

OFFICIAL

**BOROUGH OF CRAFTON
ORDINANCE NO. _____**

AN ORDINANCE OF THE BOROUGH OF CRAFTON, ALLEGHENY COUNTY, PENNSYLVANIA, AMENDING CHAPTER 33 OF THE CRAFTON BOROUGH CODE OF ORDINANCES, PENSIONS AND RETIREMENT, TO ADD A NEW ARTICLE XIII PROVIDING FOR A DEFERRED RETIREMENT OPTION PROGRAM RETROACTIVELY EFFECTIVE ON JANUARY 1, 2020.

WHEREAS, Chapter 33, Part 1 of the Crafton Borough Code of Ordinances, Pensions and Retirement, authorizes and directs the Council of the Borough of Crafton to establish and maintain a pension plan for the police employees of the Borough of Crafton (the “Borough”) which complies with the laws of the Commonwealth of Pennsylvania and the United States of America; and

WHEREAS, the Council of the Borough desires to amend Chapter 33 to add a new Article XII to establish a Deferred Option Retirement Program retroactive to January 1, 2020 as previously agreed to in the current Collective Bargaining Agreement with the Crafton Police Wage and Policy Unit.

NOW THEREFORE, the Council of the Borough of Crafton hereby ordains and enacts as follows, incorporating the above recitals by reference:

SECTION 1: Chapter 33, Part 1, Police Pension Plan is amended by adding Article XIII which is retroactively effective as of January 1, 2020 as follows:

Article XIII Deferred Retirement Option Plan

Section 33-71 **Definitions**

DROP – The Deferred Retirement Option Plan created as an optional form of benefit under existing Crafton Borough Police Pension Plan.

Subsidiary DROP Participant Account – A separate, interest bearing, subsidiary DROP participant account established to accumulate the DROP pension benefit for a DROP participant.

Member – A full-time Crafton Borough Police Officer covered by the Plan.

Participant – A police officer who is eligible for normal retirement pursuant to the pension plan and who has elected to participate in the DROP program.

Effective Date of Participation – The day following the effective date of the member’s regular retirement.

Plan – The Crafton Borough Police Pension Plan as it applies to Crafton Borough police officers.

Section 33-72 **DROP Provisions**

(A) *Eligibility.* Effective January 1, 2020, members of the Crafton Borough police officers’ bargaining unit that have not retired prior to the implementation of the DROP program, may enter into the DROP on the first day of any month following the attainment of age 50 and the completion of 25 or more years of credited service with the Crafton Borough Police Department.

(B) *Written Election.* An eligible Member of the Plan electing to participate in the DROP program must complete and execute a “DROP” Election Form prepared by Crafton Borough, which shall evidence the Member’s participation in the DROP program and document the Participant’s rights and obligations under the DROP. The form must be signed and notarized by the Member and be submitted to the Borough within 30 days of the date on which the Member wishes the DROP election to be effective. The DROP Election Form shall include an irrevocable notice to the Borough that the Member shall terminate from employment with the Crafton Borough Police Department effective on a specific date (“resignation date”) no later than thirty-six (36) months from the effective date of the DROP election. An officer shall cease work as a Crafton Borough Police Officer on the officer’s resignation date, unless the Employer terminates or honorably discharges the officer prior to the resignation date. In addition, all retirement documents required by the Police Pension Plan Administrator must be filed and presented to the Borough for approval of retirement and commencement of the monthly pension benefit. Once the retirement application has been approved by the Police Pension Administrator, it shall become irrevocable.

After a Member enters the DROP program, contributions to the pension plan by the Participant and the Borough on behalf of the participant will cease, and the amount of the monthly benefits will be frozen.

Members shall be advised to consult a Tax Advisor, of their choice, prior to considering the DROP program, as there may be serious tax implications and/or consequences to participating in the DROP program.

(C) *Limitation on Pension Accrual.* After the effective date of the DROP election, the Participant shall no longer earn or accrue additional years of continuous service for pension purposes.

(D) *Benefit Calculation.* For all Plan purposes, continuous service of a Member participating in the DROP program shall remain as it existed on the effective date of commencement of participation in the DROP program. Service thereafter shall not be

reorganized or used for the calculation or determination of any benefits payable by the Plan. The average monthly compensation of the Member for pension calculation purposes shall remain as it existed on the effective date of commencement of participation in the DROP program.

(E) *Payments to the DROP Account.* The monthly retirement benefits that would have been payable had the member elected to cease employment and receive a normal retirement benefit shall, upon the Member commencing participation in the DROP program, be credited on the first day of each month into a separate subsidiary DROP participant ledger account established to track and accumulate the Participant's monthly pension benefits. This account shall be designated the Subsidiary DROP Participant Account. The account shall be managed by the Borough pursuant to the same fiduciary obligations and principles applicable to management of the municipal pension plans.

(F) *Early Termination.* A Participant may change the DROP termination date to an earlier date and thereby effectuate a complete termination from service. No penalty shall be imposed for early termination of DROP participation. Participation in the DROP does not guarantee the DROP participant's employment during the period specified for DROP participation. It is recognized that the Participant shall not be permitted to make any withdrawals from the DROP Account until DROP participation has ended.

(G) *Payout.* Upon the termination date set forth in the DROP Election Form or on such date as the Participant withdraws or is terminated from the DROP program, if earlier, the terminating DROP participant, or if deceased, the participant's survivor or named beneficiary, shall elect a method of receiving payment of the DROP benefits. Distribution, regardless of the method specified, shall be made within forty-five (45) days following the actual termination of a Participant's employment with the Crafton Borough Police Department. The following options for distribution shall be available to and selected on the approved from by the Participant, Participant's survivor or beneficiary: (1) the accumulated balance in the Subsidiary DROP Participant Account shall be paid to the Participant (of the Participant's survivor or named beneficiary) in a single lump-sum payment less withholding taxes; or (2) as a direct rollover to 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 retirement plan that is an individual retirement annuity as described in section 402(c)(9) of the Internal Revenue Code of 1986. If the Participant, Participant's survivor or beneficiary fails to elect a method of payment within sixty (60) days after the Participant's termination date, the Borough shall pay the balance as a lump sum. If the Participant selects a rollover option, he or she must submit all appropriate paperwork from the IRA custodian within the required election period.

Following termination of DROP participation, the subsequently paid normal retirement benefits payable to the Participant, Participant's survivor or the Participant's beneficiary no longer shall be credited to the DROP Account but shall be distributed monthly pursuant to normal retirement plan rules.

(H) *Disability During DROP.* If a Participant becomes eligible for a disability pension benefit and terminates employment, the monthly normal retirement benefit to the DROP Participant shall terminate.

(I) *Death.* If a Participant dies before the DROP Account balance is paid, the Participant's surviving spouse or beneficiary shall have the same rights as the Participant to withdraw the DROP Account balance. The monthly benefit credited to the Participant's DROP Account during the month of the Participant's death shall be the final monthly benefit for DROP participation. In addition, the DROP Participant's survivor shall be eligible to receive the retirement system death benefits normally payable in the event of the death of retired employee.

(J) *Eligibility for other Benefits.* In accordance with the provisions of the Act No. 44 of 2009, 53 P.S. §895.1101-895.1131, a DROP Participant shall be eligible for all pre-retirement benefits for employees provided by law, including but not limited to the Workers' Compensation Act, Public Safety Officers' Benefit Act of 1976, etc.

(K) *Amendment.* Any amendments to the DROP Ordinance shall be consistent with the provisions covering deferred retirement option plans set forth in any applicable collective bargaining agreement or state or federal law, and shall be binding upon all future Participants and upon all Participants who have balances in their DROP Accounts.

SECTION 2: Any and all prior inconsistent ordinances are hereby repealed in whole or in part to the extent inconsistent herewith.

SECTION 3: This Ordinance shall take effect in accordance with applicable law, provided that the terms of the Plan, as amended herein, shall retroactively take effect as of January 1, 2020.

ORDAINED and **ENACTED** this 27th day of April, 2020 by the Council of the Borough of Crafton, in lawful session duly assembled.

ATTEST:

BOROUGH OF CRAFTON

Russell McKibben
Borough Manager/Secretary
(Seal)

Phillip Levasseur
President, Borough Council

EXAMINED and **APPROVED** this ____ day of May, 2020.

James Bloom
Mayor