

**TOWNSHIP OF SALISBURY  
LEHIGH COUNTY, PENNSYLVANIA**

Ordinance No. 05-2019-622

(Duly Adopted May 23, 2019)

AN ORDINANCE ELECTING TO AMEND THE SALISBURY TOWNSHIP NON-UNIFORMED EMPLOYEES DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM PURSUANT TO ARTICLE IV OF THE PENNSYLVANIA MUNICIPAL RETIREMENT LAW TO CONFORM TO UPDATED SYSTEM PLAN DOCUMENTS, TO DESIGNATE REQUIRED EMPLOYEE CONTRIBUTIONS AS PRE-TAX CONTRIBUTIONS, AND TO CLOSE MEMBERSHIP IN THE PLAN SO THAT ONLY PERSONS EMPLOYED BEFORE JUNE 1, 2019 MAY BE COVERED BY THE PLAN; AGREEING TO BE BOUND BY ALL PROVISIONS OF THE PENNSYLVANIA MUNICIPAL RETIREMENT LAW AS AMENDED AND AS APPLICABLE TO MEMBER MUNICIPALITIES; FURTHER AMENDING THE NON-UNIFORMED EMPLOYEES DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM SO THAT EMPLOYEE CONTRIBUTIONS FOR CALENDAR YEAR 2019 ARE REDUCED TO ONE PERCENT (1.0%) OF COMPENSATION; AND ESTABLISHING A NEW DEFINED CONTRIBUTION PENSION PLAN FOR FULL-TIME NON-UNIFORMED EMPLOYEES FIRST EMPLOYED BY THE TOWNSHIP ON OR AFTER JUNE 1, 2019, PROVIDING FOR EMPLOYER CONTRIBUTIONS OF EIGHT PERCENT (8.0%) OF COMPENSATION, NO EMPLOYEE CONTRIBUTIONS, FULL VESTING AFTER FIVE YEARS OF FULL-TIME SERVICE (WITH NO VESTING BEFORE), DISTRIBUTIONS AFTER SEPARATION FROM SERVICE, AND A PARTICIPANT-DIRECTED INVESTMENT PROGRAM.

**WHEREAS**, the Township of Salisbury, Lehigh County (“**Township**”) has established a defined benefit pension plan for its non-uniformed employees administered by the Pennsylvania Municipal Retirement System (“**PMRS**”); and

**WHEREAS**, this defined benefit pension plan is currently governed by ordinance 05-2006-526, codified at Code of Ordinances § 1-621 through § 1-627, and an Agreement dated May 11, 2006 between the Township and the governing board of PMRS; and

**WHEREAS**, PMRS has substantially revised its pension plan documentation and obtained an advisory letter from the Internal Revenue Service, and has requested the Township to update its Agreement with PMRS accordingly; and

**WHEREAS**, the Township and the Salisbury Township Public Works Employees Association (“**Association**”), the collective bargaining representatives of the Township’s non-managerial public works employees (“**PW Employees**”), have entered into a collective bargaining agreement (“**CBA**”) effective from January 1, 2019 through December 31, 2022; and

**WHEREAS**, the CBA makes changes to the pension program applicable to PW Employees, and the Board of Commissioners (“**Board**”) of the Township desires to comply with the CBA; and

**WHEREAS**, the Board desires to extend the pension program changes applicable to PW Employees to all non-uniformed employees of the Township; and

**WHEREAS**, the changes to the pension program include (1) designating employee contributions to the defined benefit plan as pre-tax contributions, (2) closing membership in the defined benefit plan so that only persons employed before June 1, 2019 may be covered by that plan, (3) reducing employee contributions for calendar year 2019 to one percent (1.0%) of compensation, and (4) establishing a new defined contribution plan for employees who first work an hour of service for the Township on or after June 1, 2019; and

**WHEREAS**, the new Salisbury Township Non-Uniformed Employees Defined Contribution Pension Plan provides contributions and benefits only for full-time non-uniformed employees of the Township (regularly scheduled for at least 35 hours per week) who first work on or after June 1, 2019, and provides for employer contributions of eight percent (8.0%) of compensation, no employee contributions, full vesting after

five years of full-time service (with no vesting before), distributions after separation from service, and a participant-directed investment program; and

**WHEREAS**, prior to the adoption of this Ordinance the Board reviewed the following cost estimate of the effect of the changes made herein:

The amendment to the defined benefit plan reducing the employee contribution rate for calendar year 2019 from three and one-half percent (3.5%) of compensation to one percent (1.0%) of compensation does not change the cost of the plan at all, but only the allocation of payment between the Township and the employees. So, for every dollar that the employee is not required to pay in to the plan, the Township will have to contribute an additional dollar. Accordingly, the reduction for 2019 means that the Township must pay an extra two and one-half percent (2.5%) of all members' compensation for 2019 more than it would have if there had been no reduction. However, for very many years before 2019, the Township eliminated all employee contributions each year, and so in 2019 the Township will actually be taking on a lesser portion of the "regular" employee contributions stated in the plan agreement than in previous years.

The amendment to the defined benefit plan designating employee contributions as pre-tax rather than after-tax contributions also has no effect on the cost of the plan. Employee contributions to the plan are in the same amount whether or not the employee pays tax on that income, and the total amount paid out by the plan with respect to any participant is the same whether or not the distributee pays or the plan withholds taxes.

The amendment of the defined benefit plan to conform to the language of the new PMRS base plan document and adoption agreement is not intended to make any actual change to the terms, conditions, and benefits of the plan, and so it has no effect on the cost of the plan.

The amendment of the defined benefit plan to close membership as of June 1, 2019 has no effect on the cost of the plan for existing plan members who continue in employment. However, if an existing member terminates, the normal cost that would have been associated with his/her compensation will no longer accrue and there will be no normal cost in the defined benefit plan associated with the compensation of any replacement employee. Thus, over time, it can be expected that the total compensation of members in the defined benefit plan will drop as members terminate employment, resulting in lower plan costs.

The establishment of the defined contribution plan will generally result in a cost to the Township of eight percent (8%) of the compensation of new non-uniformed full-time employees hired on or after June 1, 2019, although the long-term cost may actually be somewhat lower when employees leave with less than five years of full-time service and forfeit the amounts that were contributed by the Township to their accounts.

NOW, THEREFORE, be it ORDAINED and ENACTED by the Board of Commissioners of the Township of Salisbury, Lehigh County, Pennsylvania, as follows:

**SECTION 1.** Salisbury Township Code of Ordinances Chapter 1, Part 6(B), § 1-621 through § 1-627, and the Agreement dated May 11, 2006 between the Township and the Pennsylvania Municipal Retirement Board are hereby superseded by the following provisions of this Ordinance, effective as of January 1, 2019.

**SECTION 2.** Salisbury Township Code of Ordinances Chapter 1, Part 6 shall be amended by adding the following new subparts C and D:

**C Non-Uniformed Employees' Defined Benefit Pension Plan (2019-)**

**§ 1-631 Amendment of Existing Plan.**

Salisbury Township (the Township), having established a defined benefit pension plan for its non-uniformed employees administered by the Pennsylvania Municipal Retirement System (the System), hereby elects to amend its Non-Uniform Employees' Defined Benefit Pension Plan administered by the System in accordance with Article IV of the Pennsylvania Municipal Retirement Law, 53 P.S. §881.101 *et seq.* (Retirement Law), and does hereby agree to be bound by all the requirements and provisions of the Retirement Law and the Municipal Pension Plan Funding Standard and Recovery Act, 53 P.S. §895.101 *et seq.*, and to assume all obligations, financial and otherwise, placed upon member municipalities.

**§ 1-632 Authorization of Adoption Agreement.**

The Board of Commissioners of the Township hereby authorizes and directs the President or Vice President of the Board and the Township Manager to execute on behalf of the Township an Adoption Agreement in the form attached to Ordinance 05-2019-622 as Exhibit 2. When fully executed, this Adoption Agreement and the underlying System Base Plan Document referenced therein (attached to Ordinance 05-2019-622 as Exhibit 1), shall constitute the Contract between the Township and the System with respect to the Salisbury Township Non-Uninform Employees' Defined Benefit Pension Plan, effective as of January 1, 2019.

**§ 1-633 Administration.**

As part of this Ordinance, the Township agrees that the System shall administer and provide the benefits set forth in the Contract entered into between the Pennsylvania Municipal Retirement Board and the Township effective as of January 1, 2019.

**§ 1-634 Acceptance of Contract and Financial Obligations.**

The Township acknowledges that by passage and adoption of this Ordinance, the Township officially accepts the Contract and the financial obligations resulting from the administration of the Contract.

**§ 1-635 Payments and Liability.**

Payment for any obligation established by the adoption of this Ordinance and the Contract shall be made by the Township in accordance with the Retirement Law and the Municipal Pension Plan Funding Standard and Recovery Act. The Township hereby assumes all liability for any unfundedness created due to the benefit structure set forth in the Contract.

**§ 1-636 Intent.**

The Township intends this Ordinance to be the complete authorization of the Contract, as amended and it shall become effective as of the date specified in the adoption agreement, which is the effective date of the Contract, as amended.

**§ 1-637 Filing with PMRS.**

The Township shall file a duly certified copy of this Ordinance and an executed Contract with the System.

**§ 1-638 Amendments Regarding Employee Contributions.**

(a) **2019.** The Board of Commissioners of the Township hereby authorizes and directs the President or Vice President of the Board and the Township Manager to execute on behalf of the Township an Adoption Agreement Amendment in the form attached to Ordinance 05-2019-622 as Exhibit 3, in order to reduce employee contributions for calendar year 2019 only, subject to approval by the System. The Township shall file a duly certified copy of Ordinance 05-2019-622 and the executed Adoption Agreement Amendment with the System.

**D Non-Uniformed Employees Defined Contribution Pension Plan**

**§ 1-641 Adoption.**

The Board of Commissioners of Salisbury Township hereby establishes the Salisbury Township Nonuniformed Employees Defined Contribution Pension Plan in the form attached to Ordinance 05-2019-622 as Exhibit 4, effective June 1, 2019.

**SECTION 3.** The following exhibits are hereby incorporated into this Ordinance by reference:

Exhibit 1: Pennsylvania Municipal Retirement System Base Plan Document, together with—

Addendum A: Applicable State Laws  
Addendum B: PMRS Policy Statements

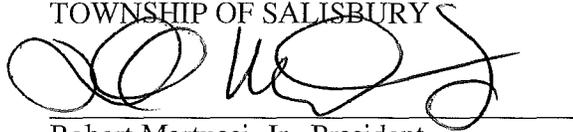
Exhibit 2: Adoption Agreement 001 for PMRS Defined Benefit Base Plan Document.

Exhibit 3: Adoption Agreement Amendment to Reduce Employee Contributions to 1.0% for 2019 only.

Exhibit 4: Salisbury Township Nonuniformed Employees Defined Contribution Pension Plan.

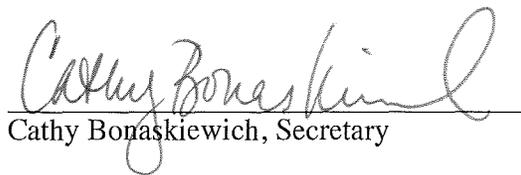
**DULY ORDAINED** and **ENACTED** by the Board of Commissioners of the Township of Salisbury, Lehigh County, this 23<sup>rd</sup> day of May, 2019, in lawful session duly assembled.

BOARD OF COMMISSIONERS  
TOWNSHIP OF SALISBURY



Robert Martucci, Jr., President

Attest:



Cathy Bonaskiewich, Secretary