

**BOROUGH OF ALBURTIS
LEHIGH COUNTY, PENNSYLVANIA**

Ordinance No. 448

(Duly Adopted September 27, 2006)

AN ORDINANCE AMENDING CHAPTER 18 OF THE ALBURTIS CODIFIED ORDINANCES (RELATING TO THE NONUNIFORMED EMPLOYEES PENSION PLAN) BY REDUCING THE PERIOD REQUIRED FOR A PARTICIPANT TO BE 100% VESTED IN HIS/HER EMPLOYER CONTRIBUTION ACCOUNT FROM TEN (10) YEARS OF SERVICE TO SEVEN (7) YEARS OF SERVICE.

WHEREAS, the Borough of Alburtis has established a pension plan for its nonuniformed employees (“**Plan**”); and

WHEREAS, the provisions of the plan have been codified to Chapter 18 of the Al-
burtis Codified Ordinances; and

WHEREAS, the Borough Council desires to reduce the period of time required for a plan participant to be 100% vested in his Employer Contribution Account from ten (10) years of service to seven (7) years of service, in order to attract and maintain quality employees and in recognition of the fact that participants in qualified retirement plans of private employers are fully vested sooner than ten (10) years; and

WHEREAS, prior to the adoption of this Ordinance the Council reviewed the following cost estimate provided by the Borough Solicitor of the effect of the changes made herein, as required by Section 305(d) of the Municipal Pension Plan Funding Standard and Recovery Act, 53 PA. STAT. ANN. § 895.305(d):

Under the existing Plan, Plan Participants become 100% vested in their Employer Contribution Account under the Plan after completing ten (10) years of service, and are 0% vested in that Account until that time. Under the proposed amendment, a Participant will become 100% vested in that Account after completing seven (7) years of service.

The amendment will not have any effect except in the case of a Participant whose employment with the Borough terminates after the Par-

Participant completes seven years of service but before the Participant completes ten years of service, and for a reason other than death, disability, or retirement after attaining age 65. In that instance, under the current plan provisions, the Participant's Employer Contribution Account would be forfeited (*i.e.*, the Participant would not be entitled to receive the amounts in that Account) and used to offset contributions which the Borough otherwise would be required to make to the Plan for the year of the forfeiture. Under the proposed amendment, such a Participant would now be entitled to receive the benefits in his Employer Contribution Account.

At the present time, two of the five active Plan Participants are fully vested. One of the other three would become 100% vested in 2010, and the other two in 2011. Under the proposed amendment, these Participants would become 100% vested in 2007 and 2008, respectively. If, for example, the first Participant resigned or was involuntarily terminated in 2007 after completing 1000 hours of service in that year, the Participant could have an Employer Contribution Account balance of over \$14,000. The Participant would be able to receive these benefits under the proposed amendment. However, under the existing Plan, that money would be forfeited, and the Borough would be able to use that money to reduce (most likely to zero) the financial requirements of the plan for 2007.

Accordingly, the effect of the amendment proposed by this Ordinance is that the Borough would no longer have a reduction in the financial requirements of the Plan for a year in which a Participant's employment terminates if the Participant has completed seven (7) years of service at the time of the termination, but not the ten (10) years of service currently required for 100% vesting. It would not result in any *increase* in the financial requirements of the Plan for any year compared to the financial requirements of the Plan if the Participant's employment had not terminated, only the loss of a *reduction* or *elimination* of the financial requirements of the Plan for the year of the termination.

NOW, THEREFORE, be it **ORDAINED** and **ENACTED** by the Borough Council of the Borough of Alburtis, Lehigh County, Pennsylvania, that Codified Ordinances § 18-902 (relating to Nonuniformed Employees Pension Plan—Vesting & Forfeitures—Vesting of Other Accounts) is amended by amending subsection (a) as follows (with additions indicated by double underlining, and deletions by ~~strike-outs~~):

§ 18-902 Vesting of Other Accounts.

(a) **Employer Contribution Accounts.** Except as provided in subsections (c) through (f), the vested portion of the Employer Contribution Account of any Participant or Beneficiary shall be a percentage of the

account balance determined in accordance with the following schedule
(see § 18-202):

<u>Years of Service</u>	<u>Vested Portion</u>
less than 10 <u>7</u>	0%
10 <u>7</u> or more	100%

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DULY ORDAINED and **ENACTED** by the Borough Council of the Borough of Al-
burtis, this 27th day of September, 2006, in lawful session duly assembled.

BOROUGH COUNCIL
BOROUGH OF ALBURTIS

Steven R. Hill, President

Attest:

Melanie Hansen, Executive Secretary

AND NOW, this 27th day of September, 2006, the above Ordinance is hereby
APPROVED.

Russell J. Afflerbach, Mayor