

ORDINANCE 247

AN ORDINANCE SETTING FORTH THE PROVISIONS OF A DEFINED BENEFIT PENSION PLAN FOR THE POLICE DEPARTMENT OF THE BOROUGH OF ALBURTIS.

BE IT ORDAINED BY THE COUNCIL FOR THE BOROUGH OF ALBURTIS, and it is hereby ordained by authority of the same:

ARTICLE I

Definitions

The following words and phrases as used in this Plan and Trust shall have the meaning set forth in this Article, unless a different meaning is otherwise clearly required by the context:

Section: 1.01 "Accrued Benefit" shall have the meaning specified in Part I-1 of the Joinder.

In no event, however, shall the Accrued Benefit exceed the maximum limitation, determined as of the date of computation, provided under Section 4.08. All Accrued Benefits are subject to all applicable limitations, reductions, offsets and actuarial adjustments provided by the Plan prior to ~~the~~ actual payment thereof.

Section: 1.02 "Actuarial Equivalents" shall mean two forms of payment of equal actuarial present value on a specified date. The actuarial present values shall be determined by the use of the factors selected in Part I-2 of the Joinder.

Section: 1.03 "Authorized Leave of Absence: shall mean any leave of absence granted in writing by the Employer for reasons including, but not limited to, accident, sickness, pregnancy or temporary disability, education, training, jury duty or such other reasons as may necessitate leave from active employment.

Section: 1.04 "Average Monthly Compensation" shall mean the average monthly Compensation paid to the Employee by the Employer during the averaging period selected in Part I-3 of the Joinder.

Section: 1.05 "Beneficiary" shall mean any person or legal entity designated by a Participant to receive death benefits under the Plan.

Section: 1.06 "Code" shall mean the Internal Revenue Code of 1954, as amended.

Section: 1.07 "Continuous Employment" shall mean an Employee's period of continuous employment with the Employer. For purposes of this Section, an Employee's employment shall not be deemed to have been interrupted by any periods of Authorized Leave of Absence expressly granted by the Employer; nor shall it be deemed interrupted by any period of absence during which he served in the Armed Forces of the United States of America, provided the employee returns to his employment with the Employer at the time and under the circumstances required to give him re-employment rights under any Federal or State law. In the event an employee does not return to employment within the specified period or at the end of an Authorized Leave of Absence, he shall be deemed to have terminated his employment when he originally left the service of the Employer. In addition, Continuous Employment shall include employment with other entities which are listed in Part I-4 of the Joinder

Section: 1.08 "Contract" or "Policy" shall mean a retirement annuity or retirement income endowment policy (or a combination of both), or any other form of insurance contract or policy which shall be deemed appropriate in accordance with the provisions of the Act.

Section: 1.09 "Early Retirement Date" shall mean the date when a Participant retires or terminates employment with the Employer if such date is prior to the Participant's Normal Retirement Date but on or after the Early Retirement Date specified in Part IV-2 (B) of the Joinder.

Section: 1.10 "Effective Date" shall mean the date upon which the provisions of this Agreement become effective, as specified in Part I-5 of the Joinder.

Section: 1.11 "Employee(s)" shall mean any employee who is employed by the Employer, with the exclusion of such classes of employees as are specified in Part I-6 of the Joinder.

Section: 1.12 "Employer" shall mean the entity adopting this Plan, as specified in Part I-7 of the Joinder.

Section: 1.13 "Employment Commencement Date" shall mean the date on which an Employee first completes an Hour of Service for the Employer.

Section: 1.14 "Hour of Service" shall mean:

(a) each hour for which an Employee is paid, or entitled to payment for the performance of duties for the employer;

(b) each hour for which an employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence.

(c) In the case of any dispute hereunder regarding completion of an Hour of Service, hours of service shall be determined and credited in accordance with Department of Labor Regulations under 2530.200b-2.

Section: 1.15 "Late Retirement Date" shall mean the first day of the month coincident with or next following the date when a Participant retires pursuant to the provisions of Section 4.04.

Section: 1.16 "Normal Retirement Age" shall mean the date specified in Part I-8 of the Joinder.

Section: 1.17 "Normal Retirement Date" shall mean the first of the month coincident with or next following the date when an Employee attains Normal Retirement Age.

Section: 1.18 "Participant" shall mean any employee who has commenced participation in this Plan in accordance with Article II, and has not for any reason ceased to participate hereunder.

Section: 1.19 "Plan" shall mean the Plan set forth herein, in conjunction with the terms contained in the Joinder Agreement which is adopted by the employer. The name of this plan shall be specified in Part I-9 of the joinder.

Section: 1.20 "Plan Year" shall mean the calendar year, unless some other twelve-month period is specified in Part I-10 of the Joinder.

Section: 1.21 "Year of Credited Service" shall mean a twelve month period of continuous employment with the employer, calculated in whole years and completed months of continuous employment and shall be subject to the restrictions specified in Part I-11 of the joinder.

Section: 1.22 "Year of Service" shall mean each completed twelve-month period of continuous employment with the employer. Such twelve month periods shall be measured beginning on the employee's employment commencement date and anniversaries thereof. Years of service shall be expressed in completed years only and shall not take into account any partial years of fewer than twelve (12) completed months with respect to any employee.

ARTICLE II - ELIGIBILITY

Section: 2.01 Eligibility for Participation - each employee shall be eligible to participate in the plan on his eligibility date, provided he is an employee of the employer on such date. An employee's eligibility date shall be the first entry date (specified in Part II-1 of the Joinder) which occurs on or after an employee's employment commencement date upon which he has met the requirement set forth in Part II-2 of the Joinder.

Section: 2.02 Re-Employment - upon the re-employment of any employee who had previously been employed by the employer and who has incurred a break in service, the rules specified in Part II-3 of the Joinder shall apply in determining his participation in the Plan.

Section: 2.03 Change in Status - in the event a participant who remains in the service of the employer ceases to be an employee eligible for participation hereunder, as provided in Section 1.10 and Section 2.01, or who ceases or fails to make any contributions which may be required as a condition of his participation hereunder, no further benefit accruals shall occur until the Participant again qualified under such participation requirements, or until he incurs a Break in Service.

Section: 2.04 Leave of Absence - during any leave of absence that is not an authorized leave of absence, a participant shall be deemed an inactive participant and shall not be given credit for years of continuous service for vesting, nor shall he continue to accrue any benefits hereunder. If the employee is not re-employed by the expiration of his leave of absence, his participation in the Plan shall cease on the date on which his leave of absence commenced. During any authorized leave of absence, a participant shall continue to receive credit for years of service for vesting but such years of credited service shall not accrue unless expressly authorized by the employer as part of the terms and conditions of such authorized leave of absence.

Section: 2.05 Recordkeeping - the employer shall furnish the Administrator with such information as will aid the administrator in the administration of the plan and trust. Such information shall include all pertinent data on employees for purposes of determining their eligibility to participate in this plan initially and subsequently.

ARTICLE III - CONTRIBUTIONS

Section: 3.01 Employer Contributions - the employer shall contribute to the plan the amount determined by the Plan's Actuary and certified by the Chief Administrative Officer as the amount which, when combined with State Aid and Participant contributions, is necessary to adequately fund the benefits hereunder in accordance with the requirements of the Act.

Section: 3.02 Mandatory Employee Contributions - if employee contributions are required in Part II-2 of the Joinder, as a condition of participation hereunder, each participant shall be required to file a written designation authorizing employee contributions in the amount specified in Part III-1 (A) (i) of the Joinder, which contribution shall be collected by the employer by payroll deduction (or such other method as may be authorized by the employer) and credited with interest at the rate specified in Part III-1(A) (ii) of the Joinder.

Section: 3.03 Voluntary Employee Contributions - each participant shall be permitted to make voluntary contributions as provided in this Section if the employer so elects in Part III-1(B) of the joinder. Employee contributions made pursuant to this Section shall be considered as a separate defined contribution plan for purposes of applying the limitations Code Section 415, and any contributions made pursuant to this Section shall be returned to the Participant (if necessary) to preclude exceeding said limitations.

(a) Amount of Voluntary Contributions - a participant may voluntarily contribute to the Plan an amount not in excess of ten percent (10%) of such participant's aggregate compensation since becoming a participant, less any amount he has contributed since becoming a participant in this plan or under any other qualified plan maintained by the employer. All contributions by participants shall be paid to or withheld by the employer, which shall transmit said contributions to the Trustees. All contributions by participants shall be credited as of the date received by the Trustees.

(b) Separate Accounting - any portion of a participant's accrued benefit which is attributable to his own voluntary contributions shall be accounted for separately from any portion of said accrued benefit which is attributable to employer contributions and shall be referred to as his voluntary contribution account. The voluntary contributions account shall be valued at fair market value on the last day of each plan year, and such additional dates as the employer shall determine in its sole discretion.

(c) Distribution of Employee Contributions - upon reaching a date when he is entitled to receive a distribution, a participant shall receive a distribution of the fair market value of his voluntary contribution account in the same manner (and, in the event of his death, to the same beneficiary or beneficiaries) as is the remainder of his accrued benefit, except as the administrator shall otherwise determine.

(d) Vesting - notwithstanding any other provision of this plan, a participant's voluntary contribution account shall be 100% vested at all times, and the fair market value of such contributions, together with any net gains or losses arising from interest earnings or capital appreciation or loss, shall be distributed to the participant or his beneficiaries as of the date coincident with the time this plan otherwise provides for distribution of benefits to participants or their beneficiaries.

(e) Amendments - no amendment shall affect any employee's rights to voluntary contributions made by him, nor shall such rights be subject to forfeiture.

(f) Termination of the Plan - in the event of a termination of the plan and trust, distribution to each participant of the fair market value of his voluntary contribution account shall, notwithstanding any other provision of this plan, be treated as a priority distribution ahead of any other distributions to participants from the trust.

Section: 3.04 No Reversion to the Employer - at no time shall it be possible for the plan assets to be used for, or diverted to, any purpose other than for the exclusive benefit of the participants and their beneficiaries, except that contributions made by the employer may be returned to the employer if:

(a) the contribution was made due to a mistake of fact and the contribution is returned within one year of the mistaken payment of the contribution; or

(b) the plan is terminated, as provided in Chapter I.

Section: 3.05 Transfers from Qualified Plans

(a) With the consent of the Administrator, amounts may be transferred from other qualified plans, provided that the trust from which such funds are transferred permits the transfer to be made and, in the opinion of legal counsel for the employer, the transfer will not jeopardize the tax-exempt status of the plan or trust or create adverse tax consequences for the employer. The amounts transferred shall be set up in a separate account herein referred to as a "Participant's Rollover Account." Such account shall be fully vested at all times and shall not be subject to forfeiture for any reason.

(b) Amount in a participant's rollover account shall be held by the trustee pursuant to the provisions of this plan, and such amounts shall not be subject to forfeiture for any reason and may not be withdrawn by, or distributed to the participant, in whole or in part, except as provided in Paragraph (c) of this Section.

(c) At normal retirement date, or such other date when the participant or his beneficiary shall be entitled to receive benefits, the fair market value of the participant's rollover account shall be used to provide additional benefits to the participant in the normal form or such other optional method that the administrator shall elect pursuant to Article V hereof.

(d) The participant's rollover account shall be invested as part of the general trust fund and shall share in any income earned thereon, any investment gains and losses attributable thereto, less any expenses, pursuant to the terms of this plan.

(e) For purposes of this section the term "Amounts transferred from another qualified plan" shall mean: (i) amounts transferred to this plan directly from another qualified plan; (ii) lump sum distributions received by any employee from another qualified plan which are eligible for tax-free rollover treatment and which are transferred by the employee to this plan within sixty (60) days following his receipt thereof; (iii) amounts transferred to this plan from a conduit individual retirement account provided that the conduit individual retirement account has no assets other than assets which were previously distributed to the employee by another qualified plan as a lump sum distribution which were eligible for tax-free rollover treatment and which were deposited in such conduit individual retirement account within sixty (60) days of receipt thereof; and (iv) amounts distributed to the employee from a conduit individual retirement account meeting the requirement of clause (iii) above, and transferred by the employee to this plan within sixty (60) days of this receipt thereof from such conduit individual retirement account. Prior to accepting any transfers to which this Section applies, the administrator may require the employee to establish that the amounts to be transferred to this plan meet the requirements of this section and may also require the employee to provide an opinion of Counsel satisfactory to the employer and the administrator that the amounts to be transferred meet the requirements of this Section.

ARTICLE IV - RETIREMENT BENEFITS

Section: 4.01 Normal Retirement Pension - if a participant retires (on or after the effective date) on his normal retirement date, he shall be entitled to receive a retirement benefit, expressed in the normal form, commencing at normal retirement date, in the amount specified in Part IV-1 of the joinder.

Section: 4.02 Early Retirement - if the employer elects to provide early retirement benefits in Part IV-2 of the joinder, such benefits shall be governed by the provisions of this section. If a participant shall retire on an early retirement date, he shall be entitled to receive, upon making an election therefor, either:

- (a) a deferred pension commencing at normal retirement date equal to the benefit described in Part IV-2(C)(i) of the joinder, or
- (b) an immediate pension commencing on his early retirement date (or on any date intervening between his early retirement date and his normal retirement date) equal to the amount in subsection (a) above reduced in accordance with Part IV-2(c)(ii) of the joinder.

Section: 4.03 Notice of Early Retirement - each participant who desires to retire at a date earlier than his normal retirement date, in accordance with Section 4.02, shall notify the employer prior to such date by written notice setting forth his proposed early retirement date in accordance with the procedures established by the employer.

Section: 4.04 Late Retirement - if a participant remains in the employ of the employer subsequent to his normal retirement date, he shall continue to be eligible to participate hereunder; provided, however, in no case shall a participant's late retirement date be later than the first of the month coincident with or immediately following the date when he attains age seventy (70). A participant who retires on a late retirement date shall be entitled to receive a monthly pension equal to the amount specified in Part IV-3 of the joinder.

Section: 4.05 Disability Retirement

(a) if the employer elects to provide disability retirement benefits in Part IV-4 of joinder, such benefits shall be provided in accordance with this Section.

If a participant who meets the eligibility requirements specified in Part IV-4(A) of the joinder becomes "Totally and Permanently Disabled" (as defined in Part IV-5(B) of the joinder), such participant shall be entitled to receive a disability benefit, determined in accordance with Part IV-4(C) of the joinder. The amount of such benefit shall be specified in Part IV-4(D) of the joinder.

Notwithstanding any other provision of this plan, no participant shall be deemed to be "Totally and Permanently Disabled" for the purpose of this plan if his incapacity results from chronic alcoholism or addiction to narcotics, engagement in a felonious criminal enterprise, or resulted from an intentionally self-inflicted injury, or if such disability was incurred while in the armed services of any country.

(b) The employer may require proof of continued disability but not more frequently than once in any six (6) month period. If any participant shall refuse to submit to a medical examination or furnish proof of his continued disability upon the request of the employer, his disability payments shall cease.

(c) Disability benefits shall commence at the date specified in Part IV-4(c) of the joinder, provided the participant satisfied all necessary conditions for eligibility for disability benefits hereunder. Such benefits shall immediately cease, however, if prior to the participant's normal retirement date, the employer determines that the participant is no longer eligible to receive such benefits. A participant who ceases to be eligible for disability retirement benefits may be eligible to receive a deferred vested benefit or an early retirement benefit, depending upon whether he had satisfied the eligibility requirements for same. For any person re-employed subsequent to receiving disability benefits hereunder, such participant's service shall be calculated in accordance with the terms of Part IV-4(e) of the joinder.

Section: 4.06 Death Benefits

If the employer elects to provide pre-retirement death benefits in accordance with Part IV-5 of the joinder, such benefits shall be provided in accordance with the terms of the section and the relevant sections of Part IV-5 of the joinder.

(a) Pre-Retirement Surviving Spouse Benefit - the benefit described under this section shall be payable only if the pre-retirement surviving spouse benefit is elected in Part IV-5(a)(ii) of the joinder. If a married participant dies while in the active service of the employer or at a time when he is eligible to retire on an early retirement date (or normal retirement date) or if such a participant terminates employment with the employer at a time when he is eligible to receive early or normal retirement benefits and dies thereafter or prior to the date when his benefits commence, then the spouse of such participant shall be eligible to receive a monthly benefit. The monthly benefit payable to the spouse shall be equal to the pension such spouse would have been eligible to receive if the participant had retired under the early retirement provisions of the plan on the first day of the month in which his death occurs with a 50% contingent annuitant option in effect designating the spouse as contingent annuitant.

(b) Post-Retirement Death Benefit - if a terminated participant shall die after benefit payments have commenced, no death benefits shall be payable under this Section, and the death benefit payable, if any, shall be limited to that which is specified pursuant to the form of benefit payment in force for the benefit of such person at the time of his death, unless the employer selects an additional post-retirement death benefit in accordance with Part IV-5(B) of the joinder.

(c) Refund of Employee Contributions - notwithstanding the preceding, if employee contributions are required or permitted under the plan, the death benefit payable under the plan shall not be less than the current value of such contributions, determined in accordance with Sections 3.02, 3.03 and/or 3.05.

Section: 4.07 Special Provision for Restated Plans - the benefit amount of any participant who may have retired prior to the effective date shall not be in any way altered by the provisions of this plan, except where otherwise expressly indicated herein, and shall continue to be determined on the basis of the terms of the plan in effect on the day preceding the effective date.

Section: 4.08 Maximum Benefit Limitations

(a) Notwithstanding any other provision of this plan, no benefit provided under this Plan attributable to contributions of the employer shall exceed, as an annual amount, the lesser of:

(1) \$90,000, assuming a single life annuity or qualified joint and survivor annuity (as defined for purposes of Code Section 415), subject to cost-of-living adjustments made from time to time by Plan amendments or automatically in accordance with and in such amounts as are prescribed in or pursuant to regulations promulgated under Section 415 (d) of the Code (which adjustments shall not become effective prior to January 1 of the year for which such adjustment is made); or

(2) one hundred percent (100%) of the participant's average compensation for the three (3) consecutive years of employment (or such lesser number as may apply if the employee does not have three consecutive years) in which he received the highest aggregate compensation while a participant,

and the rate of benefit accrual shall be frozen or reduced accordingly, subject to the provisions of subsection (b) below.

(b) The limitation provided in subsection (a) above shall be subject to the following conditions:

(1) For purposes of the above limitations, "compensation" shall mean the participant's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with an Employer maintaining the plan. The term "compensation" as used in this section shall not include items such as the following:

(A) Contributions made by the employer to a plan of deferred compensation to the extent that before the application of Code Section 415 limitations to that plan, the contributions are not includable in the gross income of the employee for the taxable year in which contributed. In addition, employer contributions made on behalf of an employee to a simplified employee pension described in Code Section 408(k) are not considered as compensation for the taxable year in which contributed to the extent such contributions are deductible by the employee under Code Section 219(b)(7). Additionally, any distributions from a plan of deferred compensation are not considered as compensation for Section 415 purposes, regardless of whether such amounts are includable in the gross income of the employee when distributed. However, any amounts received by an employee pursuant to an unfunded non-qualified plan may be considered as compensation for Code Section 415 purposes in the year such amounts are includable in the gross income of the employee.

(B) Other amounts which receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are not includable in the gross income of the employee), or contributions made by an employer (whether or not the contributions are excludable from the gross income of the employee).

(2) For purposes of the above limitations, if the benefit under the Plan is payable in any form other than in the forms described therein (without regard to ancillary benefits) or if the employees contribute to the plan or make rollover contributions, the determination as to whether the limitations have been satisfied shall be made by adjusting the benefit so that it is the actuarial equivalent of the benefit described in subsection (a). For the purpose of making the adjustment in the form of the benefit to an actuarial equivalent, the interest rate shall not be less than the greater of five percent (5%) or the rate specified under the Plan's definition of actuarial equivalent.

(3) If retirement income benefits commence prior to a participant's attainment of age sixty-two (62), the limitation contained in paragraph 4.08(a)(1) shall be adjusted to the actuarial equivalent of a \$90,000 annual benefit commencing at age sixty-two (62). The reduction under this paragraph shall not reduce the limitation of paragraph 4.08(a)(1) below \$75,000 if the benefit begins at or after age fifty-five (55), or, if the benefit begins before age fifty-five (55), the amount which is the equivalent of the \$75,000 limitation for age fifty-five (55). For the purpose of making this adjustment, the interest rate used shall not be less than the greater of five percent (5%) or the rate specified in the plan's definition of actuarial equivalent.

(4) If retirement income benefits commence after the participant's attainment of age sixty-five (65), the limitation described in paragraph 4.08(a)(1) shall be adjusted so that such limitation (as so increased) equals an annual benefit (beginning when such retirement income benefit begins) which is the actuarial equivalent of a \$90,000 annual benefit commencing at age sixty-five (65); provided, however, that in no case shall such benefit exceed the limitation contained in paragraph 4.08(a)(2). For the purpose of making this adjustment, the interest rate assumption shall not be greater than the lesser of five percent (5%) or the rate specified in the plan's definition of actuarial equivalent.

(5) Benefits payable to a participant under this plan shall be deemed not to exceed the limitations imposed by subsection 4.08(a) if the annual benefit payable to such participant does not exceed \$10,000 (for this year or any prior year), provided such participant has never participated in a defined contribution plan maintained by the employer.

(6) In the event a participant has less than ten (10) years of service, the limitations described in subsections 4.08(a) and 4.08(b)(5) of this section shall be multiplied by a fraction, the numerator of which is the number of years of service credited to the participant and the denominator of which is ten (10).

(7) For purposes of applying the limitations of this section, all defined benefit plans of the employer shall be treated as one (1) defined benefit plan, and all defined contribution plans shall be treated as one (1) defined contribution plan.

(8) For purposes of the above limitations, the limitation year shall be the plan year, unless such period is otherwise defined in a written resolution adopted by the employer.

ARTICLE V - PAYMENT OF BENEFITS

Section: 5.01 Forms of Benefit Payment - The automatic form of payment of retirement benefits shall be the form specified in Section 4.01 unless a participant elects to receive his benefits in some other form as provided herein. If a participant who retires under Article IV elects not to take his benefits in the normal form of payment, he may, by giving written notice to the employer at least thirty (30) days prior to his actual retirement date, elect to have his retirement benefit payable under one of the optional forms of retirement benefits elected by the employer in Part V-1 of the joinder and described in this section; such form shall be the actuarial equivalent of the normal form. An election of any such other form of retirement benefit may be rescinded or changed by the participant without consent of any contingent annuitant or beneficiary that may have been designated by the participant in conjunction with such form of retirement benefit. The following optional forms of payment may be offered under the plan, subject to the election of the employer under Part V-1 of the joinder.

(a) Contingent Annuitant Option

(1) In lieu of receiving his retirement benefit under the normal form, a participant may elect to convert his benefit to the contingent annuitant option which provides for a retirement benefit payable to the retired participant during his lifetime and for the continuation of benefit payments in a percentage (100%, 66-2/3% or 50%) of the participant's reduced pension benefit to his previously designated contingent annuitant, if living, after the retired participant's death.

(2) If the contingent annuitant is the spouse of the retired participant, the benefit payable under this option is payable without restriction. If, however, the contingent annuitant is any person other than the spouse of the retired participant, the benefit payable under this option shall be limited to the extent that the present value of the payments to be made to the participant during his lifetime shall be more than fifty percent (50%) of the present value of the total payments to be made to the participant and the contingent annuitant.

(3) Monthly benefit payments to the contingent annuitant shall commence on the first day of the month next following the month in which the death of the retired participant occurs, provided the contingent annuitant is then living, and monthly benefit payments shall continue with the last monthly payment due immediately preceding the death of the contingent annuitant.

(4) If the death of the contingent annuitant occurs before the participant's actual retirement date, any election of this option shall be deemed null and void and the retirement benefit shall be payable in the normal form, the same as if the contingent annuitant option had not been elected. If the contingent annuitant predeceases the retired participant after actual retirement, retirement benefit payments shall terminate with the monthly payment due immediately preceding the retired participant's death.

(b) Option for Life Annuity with 120 Monthly Payments Guaranteed

(1) In lieu of receiving his retirement benefit under the normal form, a participant may elect to convert his normal form benefit to this option form which provides for a retirement benefit payable to the retired participant during his further lifetime with the guarantee that not less than one hundred twenty (120) monthly retirement benefit payments shall be paid.

(2) If the death of the retired participant occurs on or after his actual retirement date but before the guaranteed number of one hundred twenty (120) monthly retirement benefit payments have been made, the remainder of such guaranteed number of monthly retirement benefit payments shall be paid as they become due to the beneficiary designated by the retired participant.

(c) Option for Life Annuity - in lieu of receiving his retirement benefit under the normal form (if the normal form is other than a single life annuity), a participant may elect to convert his normal form benefit to this option which provides for a retirement benefit payable commencing on his actual retirement date and terminating with the last monthly payment due immediately preceding his death.

The provisions of this section shall be subject to the limitation that no participant shall elect an interest option or an installment distribution to be paid over a period which shall exceed the greater of:

- (a) the life of the participant;
- (b) the life expectancy of the participant;
- (c) the joint lives of the participant and his beneficiary, or
- (d) the joint life expectancies of the participant and his beneficiary.

Section: 5.02 Commencement of Benefits - A participant may elect to commence receiving distribution of his retirement benefits as of his normal retirement date, early retirement date, last retirement date or disability retirement date, whichever is applicable, or may defer such payments to a date not later than the required date for commencement of benefits determined under Section 5.03. If a participant elects immediate commencement of his retirement benefit, payments shall commence as soon as administratively feasible following his retirement.

Unless the participant otherwise elects, payment of his benefits under the plan shall commence not later than sixty (60) days following the close of the plan year in which occurs the latest of the following dates:

- (a) the date when the participant attains normal retirement age;
- (b) the tenth anniversary of the year in which the participant commenced participation in the plan, or
- (c) the date when the participant terminates his service with the employer.

Section: 5.03 Required Distributions

(a) Notwithstanding any other provision of this plan, the entire benefit of any participant who becomes entitled to benefits prior to his death shall be distributed either:

- (1) not later than the required beginning date, or
- (2) over a period beginning not later than the required beginning date and extending over the life of such participant or over the lives of such participant and a designated beneficiary (or over a period not extending beyond the life expectancy of such participant, or the life joint expectancies of such participant and a designated beneficiary).

If a participant who is entitled to benefits under this plan dies prior to the date when his entire interest has been distributed to him after distribution of his benefits has begun in accordance with paragraph (2) above, the remaining portion of such benefit shall be distributed at least as rapidly as under the method of distribution being used under paragraph (2) as of the date of his death.

(b) If a participant who is entitled to benefits under this plan dies before distribution of his benefit has begun, the entire interest of such employee shall be distributed within five (5) years of the death of such employee, unless the following sentence is applicable. If any portion of the employee's interest is payable to (or for the benefit of) a designated beneficiary, such portion shall be distributed over the life of such designated beneficiary (or over a period not extending beyond the life expectancy of such beneficiary), and such distributions begin not later than one (1) year after the date of the employee's death or such later date as provided by regulations issued by the Secretary of the Treasury, then for purposes of the five-year rule set forth in the preceding sentence, the benefit payable to the beneficiary shall be treated as distributed on the date on which such distributions begin. Provided, however, that notwithstanding the preceding sentence, if the designated beneficiary is the surviving spouse of the participant, then the date on which distributions are required to begin shall not be earlier than the date upon which the employee would have attained age seventy and one-half (70½) and, further provided, if the surviving spouse dies before the distributions to such spouse begin, this subparagraph shall be applied as if the surviving spouse were the employee.

(c) For purposes of this section, the following definitions and procedures shall apply:

(1) "Required Beginning Date" shall mean April 1 of the calendar year following the later of -

- (A) the calendar year in which the employee attains age seventy and one-half (70½), or

(B) the calendar year in which the employee retires.

(2) The phrase "designated beneficiary" shall mean any individual designated by the employee under this plan according to its rules.

(3) Any amount paid to a child shall be treated as if it has been paid to the surviving spouse if such amount will become payable to the surviving spouse upon such child reaching majority (or other designated event permitted under regulations issued by the Secretary of the Treasury).

(4) For the purposes of this section, the life expectancy of an employee and/or the employee's spouse (other than in the case of a life annuity) may be redetermined but not more frequently than annually.

Section: 5.04 Small Amounts - In its sole discretion, the employer may direct the Administrator to distribute the vested benefit of a participant who is terminating his participation in the plan in the form of a lump sum payment if the actuarial present value of such benefit is \$3,500.00 or less and such participant is one hundred percent (100%) vested in his accrued benefit hereunder. Any distribution made pursuant to this section shall be made within one year after a participant terminates service with the employer.

Section: 5.15 Designation of Beneficiary - A participant may designate a beneficiary or beneficiaries with respect to any benefits which may become payable upon his death, and he may from time to time change such beneficiary or beneficiaries. All such designations shall be made on forms provided by the plan administrator. In the absence of such a designation, if applicable, the beneficiary of the participant shall be his personal representative, if any, and if none, those persons entitled to his estate under the intestate laws of the state in which the participant was domiciled at the time of his death.

Section: 5.06 Non-Duplication of Benefits - To avoid any duplication of benefits, if any participant ceases to be employed for any reason and is re-employed, any benefit payments then being paid pursuant to the terms of this Plan shall be suspended and future retirement benefits shall be coordinated in such a manner as to preclude any duplication hereunder.

ARTICLE VI - TERMINATION OF EMPLOYMENT

Section: 6.01 Deferred Vested Benefits - subject to Section 6.03, a deferred vested benefit shall accrue to a participant who terminates his employment prior to his normal retirement age for any reason other than retirement, death or total and permanent disability in accordance with the following provisions:

(a) Such participant's vested benefit shall be a percentage of his accrued benefit (attributable to employer contributions) determined as of such date of termination and based upon the vesting schedule selected in Part VI-I of the joinder.

(b) A participant shall always be one hundred percent (100%) vested in any portion of his accrued benefit attributable to employee contributions, whether mandatory or voluntary.

(c) If a participant's employment terminates at a time when he is not vested in any portion of his accrued benefit attributable to employer contributions, such participant shall be entitled to receive a refund of his own contributions to the plan, with interest credited thereon at the rate specified under Article III.

(d) Payments of a participant's vested benefit shall be made by the Trustee, at the direction of the administrator and subject to the provisions of Section 5.01, at the date which would have been such participant's normal retirement date had he continued his employment (or such earlier date as may be authorized by the employer on a uniform and non-discriminatory basis with respect to all plan participants). Notwithstanding the preceding, a participant with an entitlement to a vested benefit may elect to commence receiving such benefit as of the date when he would have been eligible for an early retirement pension as provided in Section 4.02 had he continued employment with the employer; provided, however, that any payment of a vested accrued benefit as of a participant's early retirement date shall be subject to the reduction factor for early payment set forth in Section 4.02. A participant eligible to receive his vested benefit may be permitted to receive such benefit in any form of payment authorized for payment of retirement benefits under the provisions of Section 5.01; provided, however, that he may elect an optional form of payment only with the consent of the plan administrator. The plan administrator shall, after consulting with the participant, and subject to the provisions of Section 5.01, determine the time and form of any distribution of vested benefits hereunder in a non-discriminatory manner, and not contrary to any laws or regulations which may govern such distributions.

Section: 6.02 Vesting at Normal Retirement Date - notwithstanding the preceding, a participant shall become one hundred percent (100%) vested as of his normal retirement age.

Section: 6.03 Forfeiture Upon Death - a participant who terminated his employment with the employer at a time when he is not vested in any portion of his accrued benefit derived from employer contributions shall cease to be a participant hereunder and shall not be entitled to any benefits under the plan derived from employer contributions. Payment of a participant's vested retirement benefit depends upon his continued survival to the date of his actual retirement on either an early retirement date or normal retirement date hereunder.

Notwithstanding the preceding, in any case where a participant has made employee contributions to the plan, the current value of such contributions shall be refunded to the beneficiary of the participant, if the participant dies prior to receipt of his vested benefit.


Section: 6.04 Application of Forfeitures - Amounts forfeited by any participant may not be used to increase the benefits which other participants would otherwise receive under the plan; they shall be used only to reduce the employer's contribution to the plan.

ARTICLE VII - PROVISIONS

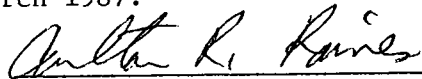
Section: 7.01 The provisions of this Ordinance are designed to supersede and replace the provisions of Chapter 18 of the Borough Code (Police Pension Fund) with the intent to implement and assure the continuation of the benefit provisions by providing for a detailed description of the mode and manner of a benefit plan to be administered by a plan administrator.

ORDAINED AND ENACTED this 11th day of March 1987.

ATTEST:


Borough Secretary

APPROVED this 11th day of March 1987.


President of Council


Mayor