

**TOWNSHIP OF WEST NORRITON
MONTGOMERY COUNTY, PENNSYLVANIA**

ORDINANCE NO. 2015-692

**ORDINANCE AMENDING THE WEST NORRITON TOWNSHIP CODE,
CHAPTER 1, PART 8, BY ADDING §832 REGARDING A
DEFERRED RETIREMENT OPTION PLAN**

CHAPTER 1. Administration and Government

**PART 8. PENSION PLAN AND TRUST FOR TOWNSHIP
EMPLOYEES OTHER THAN POLICE**

§ 832. Deferred Retirement Option Plan

- 832.01 **Definitions** - The following words and phrases when used in this Section 832 shall have the meanings given to them in this section only, unless the context clearly indicates otherwise:
- (a) "**DROP**" A deferred retirement option plan established and being operated by the West Norriton Township, Montgomery County, Pennsylvania, effective as of January 1, 2015.
 - (b) "**DROP Participant**" A retired Participant of the West Norriton Township Pension Plan who is eligible to participate in a DROP under Section 832.02 and who has elected to participate in a DROP under Section 832.03.
 - (c) "**DROP Participant Account**" The pension trust fund ledger account.
 - (d) "**Normal Retirement Benefit**" The retirement benefit payable to a Participant of a defined benefit pension plan at the point in time when the Participant satisfies the age and service requirements for full, unreduced retirement benefits.
 - (e) "**Subsidiary DROP Participant Account**" The separate, interest bearing, Subsidiary DROP Participant Account established for a DROP Participant under Section 832.17.

- (f) “West Norriton Township Pension Plan” or “Plan” The West Norriton Township Pension Plan and Trust for Township Employees Other Than Police.

ELIGIBILITY AND PARTICIPATION

- 832.02 Eligibility of Employee to Participate in DROP - An Employee who has attained age sixty-five (65) or completed five (5) Years of Aggregate Service with the Employer, whichever is later, is eligible to elect to participate in the DROP by filing a written application with the retirement Plan Administrator at least thirty (30) days prior to the date that the Employee is eligible to receive a Normal Retirement Benefit under the Plan. Notwithstanding the above, the Township Manager who has attained age fifty-five (55) or completed eighteen (18) Years of Aggregate Service with the Employer, whichever is later, is eligible to participate in the DROP by filing a written application with the retirement Plan Administrator at least thirty (30) days prior to the date that the Employee is eligible to receive a Normal Retirement Benefit under the Plan.
- 832.03 Participation in DROP - An eligible Participant may elect to participate in this DROP for a period not to exceed three (3) years. Upon deciding to participate in a DROP, a Participant must submit, on forms provided by the Township, all of the following:
- (a) A binding and irrevocable letter of resignation from regular Employment with the West Norriton Township which discloses the Participant's intent to retire and specifies the Participant's retirement date.
 - (b) An irrevocable written election to participate in the DROP which must specify the effective date of DROP participation that shall be one (1) day after the Participant's specified retirement date, specify the DROP termination date which satisfies the limitation in Section 832.05, detail a DROP Participant's rights and obligations under the DROP and include an agreement to forgo:
 - (i) active membership in the Plan;
 - (ii) any growth in the salary base used for calculating the Late Retirement Benefit;
 - (iii) any additional benefit accrual for retirement purposes;
- The DROP Participant shall be required to provide any other information required by the Township.
- 832.04 Eligibility for Disability – If a DROP Participant becomes eligible for a disability benefit provided under the West Norriton Township Pension Plan, if applicable, and terminates employment, the monthly Normal Retirement Benefit of the DROP Participant shall terminate.

- 832.05 Effective Dates of DROP Participation - A retired Participant's effective date of participation in a DROP shall begin on the day following the effective date of the Participant's retirement, and a retired Participant's participation in a DROP shall end on the last day of the participation period specified in the Resolution establishing the DROP based on the effective date of the retired Participant's participation in the DROP.
- 832.06 DROP Participation Termination - A DROP Participant may change the DROP termination date to an earlier date within the limitations of Section 832.03, but may not change it to a later date than elected at the time of initial DROP participation. No penalty shall be imposed for early termination of DROP participation. Upon either early or regular termination of DROP participation, the DROP Participant shall be separated from employment by the West Norriton Township and the Plan shall pay the balance in the DROP Participant's Subsidiary DROP Participant Account to the terminating Participant as provided in Section 832.09. The DROP Participant shall be ineligible to re-enroll in the DROP thereafter even if the former DROP Participant is re-employed by the West Norriton Township with renewed active membership in the West Norriton Township Pension Plan.
- 832.07 DROP Participant Contributions - DROP Participants shall neither be required nor permitted to pay contributions into the Plan during the DROP participation period.

DROP BENEFITS

- 832.08 Fixed Retirement Benefits, Retirement Date and DROP Dates - Effective with the date of retirement, which must be the day before the effective date of DROP participation, the Participant's monthly, Late Retirement Benefit as calculated under Section 810 of the Plan, the Participant's effective date of retirement and the Participant's effective dates of beginning and terminating participation in the DROP shall be fixed. There shall be no further retirement benefit accruals after the Participant's effective date of retirement.
- 832.09 Normal Retirement Benefit Payments and Accruals - The retired Participant's monthly retirement benefit shall be credited to the DROP Participant's Subsidiary DROP Participant Account in the pension trust fund. Interest shall be compounded and credited monthly at the actual rate earned by the DROP Participant Account, which shall not be less than 0% nor greater than 4½%, on the existing account balance in the DROP Participant's Subsidiary DROP Participant Account as of the first day of the month coincident with or following the Participant's retirement date. The Participant's monthly retirement benefit shall be credited to the account after the interest has been credited to the existing account balance in the DROP Participant's Subsidiary DROP Participant Account. The Participant's retirement benefit and interest on that benefit shall continue to accrue in this manner on the first day of each month thereafter during the Participant's DROP participation. A separate accounting of the DROP Participant's Accrued Benefit accumulation under the DROP shall be calculated annually and provided to the Participant.

832.10 Payment of DROP Benefits - On the effective date of a DROP Participant's termination of employment with the Township as a DROP Participant, participation in the DROP shall cease; and the Plan shall calculate and pay to the Participant the Participant's total accumulated DROP benefits in the DROP Participant's Subsidiary DROP Participant Account subject to the following provisions:

- (a) The terminating DROP Participant or, if the Participant is deceased, the Participant's named Beneficiary shall elect on a form provided by the Plan Administrator to receive payment of the DROP benefits in accordance with one of the following options:
 - (i) The balance in the DROP Participant's Subsidiary DROP Participant Account, less withholding taxes, if any, remitted to the Internal Revenue Service, shall be paid within forty-five (45) days of the receipt of the election form, by the Plan from the account to the DROP Participant or surviving Beneficiary.
 - (ii) The balance in the DROP Participant's Subsidiary DROP Participant Account shall be paid within forty-five (45) days of the receipt of the election form, by the Plan from the account directly to the custodian of an eligible retirement plan as defined in Section 402(c)(8)(B) of the Internal Revenue Code of 1986 or, in the case of an eligible rollover distribution to the surviving spouse of a deceased Participant to an eligible retirement plan which is an individual retirement account or an individual retirement annuity as described in Section 402(c)(9) of the Internal Revenue Code of 1986.
 - (iii) The Plan Administrator shall arrange for the purchase of an annuity equal in value to the balance in the DROP Participant's Subsidiary DROP Participant Account.
 - (iv) If the DROP Participant or Beneficiary fails to elect a method of payment within 60 days after the Participant's termination date, the Plan shall pay the balance directly to the custodian of an eligible retirement plan as provided in subparagraph (ii).

The form of payment selected by the DROP Participant or surviving Beneficiary shall comply with the minimum distribution requirements of the Internal Revenue Code of 1986.

- (b) The terminating DROP Participant shall commence receipt of the monthly retirement benefit directly starting with the first day of the month coincident with or next following termination of employment with the Township.
- (c) The monthly retirement benefits that would have been payable had the DROP Participant elected to cease employment and receive a Normal Retirement Benefit

or Late Retirement Benefit shall, upon the DROP Participant commencing participation in the DROP program, be credited on the first day of each month into a separate ledger account established by the Plan Administrator to track and accumulate the Participant's DROP benefits. This account shall be designated the DROP Account. The DROP Account shall not contain a guaranteed interest rate but shall be credited with interest at the actual rate earned by the pension fund but shall not be less than 0% nor greater than 4.5%, and shall be compounded monthly. All earnings or losses credited to the DROP Account will be included in the final cash settlement.

- (d) The DROP shall at all times comply with the annual benefit limitations of Code Section 415 and the regulations thereto.

832.11 Pre-retirement Benefits - Except for those benefits specified in Section 832.03(b) as forgone by the member, a DROP Participant shall be eligible for any employee benefits provided to active employees before retirement by West Norriton Township and those otherwise provided by law, including but not limited to, benefits under the act of June 2, 1915 (P.L. 736, No. 338), known as the Workers' Compensation Act; the act of June 28, 1935 (P.L. 477, No. 193), referred to as the Enforcement Officer Disability Benefits Law; the act of December 5, 1936 (2nd Sp. Sess., 1937 P.L. 2897, No. 1), known as the Unemployment Compensation Law; the act of June 24, 1976 (P.L. 424, No. 101), referred to as the Emergency and Law Enforcement Personnel Death Benefits Act; and the Public Safety Officers' Benefit Act of 1976 (Public Law 94-430, 42 U.S.C. § 90 stat. 1347).

DROP DEATH BENEFITS

832.12 DROP Benefits for Designated Beneficiary - If a DROP Participant dies, the Participant's designated Beneficiary shall be entitled to apply for and receive the benefits accrued in the DROP Participant's Subsidiary DROP Participant Account as provided in Section 832.09.

832.13 Final Credited Monthly Retirement Benefit - The monthly retirement benefit accrued in the DROP Participant's DROP Participant Account during the month of a DROP Participant's death shall be the final monthly retirement benefit credited for DROP participation.

832.14 DROP Eligibility Terminates upon Participant's Death - A DROP Participant's eligibility to participate in the DROP terminates upon the death of the DROP Participant. If a DROP Participant dies on or after the effective date of participation in the DROP but before the initial monthly retirement benefit of the Participant accruable for the month has accrued in the DROP Participant's Subsidiary DROP Participant Account, the West Norriton Township shall pay the monthly retirement benefit as though the Participant had not elected DROP participation and had died after the Employee's effective date of retirement but, before receipt of the retired Participant's first Normal Retirement Benefit.

832.15 Survivors Ineligible for Active Employee's Death Benefit - The survivors of a DROP Participant who dies shall not be eligible to receive retirement death benefits payable in the event of the death of an active Employee.

ADMINISTRATIVE PROVISIONS

832.16 Subsequent Employment and Renewal of Active Membership - After both the termination of the Participant's employment as a DROP Participant by the West Norriton Township and the expiration of the DROP participation period, a former DROP Participant shall be subject to such re-employment limitations as other retired Employees and shall be eligible for renewed membership as an active Participant in the Plan and the DROP Participant shall be ineligible to re-enroll in the DROP pursuant to Section 832.05.

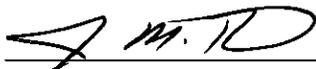
832.17 DROP Participant Account - As the West Norriton Township establishes a DROP, it shall establish a DROP Participant Account as a separate interest-bearing, ledger account in its pension trust fund for each DROP Participant. The account balance shall be accounted for separately but need not be physically segregated from other pension trust fund assets. A separate, interest-bearing, Subsidiary DROP Participant Account shall be established for each DROP Participant.

While a retired Participant is employed as a DROP Participant, the Participant's monthly, retirement benefit and interest on that benefit shall be credited to the DROP Participant Account under Section 832.09. When a DROP Participant terminates employment with the West Norriton Township as a DROP Participant, the Participant's total accumulated benefits shall be calculated, charged to the DROP Participant Account and paid out of the pension trust fund under Section 832.10.

The balance in the DROP Participant's Account shall be excluded from actuarial valuation reports of the Plan prepared and filed under this legislation. The DROP Participant's Account shall be held in trust for the exclusive benefit of DROP retired Participants who are or were DROP Participants and for the Beneficiaries of these Participants or an alternate payee pursuant to Section 832.10.

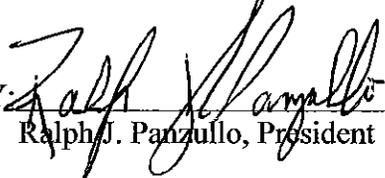
EXAMINED AND APPROVED this 14th day of July, A.D., 2015.

ATTEST:



Jason M. Bobst, Manager/Secretary

WEST NORRITON TOWNSHIP
BOARD OF COMMISSIONERS

BY: 
Ralph J. Panzullo, President