



# City of Jeannette

Westmoreland County, Pennsylvania



BILL NO. 16-06

ORDINANCE NO. 16-06

**AN ORDINANCE OF THE CITY OF JEANNETTE, COUNTY OF WESTMORELAND, COMMONWEALTH OF PENNSYLVANIA, RELATING TO AN AMENDMENT OF THE FIRE DEPARTMENT PENSION PLAN BY ADDING A NEW SUBSECTION ENTITLED "DEFERRED RETIREMENT OPTION PLAN"**

**BE IT HEREBY ORDAINED AND ENACTED** by the Council of the City of Jeannette that:

**WHEREAS**, the City of Jeannette through an arbitration award dated August 15, 2016 shall implement a deferred Retirement Option Plan (DROP) for the City of Jeannette Fire Department Pension Plan; and

**WHEREAS**, the City of Jeannette conducted an actuarial study on June 17, 2016 to analyze the actuarial soundness of the plan; and

**WHEREAS**, the results of said study did not indicate that the pension plan would become actuarially unsound,

**NOW, THEREFORE**, the Council of the City of Jeannette enacts the following:

**Section 1. Establishing a Deferred Retirement Option Plan**

A. Establishment of DROP.

The City of Jeannette hereby establishes a deferred retirement option plan that shall be governed by the Fire Department Pension Plan/Collective Bargaining Agreement already in place.

B. Definitions.

As used in this section, the following terms shall have the meanings indicated:

**ASSOCIATION** - The City of Jeannette Police Department, the duly recognized collective bargaining unit representing all eligible full-time firefighters in such department.

**DROP** - A Deferred Retirement Option Plan established as an optional form of benefit under the Plan and being operated by the City of Jeannette.

**DROP NOTICE** - The form prescribed upon which a member/officer informs the City of his or her irrevocable intent to participate in the DROP.



# City of Jeannette

Westmoreland County, Pennsylvania



BILL NO. 16-06

ORDINANCE NO. 16-06

DROP PARTICIPATION PERIOD – Eligibility to participate in the DROP would be the attainment of normal retirement eligibility (20 years of service). The election to participate would be irrevocable.

INDIVIDUAL DROP PARTICIPATION ACCOUNT - A separate trust account created for the exclusive purpose of accepting monthly pension checks of DROP participants while they are participating in the DROP.

MEMBER or OFFICER - A duly sworn firefighter employed by the City and a member of the Fire Department Pension Plan.

NORMAL RETIREMENT DATE - The earliest date at which the officer meets the service requirements for retirement. The member can then continue to work for up to five years, but must retire by the end of that period.

PLAN - The City of Jeannette Fire Department Pension Plan, as the same may be amended from time to time.

TERMINATION DATE - The date specified in the participant's irrevocable DROP notice approved by the City on which the member or participant's employment with the Jeannette Police Department shall terminate.

C. Deferred Retirement Option Plan (DROP) Terms and Conditions.

- a. Eligibility. Any member, who has reached his or her normal retirement date, as defined in this ordinance, may elect to become a participant in the DROP. Once a firefighter commences participation in the DROP, he or she may not choose to end participation in the DROP and resume participation in the Plan.
- b. Election to participate. A member electing to participate in the DROP must complete and execute a DROP notice. Election to participate in the DROP is irrevocable. The DROP notice must be signed by the member, notarized and submitted to the City at least 45 days prior to the date on which the members wishes his or her DROP participation to commence, which shall be specified in the DROP notice as the Effective Date of Retirement. The DROP notice must also include a termination date. Such termination date shall be no later than five (5) years after the member's election to enter the DROP.
- c. Duration. The DROP participation period shall be no more than 60 months. The effective date of the DROP participation shall be day after the Member's Effective Date of Retirement. Except in the event of the death of the DROP participant, the DROP termination date shall be last calendar day of the 60th month unless a shorter participation period is selected.



# City of Jeannette

## Westmoreland County, Pennsylvania



BILL NO. 16-06

ORDINANCE NO. 16-06

- d. Early Termination. A DROP participant may choose to participate in the DROP for a period of less than 60 months or may change the DROP termination date during DROP participation to an earlier date without penalty. In all cases, the earlier termination date shall be the last calendar day of a month.
- e. DROP pension payments. Upon entry into the DROP, a member's monthly retirement benefit, as calculated under the Plan, shall be frozen and his or her DROP pension payment shall be calculated as if he or she actually retired on the date he or she entered the DROP. After the effective date of the DROP notice, the officer shall no longer earn or accrue additional years of service for pension calculation purposes under the Plan. The average monthly pay of the member for pension calculation purposes shall remain as it existed on the effective date of commencement of participation in the DROP. No benefit increases that may occur after a DROP participant's commencement of participation in the DROP, including bargained pension enhancements, mandated pension enhancements through arbitration or pension enhancements mandated by law, will apply to the DROP participant and shall not increase the DROP participant's frozen pension under the Plan, as calculated on the effective date of the DROP participation period. The pension benefit payable to the members shall increase only as a result of cost-of-living adjustments in effect under the Plan on the effective date of the member's participation in the DROP or by applicable cost-of-living adjustments specifically granted to DROP participants.
- f. DROP Participant Contributions. DROP participants shall neither be required nor permitted to make contribution into the Plan during the DROP participation period. The DROP account would be credited with interest. Act 44 requires the interest rate be the actual rate earned by the plan, but not less than 0% or more than 4.5% compounded monthly. Employee contributions are currently 5.0% of pay.
- g. Disability during DROP period. If an officer in the DROP is unable to return to full police duties for a period of Three hundred and sixty-five (365) days after a work-related or non-work-related disability, the employee may be presumed permanently disabled and may be honorably discharged from service and receive a pension in the amount of the regular age and service retirement pension as calculated when the officer entered the DROP program. If the discharge is due to a work-related disability the pension shall be at the amount of the normal retirement pension calculated when the officer entered the DROP but the pension shall be classified as a disability pension payable at the normal retirement pension amount. The officer shall have the right to contest the presumption and the right to appeal the discharge and be reinstated if the disability is proved to be temporary.
- h. Individual DROP Participant Account. Beginning on the effective date of DROP participation and ending the last day of the month of termination, all monthly pension payments payable to the DROP participant shall be deposited into an individual DROP Participant Account established by the City and managed by a third-party administrator. Each member shall select the investments in his or her individual investment account from the options selected by the third-party administrator.

There is no guaranteed rate of return on the DROP Participant Account; in no case shall the rate of interest be less than 0% or more than 4.5% annually. All investment and administrative



# City of Jeannette

Westmoreland County, Pennsylvania



BILL NO. 16-06

ORDINANCE NO. 16-06

costs shall be charged against the participant's DROP account. The participant shall bear the full responsibility for obtaining appropriate investment advice, as well as for the consequences of any investment of all or part of the contents of the DROP account. The DROP account established for each participant will be considered a tax-deferred account maintained as part of the plan, and, as a result, will be subject to the restrictions established under Section 401(a) of the Internal Revenue Code.

The City shall have no responsibility for the financial impact and/or consequences of a Member's participation in the DROP, including, but not limited to, the investment of the balance of an officer's DROP account, the performance of any such investments, or any tax consequences flowing from participation in the DROP.

- i. DROP Payout upon Termination. No withdrawals from the DROP account are permitted until DROP participation has ended. Within 45 days of the DROP termination date, the City shall pay to the Member in a lump-sum the amount credited to the Member's Individual DROP Participation Account as of the Member's DROP termination date less any required withholding taxes. The DROP Participant may elect to have such lump-sum payment paid directly into an Eligible Retirement Plan (tax-sheltered rollover distribution) or in a check made payable to the DROP Participant. If the DROP Participant fails to elect a method of payment of the lump-sum within sixty (60) days of the DROP termination date, the lump-sum shall be paid directly to the DROP participant.
- j. Death. Upon the death of a DROP Participant, participation in the DROP shall terminate effective as of the date of the Member's death. The balance of the Member's Individual DROP Participation Account as of the Member's date of death shall be paid the Beneficiary who shall choose from one of the payment methods described under "DROP Payout upon Termination."
- k. Provisions of Employment while in the DROP.
  - i. All DROP participants shall be subject to the same terms and conditions of employment, rules and regulations and disciplinary procedures as other officers and members who are not DROP participants that are contained in all City policies, directives, and orders as well as in the collective bargaining agreement between the City and the police.
  - ii. An officer's election to participate in the DROP shall in no way be construed as a limitation on the City's right to suspend or terminate an officer for just cause or to grant the officer an honorable discharge based upon a physical or mental inability to perform his or her duties.
  - iii. Except as specifically listed in this ordinance, a DROP Participant is eligible for any employee benefits provided to the active employees before retirement.
  - iv. While in the DROP, longevity and shift differential pay shall be frozen at the amount received during the 12 months prior to entering the DROP.



# City of Jeannette

## Westmoreland County, Pennsylvania



BILL NO. 16-06

ORDINANCE NO. 16-06

- v. Participants in the DROP will not receive any college tuition reimbursement.
- vi. DROP participants, while actively working will not be considered active members for purposes of calculating the number of units (two per officer) for state aid.
- l. Revocation of DROP participation. A DROP participant who voluntarily terminates his or her employment for any reason prior to the termination date stated in his or her DROP notice (which has been accepted by the City) shall automatically revoke his or her DROP participation election and cease employment with the City. All monies in the Individual DROP Participation Account shall be returned in a lump sum with the options presented in this Ordinance under "DROP Payout upon Termination." No penalty shall be imposed for early termination of DROP participation.
- m. Re-enrollment in the DROP Program. A DROP Participant is ineligible to re-enroll in the DROP Program after they have terminated employment as prescribed in the approved DROP notice, even if they are re-employed by the City with renewed active membership rights in the Plan.
- n. Compliance with a future law. The City and the FOP and all current and future DROP participants (as a condition of participating in the DROP) recognize that laws may be enacted that impact the provisions of this DROP. The City, the FOP and any current and future DROP participants (as a condition of participating in the DROP) agree and acknowledge that if any such law requires that this DROP Program be altered, changed, modified or amended in any way, such changes shall be made as required by such law within the required time period.

### **Section 2. Service Benefit**

Any benefit changes adopted in 2014 would be recognized in the January 1, 2015 Actuarial Valuation Report. The first MMO that could be based on the 2015 report would be for 2016. However, an MMO calculated after a DROP is adopted should exclude the payroll of any DROP participants, even if a valuation recognizing the change hasn't yet been prepared.

### **Section 3. Severability**

The provisions of this ordinance are severable, and if any section, sentence, clause, part, or provision hereof shall be held illegal, invalid or unconstitutional by any court of competent jurisdiction, such decision of the court shall not affect or impair the remaining sections, sentences, clauses, or parts of this Ordinance. It is hereby declared to be the intent of the City Council that this Ordinance would have been adopted if such illegal, invalid, or unconstitutional sections, sentence, clause, part, or provision had not been included therein.



# City of Jeannette

Westmoreland County, Pennsylvania



BILL NO. 16-06

ORDINANCE NO. 16-06

**Section 4. Repealer**

All resolutions or ordinances, or parts thereof, which are inconsistent herewith are hereby repealed to the extent of the inconsistency.

**Section 5. Adoption**

This Ordinance shall take effect and be in force from and after its enactment as required by law.

This Ordinance is duly Ordained and Enacted by the Council of the City of Jeannette at a public meeting held this 12th day of October, 2016.

THE CITY OF JEANNETTE

Richard R. Jacobelli  
Mayor and President of Council

ATTEST:

Michael L. Nestico  
City Manager