized with additional interest through salary deductions in amounts agreed upon by the member and the Board.

The rate of interest to be charged to a member on purchase of credit for non-intervening military service shall be the rate being credited by the System to members' accounts in effect on the date of the member's application, compounded annually.

A member may purchase credit for intervening or non-intervening military service only if discharge or separation from the service was granted under other than dishonorable conditions. A member may not purchase military credit for any service that is covered by another retirement system administered and wholly or partially paid for by any other government agency or private employer.

8. Contributions by Members: In addition to the municipal contributions made to the members' accounts, members may contribute up to, but no more than twenty percent (20%) of their compensation. Optional contributions may be changed or stopped with written notification to the System.

Payment shall be made by payroll deductions and transmitted to the System by the Borough in accordance with established System procedures. Member contributions will be treated as taxed at the time they are made to the System. These contributions will be tracked separately, and will not be treated as taxable when paid out to the member.

If a member terminates employment with the Borough before becoming eligible for any benefit or if the member elects not to receive a benefit, the accumulated contributions personally made by the member plus regular interest and any excess investment monies credited on such contributions shall be returned. A withdrawal by a member of the amount which such member has contributed toward such member's pension shall make the member ineligible to receive the contribution which the Borough has made on behalf of such member.

9. Vesting: After five (5) years of credited service, a member may vest by filing an application with the Board within ninety (90) days of separation from employment. Upon attainment of the superannuation age requirement found in Section 2 of this Agreement, a basic benefit will be calculated in accordance with Section 3 of this Agreement.

10. Portability: When a member leaves the employ of the Borough and within one year enters into the employ of another municipality which has joined the System, the service credits of the member shall remain unimpaired. Should a member from the employ of another municipality that has joined the System separate from service and within one year of separation join the pension plan, the member's service credits will remain unimpaired. In such cases, any unpaid municipal liability for prior service shall be prorated by the System between the municipalities on an equitable basis.

11. Optional Forms of Benefit Payment: At the time a member elects to receive a retirement benefit allowance, the basic benefit will be payable throughout the member's life, in which case the benefit is known as a Single Life Annuity. The member may alternatively elect at the time of retirement to receive the equivalent actuarial value in a lesser allowance, payable throughout life with provisions that:

- (a) Option 1. If the member dies before receiving in payments the present value of the retirement allowance as it was at the time of retirement, the balance, if less than five thousand dollars (\$5,000), shall be paid in a lump sum to the designated beneficiary if living, or if the named beneficiary

predeceased the member or if no beneficiary was named, then to the member's estate. If the balance is five thousand dollars (\$5,000) or more, the beneficiary may elect, by application duly acknowledged and filed with the Board to receive payment of such balance according to any one of the following provisions:

- (i) in a lump-sum payment, or
 - (ii) in an annuity having a present value equal to the balance payable, or
 - (iii) in a lump-sum payment and an annuity. Such annuity shall be of equivalent actuarial value to the balance payable less the amount of the lump-sum payment specified by the beneficiary.
- (b) Option 2. Upon the annuitant's death, the retirement allowance shall be continued throughout the life of and paid to the survivor annuitant, if then living.
 - (c) Option 3. Upon the annuitant's death, one-half of the retirement allowance shall be continued throughout the life of and paid to the survivor annuitant, if then living.
 - (d) Option 4. A member may elect to receive, in one payment at the time of retirement, the full amount of the member's accumulated deductions (not to include excess investment monies) standing to the member's credit in the member's account. In so electing this option, the member forfeits the portion of the annuity paid for from the accumulated contributions, but shall continue to be entitled to an annuity comprised of the municipal contribution and any excess investment monies so credited to the account. Any member electing this option shall be entitled to receive the remaining annuity calculated in accordance with any of the other options provided for in this section.

Should a member who has elected a Single Life Annuity die before receiving in annuity payments the full amount of the total contributions personally made by the member and the regular and excess interest credited on such contributions as of the effective date of retirement, the balance shall be paid to the designated beneficiary.

- 12. Social Security Offset: There shall be no offset for Social Security retirement benefits received by a member.

13. Municipal Liability: Effective July 1 through December 31, 2009 the Borough will contribute quarterly six percent (6%) of each member's compensation to the System. Beginning on January 1, 2010 and thereafter, the Borough will contribute quarterly three percent (3%) of each member's compensation to the System. The contribution will be credited to each member's account. The Borough may annually elect to contribute at a higher rate in future years by adopting a resolution and filing a copy of it with the Board.

Additionally, any excess investment monies earned, as defined in Act 15 of 1974 and subsequent amendments, shall be proportionately divided between the active, vested and retired members, if any, based on the assets credited to the individual accounts.

14. Additional Provisions: In the event a member's service with the Borough is terminated for any reason whatsoever before the funds set aside for such member are vested or if the member elects not to receive a benefit, then the amount of such funds which have not been contributed by the member and which are not vested shall be credited against the next contribution due from the Borough for the remaining or future members of this Plan.

If funds exist within the plan due to a member's forfeiture of a benefit, the Borough may annually elect to contribute all or a portion of such unanticipated assets to the members' accounts in a given calendar year by adopting a resolution and filing it with the Board. Any such contribution or reallocation of assets shall be done on an equal basis with all active members earning credit on December 31 of the year in which the contribution or allocation is to be made receiving a distribution equal to the percentage that their individual accumulated account balance reflects of the plan's total members' account balances as of December 31. In no event shall the contribution or reallocation exceed the authorized limits so defined for a qualified plan under federal law.

15. Procedure: Matters or procedure not covered in this Agreement shall be as set forth in Act 15 of 1974 and as found in Act 205 of 1984, as they shall, from time to time, be amended.

Should any change or mistake in records result in any member, beneficiary or survivor annuitant receiving from the System more or less than the individual would have been entitled to receive had the records been correct, then regardless of the intentional or unintentional nature of the error and upon the discovery of such error, the Board will correct the error and so far as practicable will adjust the payments which may be made for and to such person, in such a manner that the actuarial equivalent of the benefit to which the individual was correctly entitled shall be paid.

16. Unfunded Liability: Any unfunded liability incurred by the creation of benefits under this Agreement shall be borne by the Borough.

17. Effective Date: This Agreement shall be effective the first day of July, 2009, with the acceptance of the same by the Borough and the Board. Termination of this Agreement shall be in accordance with Section 412 of Act 15 of 1974.

IN WITNESS WHEREOF, we have hereunto set our hands and seal the day, month and year above written.

ATTEST:

HONEY BROOK BOROUGH,
CHESTER COUNTY

BY: _____
Secretary

BY: _____
Chairman

ATTEST:

PENNSYLVANIA MUNICIPAL
RETIREMENT BOARD

BY: _____
Secretary

BY: _____
Chairman

Approved as to form and legality:

BY: _____
Office of Attorney General

BY: _____
Office of General Counsel

BY: _____
Chief Counsel

AMP/TME/amp
6/16/2009