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## **Article II – Conversion of the Plan to a Defined Contribution Plan**

### **§ 18-201 Conversion.**

Effective as of the Conversion Date, the Plan is hereby converted from a defined benefit pension plan with the benefits and features set forth in the Provisions of the Defined Benefit

Plan, to a defined contribution plan providing for contributions and benefits as set forth in this Chapter. No further benefits shall accrue in this Plan under the formulas and other Provisions of the Defined Benefit Plan from and after the Conversion Date. All Accrued Benefits under the Provisions of the Defined Benefit Plan shall be 100% vested as of the Conversion Date. The only benefits which shall accrue thereafter shall be the benefits which are derived from the contributions made under the provisions of this Chapter.

[Ord. 415 10-29-2003]

### § 18-202 Treatment of Accrued Benefits under the Provisions of the Defined Benefit Plan.

(a) **Persons in Pay Status.** As soon as practicable after the Conversion Date, the Trustees shall purchase a non-transferable single-premium immediate commercial annuity contract for each Participant or Beneficiary who is in pay status as of the Conversion Date (*i.e.*, is receiving periodic payments from the Plan which commenced before the Conversion Date), which shall provide for payments to such persons at the same times and in the same amounts, and subject to the same rights and limitations, as were provided under this Plan under the Provisions of the Defined Benefit Plan. The Trustees shall then distribute the contracts to the respective Participants or Beneficiaries in full satisfaction of all benefits under this Plan. The Trustees shall continue to make payments to such Participants or Beneficiaries from this Plan in accordance with the form of distribution in effect immediately prior to the Conversion Date until the date payments are to commence under their respective annuity contracts.

(b) **Former Employees Not in Pay Status.** As soon as practicable after the Conversion Date, the Trustees shall purchase a non-transferable single-premium deferred commercial annuity contract for each Participant or Beneficiary who is not a Qualified Employee and is not in pay status as of the Conversion Date, which shall provide for payments to such persons and/or their beneficiaries at the same times and in the same amounts, and subject to the same rights and limitations, as were to be provided under this Plan under the Provisions of the Defined Benefit Plan based on the rights accrued by such persons as of the Conversion Date. The Trustees shall then distribute the contracts to the respective Participants or Beneficiaries in full satisfaction of all benefits under this Plan.

(c) **Current Employees.** During the period beginning December 13, 1995 and ending on May 1, 1996, each Participant who is a Qualified Employee as of the Conversion Date shall have the right to elect to have his/her Accrued Benefit in this Plan as of the Conversion Date (as defined and determined under the Provisions of the Defined Benefit Plan) *either*—

(1) distributed to him/her in the form of a commercial annuity as described in subsection (d), *or*

(2) converted into balances in the Participant's individual Closed Employer Contribution Account and Employee Contribution Account which are created under this Chapter, as described in subsection (e).

If a Participant fails to file an election by May 1, 1996, he/she shall be deemed to have elected to receive a commercial annuity under subsection (d). The Administrator shall notify each affected Participant of his/her rights under this subsection (c) as soon as practicable after December 13,

1995, and provide official forms for making the election. An election may be changed at any time before May 1, 1996; however, on May 1, 1996 all elections shall become irrevocable.

**(d) Annuity Option.** As soon as practicable after May 1, 1996, the Trustees shall purchase a non-transferable single-premium deferred commercial annuity contract for each Participant who filed an election under subsection (c)(1) to receive an annuity, or who failed to file an election by May 1, 1996. The annuities shall provide for payments to such persons and/or their beneficiaries at the same times and in the same amounts, and subject to the same rights and limitations, as were provided by this Plan under the Provisions of the Defined Benefit Plan, based on the Participant's Accrued Benefit in this Plan as of the Conversion Date (as defined and determined under the Provisions of the Defined Benefit Plan). The Trustees shall then distribute the contracts to the respective Participants or Beneficiaries in full satisfaction of all benefits accrued under this Plan prior to the Conversion Date.

**(e) Deposit of Accrued Benefits Into Individual Accounts in the Defined Contribution Plan.** As soon as practicable after May 1, 1996—

**(1) Employee Contribution Accounts.** The Trustees shall allocate to the Employee Contribution Account of each Participant who filed an election under subsection (c)(2) an amount equal to the amount of mandatory employee contributions made to the Plan under the Provisions of the Defined Benefit Plan plus interest at the rate credited under the Provisions of the Defined Benefit Plan through the Conversion Date, plus interest from the Conversion Date to the date of allocation at the rate earned by the Plan during that period; **and**

**(2) Closed Employer Contribution Accounts.** The Trustees shall allocate to the Closed Employer Contribution Account of each Participant who filed an election under subsection (c)(2) an amount equal to the single sum Actuarial Equivalent of the Participant's Accrued Benefit in this Plan as of the Conversion Date (as defined and determined under the Provisions of the Defined Benefit Plan), *plus* interest from the Conversion Date to the date of allocation at the rate earned by the Plan during that period, *less* the amount allocated to that Participant's Employee Contribution Account under paragraph (1).

[Ord. 415 10-29-2003]

## § 18-203 Treatment of Excess or Shortfall.

**(a) Excess.** If, after the purchase of all annuities required to be purchased under § 18-202, the value of remaining Trust Fund assets is greater than the amount to be allocated to Participant accounts under § 18-202(e), the excess shall be allocated to the Forfeiture Account.

As soon as practicable after April 14, 1999, the Trustees are hereby authorized and directed to transfer all Trust Fund assets derived from the excess of Plan assets over the cost of providing annuities or individual account balances under § 18-202, to the Borough of Alburdis Police Pension Plan and Trust. In determining the amount of such transfer, transactions in the Plan shall be recharacterized (if necessary) such that:

**(1) Closed Employer Contribution Accounts and Employee Contribution Accounts** are established for each Participant who elected in early 1996 to allocate his/her accrued benefit under the defined benefit plan to his/her individual accounts in the defined contribution plan.

These accounts are established as of the Conversion Date, and the total of the two accounts for each affected Participant as of the Conversion Date is equal to the single-sum Actuarial Equivalent of the Participant's Accrued Benefit in this Plan as of the Conversion Date (as defined and determined under the Provisions of the Defined Benefit Plan).

(2) All remaining Plan assets as of the Conversion Date are allocated to a Transition Account as of the Conversion Date.

(3) All distributions of monthly benefits to persons in pay status in 1996 (prior to the commencement of benefits under annuity contracts) are debited from the Transition Account as of the date of distribution.

(4) A special valuation of Plan assets and determination of Income was made as of June 26, 1996 to reflect the payment received from PSAB in transferring the Plan's assets to the new Trustees. As determined by the Pension Committee on June 26, 1996, each Participant's Closed Employer Contribution Account and Employee Contribution Account is credited with Income as of June 26, 1996, in an amount equal to 3.30519% of the balance in such account as of the Conversion Date.

(5) [RESERVED]

(6) Each Participant's Closed Employer Contribution Account and Employee Contribution Account was then individually invested in accordance with Participant directions (and/or invested in the default investment option until directions were received.) The Income earned on those investments is allocated to those Accounts as of each valuation date for those investments. The Transition Account was also invested in the default investment option, and the Income earned on its investments is allocated to that Account.

(7) The purchase price for all annuities required to be purchased under § 18-202 is debited from the Transition Account as of the date of payment.

(8) Upon the final payment under paragraphs (3) and (7), the remainder of the Transition Account is allocated to a Surplus Account and invested in the default Plan investment option.

(9) Distributions from a Participant's accounts is debited from the affected accounts as of the date of distribution.

(10) Any forfeitures of nonvested benefits from a Participant's account under Article IX is allocated to the Forfeiture Account, invested in the Plan's default investment option, and used to provide benefits for other Participants as described in paragraph (12) and § 18-503.

(11) Contributions made by the Employer are allocated when made to the Early Employer Contributions Account, and invested in the default Plan investment option.

(12) As of the last day of the 1996, 1997, and 1998 Plan Years, the Employer Contribution Account of each Qualified Employee is credited with an amount equal to 4.65% of the Qualified Recipient's Compensation for the portion of each such year during which he/she was an Active Participant. These allocations are transferred first from the Forfeiture Account (if any) and then from the Early Employer Contributions Account. Each Participant's Employer Contribution Account is individually invested in accordance with Participant directions (and/or invested in the default investment option until directions are received.) The Income earned on those investments is allocated to those Accounts as of each valuation date for those investments.

(13) The actual required Employer contributions for a given Plan Year cannot be known until the end of the Plan Year, since an employee's qualification for a contribution and the amount of his/her Compensation for the Plan Year cannot be determined until that time. Consequently, the estimates made by the Employer in determining the minimum municipal obligation for the Plan Year and in making contributions to the Plan during the Plan Year most likely will be either higher or lower than the actual required contributions.

(A) If the amount in the Early Employer Contributions Account as of the last day of the Plan Year is insufficient to cover the required allocations under paragraph (12), the Employer must contribute the amount of the shortfall to the Plan as soon as possible, together with interest as described in § 18-504(c).

(B) If there remains a positive balance in the Early Employer Contributions Account as of the last day of the Plan Year after making the required allocations under paragraph (12), and after the Income of that Account during the Plan Year has been allocated under paragraph (14), then that portion of the Early Employer Contributions Account as of the last day of the Plan Year which is attributable to grants by the Commonwealth under the General Municipal Pension System State Aid Program shall be transferred to the Surplus Account, together with the interest earned on that amount from the last day of the Plan Year until the date of the transfer. That portion of the Early Employer Contributions Account which is *not* attributable to state aid shall either be returned to the Employer, or be treated as a new Employer contribution for the following Plan Year and be retained in the Early Employer Contributions Account.

(C) For purposes of this Plan, Employer contributions to the Early Employer Contributions Account shall be deemed to be attributable to grants under the General Municipal Pension System State Aid Program to the extent the governing body of the Employer allocates the grants to this Plan, and all amounts allocated to Participant accounts under paragraph (12) from the Early Employer Contributions Account shall be deemed to be attributable to grants under the General Municipal Pension System State Aid Program until the amount of such grants allocated to this Plan has been exhausted.

(14) As of the last day of the 1996, 1997, and 1998 Plan Years, all Income earned by the segregated investment of the Early Employer Contributions Account is allocated *pro rata* among the other Plan accounts in accordance with § 18-403.

(15) As soon as practicable after April 14, 1999, the Trustees shall transfer the balance of the Surplus Account (including the Income earned by the segregated investments in the Surplus Account through the date of transfer) to the Borough of Alburty Police Pension Plan and Trust.

(b) **Shortfall.** If, after the purchase of all annuities required to be purchased under § 18-202, the value of remaining Trust Fund assets is less than the amount to be allocated to Participant accounts under § 18-202(e), the Employer shall contribute the amount of the shortfall to the Plan within sixty (60) calendar days after receipt of notice to do so from the Trustees.

[Ord. 415 10-29-2003]

**§ 18-204 Termination of Participation in PSAB Plan.**

The Borough of Alburdis hereby terminates its participation and joinder in the master/prototype non-uniformed defined benefit plan sponsored by the Pennsylvania State Association of Boroughs. The Trustees appointed under this Chapter are hereby authorized and directed to obtain all assets held in trust for this Plan by the previous trustees and hold the same under the Trust established in this Chapter.

[Ord. 415 10-29-2003]

**§ 18-205 Supersession of Prior Ordinances and Joinder Agreements.**

Effective as of the Conversion Date, the Provisions of the Defined Benefit Plan and all Ordinances and joinder agreements for or relating to the Borough of Alburdis Non-Uniformed Pension Plan are superseded by this Chapter.

[Ord. 415 10-29-2003]