

**Township of Lower Merion
Police Pension Fund**

Plan Document

**Plan Originally Effective
February 20, 1957**

**Amended from Time to Time
And As Now Amended And Restated
Effective January 1, 2013**

TABLE OF CONTENTS

PREAMBLE	1
ARTICLE I – DEFINITIONS	2
Section 1.1 – References	
Section 1.2 – Actuarial Equivalent	
Section 1.3 – Compensation/ Monthly Average Salary	
Section 1.4 – Dates/Years	
Section 1.5 – Employee	
Section 1.6 – Employer	
Section 1.7 – Fiduciaries	
Section 1.8 – Participant/Beneficiary/Spouse	
Section 1.9 – Plan	
Section 1.10 – Service	
Section 1.11 – Trust	
ARTICLE II – PARTICIPATION	5
Section 2.1 – Plan Participation	
Section 2.2 – Termination of Participation	
Section 2.3 – Re-Participation	
ARTICLE III – RETIREMENT BENEFITS	6
Section 3.1 – Service Rules	
Section 3.2 – Normal Retirement	
Section 3.3 – Accrued Benefit	
Section 3.4 – Late Retirement	
Section 3.5 – Early Retirement	
Section 3.6 – Disability Retirement	
Section 3.7 – Benefit Distribution	
Section 3.8 – Suspension of Benefits	
Section 3.9 – Domestic Relations Orders	
ARTICLE IV – DEATH BENEFITS	10
Section 4.1 – Death Benefit With Respect to Employee Contributions	
Section 4.2 – Killed-in Service Benefit and Survivor Benefit	
ARTICLE V – TERMINATION OF EMPLOYMENT BENEFITS	11
Section 5.1 – Vesting	
Section 5.2 – Payment of Benefits	
Section 5.3 – Accumulated Contribution Distribution and Restoration	
ARTICLE VI – CONTRIBUTIONS	11
Section 6.1 – Employer Contributions	
Section 6.2 – Mandatory Employee Contributions	
Section 6.3 – Rollover/Transfer Contributions	
ARTICLE VII – ADDITIONAL QUALIFICATION RULES	13
Section 7.1 – Limitation on Benefits Under IRC Section 415	
Section 7.2 – Distribution Requirements	
ARTICLE VIII – ADMINISTRATION OF THE PLAN	24
Section 8.1 – Fiduciary Responsibility	

- Section 8.2 – Administration by Board of Trustees
- Section 8.3 – Claims Procedure
- Section 8.4 – Actuarial Valuation and Funding

ARTICLE IX – AMENDMENT AND TERMINATION OF PLAN27

- Section 9.1 – Right to Discontinue and Amend
- Section 9.2 – Amendments
- Section 9.3 – Protection of Benefits in Case of Plan Merger
- Section 9.4 – Termination of Plan

ARTICLE X – MISCELLANEOUS PROVISIONS28

- Section 10.1 – Exclusive Benefit – Non-Reversion
- Section 10.2 – Inalienability of Benefits
- Section 10.3 – Employer-Employee Relationship
- Section 10.4 – Binding Agreement
- Section 10.5 – Inconsistency or Conflict of Prior Ordinances or Resolutions
- Section 10.6 – Separability
- Section 10.7 – Construction
- Section 10.8 – Copies of Plan
- Section 10.9 – Interpretation

Township of Lower Merion Police Pension Fund

PREAMBLE

This amended and restated plan, executed on the date indicated at the end hereof, is made effective as of January 1, 2013, except as provided otherwise in Section 1.4(b), by Lower Merion Township, a governmental agency of the Commonwealth of Pennsylvania.

WITNESSETH:

WHEREAS, effective February 20, 1957, the employer established the plan for the members of its police force and desires to continue to maintain a permanent qualified plan pursuant to Act 600 in order to provide these employees and their beneficiaries with financial security in the event of retirement; and

WHEREAS, it is desired to amend said plan;

NOW THEREFORE, the premises considered, the original plan is hereby replaced by this amended and restated plan, and the following are the provisions of the qualified plan of the employer as restated herein; provided, however, that each employee who was previously a participant shall remain a participant, and no employee who was a participant in the plan before the date of amendment shall receive a benefit under this amended plan that is less than the benefit he was then entitled to receive under the plan as of the day prior to the amendment.

Township of Lower Merion Police Pension Fund

ARTICLE I – DEFINITIONS

Section 1.1 – References

- (a) **Act 205** means the Municipal Pension Plan Funding Standard and Recovery Act, act of December 18, 1984, P.L. 1005 no. 205, as amended, 53 P.S. 895.101, *et seq.* as enacted by the Commonwealth of Pennsylvania.
- (b) **Act 600** means the Police Pension Fund Act, act of May 29, 1956, P.L. 1804 no. 600, as amended, 53 P.S. 761 *et seq.* as enacted by the Commonwealth of Pennsylvania. Cites herein to this Act shall use the Purdon Statute instead of the section number.
- (c) **ERISA** means the Employee Retirement Income Security Act of 1974, as amended.
- (d) **IRC** means the Internal Revenue Code of 1986, as it may be amended from time to time.

Section 1.2 – Actuarial Equivalent

- (a) The present value of any benefit under the terms of this plan will be the actuarial equivalent of the accrued benefit in the normal form of benefit commencing at normal retirement date.
- (b) In compliance with Act 600, this Plan does not provide optional forms of benefit payment; therefore, no actuarial equivalence for determining optional forms need be determined.
- (c) **Limitations on Benefits** – For the purpose of implementing the limitations on benefits of IRC section 415, actuarial equivalence shall be determined based on the following mortality and interest assumptions:

Mortality table:	UP-1984 (-2)
Interest rate:	5.00% per annum compounded annually (except as limited under Section 7.1(e)(13))

For the purpose of implementing the limitations on benefits of IRC section 415 for limitation years beginning on or after January 1, 1995, the IRC section 417 mortality table is the mortality table prescribed by the Secretary of the United States Treasury under Revenue Ruling 95-6 or subsequent guidance. Such table shall be based on the prevailing commissioners' standard table used to determine reserves for group annuity contracts issued on the date as of which the present value is being determined.

Notwithstanding the preceding, effective for the purpose of implementing the limitations on benefits of IRC section 415 for limitation years beginning on or after December 31, 2002, the reference in this Section 1.2(c) to the mortality table prescribed in Revenue Ruling 95-6 shall be construed as a reference to the mortality table prescribed in Revenue Ruling 2001-62 for all purposes under the plan.

The IRC section 417 interest rate is the applicable interest rate. The applicable interest rate is the annual rate of interest on 30-year Treasury securities for the second month preceding the first day of the plan year that contains the annuity starting date.

Section 1.3 – Compensation/Monthly Average Salary

- (a) (1) **Compensation** means the compensation to be used in determining the monthly final average salary shall be the same compensation used by the Social Security Administration in its computation of the Medicare portion of the Social Security Tax, plus elective contributions, for the applicable period. Heart and Lung and Workers Compensation paid by the employer to the employee are also considered compensation. Elective contributions are amounts excludable from the employee's gross income and contributed by the employer, at the employee's election to:
 - A cafeteria plan (excludable under IRC section 125 and as provided in Section 7.1(e)(3));
 - A deferred compensation plan (excludable under IRC section 457).

Any reference in this plan to compensation shall be a reference to the definition in this Section 1.3, unless the plan reference specifies a modification to this definition. The plan administrator shall take into account only compensation actually paid by the employer for the relevant period. A compensation payment includes compensation by the employer through another person under the common paymaster provisions in IRC sections 3121 and 3306. Compensation from a related employer that is not a participating employer under this plan shall be excluded.

Township of Lower Merion Police Pension Fund

(2) **Compensation** – Notwithstanding the provisions of Section 1.3(a)(1), the following types of remuneration shall be **included** in the participant's compensation:

- Unused vacation and personal days, paid on account of termination of employment.
- For a participant paid in lump sum in lieu of using his/her remaining paid leave prior to retirement date, the calculation will add the days representing the lump sum to the actual retirement date to create a new effective date for monthly average salary calculation purposes only.

(3) **Compensation** – Notwithstanding the provisions of Section 1.3(a) (1), any employer contribution to a deferred compensation plan shall be excluded from the participant's compensation.

(b) **Limitations on Compensation** – For any plan year beginning after December 31, 2001, the plan administrator shall take into account only the first \$200,000 (or beginning January 1, 2003, such larger amount as the Commissioner of Internal Revenue may prescribe) of any participant's compensation for determining benefit accruals provided under the plan for a determination period. Annual compensation means compensation during the plan year or such other 12-consecutive-month period over which compensation is otherwise determined under the plan (the determination period). In determining benefit accruals in plan years beginning after December 31, 2001, the annual compensation limit for determination periods beginning before January 1, 2002, shall be \$150,000 for any determination period beginning in 1996 or earlier; \$160,000 for any determination period beginning in 1997, 1998, or 1999; and \$170,000 for any determination period beginning in 2000 or 2001. The compensation dollar limitation for a plan year shall be the limitation amount in effect on January 1 of the calendar year in which the plan year begins. If the plan should determine compensation on a period of time that contains less than 12 calendar months (such as for a short plan year), the annual compensation dollar limitation shall be an amount equal to the compensation dollar limitation for the plan year multiplied by the ratio obtained by dividing the number of full months in the period by 12.

Notwithstanding the preceding, in the case of an eligible participant, the annual compensation dollar limitation shall not apply to the extent that the application of the limitation would reduce the amount of compensation that is allowed to be taken into account under the plan below the amount that was allowed to be taken into account under this plan as in effect on July 1, 1993. For this purpose, an eligible participant is an individual who first became a participant in the plan during a plan year prior to the first day of the first plan year beginning after December 31, 1995.

(c) **Monthly Average Salary** means the average of a participant's monthly compensation over the 36-consecutive-month period ending on the date of employment termination. The Township shall calculate the participant's monthly average salary during his final thirty-six (36) months of employment in accordance with current procedures whereby the first calendar year of the calculation is prorated. If a participant's entire period of service for the employer is less than the specified period, compensation shall be averaged on a monthly basis over the participant's entire period of service.

The annual compensation taken into account in determining average annual compensation shall be subject to the compensation dollar limitation described in Section 1.3(b) as in effect for each particular year.

Section 1.4 – Dates/Years

(a) **Accounting Date** means the last day of the plan year.

(b) The **Effective Date** of the plan is February 20, 1957.

The effective date of this amendment and restatement is January 1, 2013; provided, however that the plan provisions required to comply with the Pension Protection Act of 2006 that are effective prior to the first day of the first plan year beginning on or after January 1, 2008, shall be effective as of the first day of the first plan year beginning on or after January 1, 2006, except as specified otherwise in this plan or in said Acts for a government sponsored plan. The plan provisions required to comply with the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART) shall be effective January 1, 2007, except as specified otherwise in this plan or in said Act for a government sponsored plan.

(c) **Plan Entry Date** means the participation date(s) specified in Article II.

(d) **Plan Year** means the 12-consecutive-month period beginning on January 1 and ending on December 31.

(e) **Limitation Year** means the plan year.

Township of Lower Merion Police Pension Fund

Section 1.5 – Employee

Employee means any person employed by the employer. The term employee shall include any employee of the employer maintaining the plan or of any other employer required to be aggregated with such employer under IRC sections 414(b), (c), (m) or (o), as such provisions may be interpreted to apply to a governmental entity by the Internal Revenue Service.

Section 1.6 – Employer

Employer means Township of Lower Merion, a political subdivision of the Commonwealth of Pennsylvania, or any successor entity that may assume the obligations of this plan with respect to its employees by becoming a party to this plan.

Section 1.7 – Fiduciaries

- (a) **Chief Administrative Officer** means the person appointed by the employer or the Board of Trustees as described in Section 8.2 who has primary responsibility for the execution of the administrative affairs of the plan.
- (b) **Plan Administrator** means the Chief Administrative Officer which shall mean the Township Manager or the Manager's designee who shall have primary responsibility for the execution of the administrative affairs of the Plan on a day-to-day basis on behalf of the Board of Commissioners.
- (c) **Investment Manager** means a person or corporation other than a trustee appointed for the investment of plan assets.

Section 1.8 – Participant/Beneficiary/Spouse

- (a) **Participant** means an eligible employee of the employer who becomes a member of the plan pursuant to the provisions of Article II, or a former employee who has an accrued benefit under the plan.
- (b) **Beneficiary** means the person or persons entitled to a benefit under Article IV.
- (c) **Spouse** means the person of the opposite sex married to the participant at the time of the determination and as further defined by section 3 of the Defense of Marriage Act, 1 U.S.C. § 7 (1996).

Section 1.9 – Plan

Plan means Township of Lower Merion Police Pension Fund as set forth herein and as it may be amended from time to time.

Section 1.10 – Service

- (a) **Service** means any period of time the employee is in the employ of the employer, including any period the employee is absent due to vacation, holidays, or sickness or on an unpaid leave of absence authorized by the employer. Separation from service means that the employee no longer has an employment relationship with the employer.
- (b) **Hour of Service** means each hour for which an employee is paid or entitled to payment for the performance of duties for the employer.
- (c) **Break in Service** means any period of severance.
- (d) **Period of Severance** means a continuous period of time during which the employee is not employed by the employer and is not credited with an hour of service. Such period begins on the date the employee retires, terminates service, or if earlier, the date on which the employee was otherwise first absent from service.
- (e) **Credit for Military Service** – Any employee employed as a member of the police force who has been a regularly appointed employee for a period of at least six months and who thereafter enters into the military service of the United States shall receive credit for all such military service, if he returns to employment with the employer within six months after his separation from military service.

No service shall be credited under this Section 1.10(e) if the employee is entitled to receive retirement benefits for such service under a retirement system administered and wholly or partially paid for by any other governmental agency with the exception of an employee eligible to receive military retirement pay earned by a combination of active duty and nonactive duty with a reserve or national guard component of the armed forces which retirement pay is payable only upon attainment of a specified age and period of service under 10 U.S.C. Ch 67 (relating to retired pay for non-regular service).

Township of Lower Merion Police Pension Fund

Notwithstanding the preceding, effective December 12, 1994, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with IRC section 414(u) and the applicable Pennsylvania statutes. An employee re-employed after qualified military service shall not be treated as having incurred a break in service, for purposes of vesting and benefit accruals, solely because of an absence due to qualified military service.

Effective with respect to deaths occurring on or after January 1, 2007, in the case of a participant who dies while performing qualified military service, the beneficiary(ies) of the participant shall be entitled to any benefits (other than the killed-in-service benefit) payable under Article IV that would have been payable had the participant resumed and then terminated employment on account of death.

- (f) **Year of Service** means 12 months of service, excluding any breaks in service. For purposes of determining an employee's initial year of service upon his employment, the initial year of service shall commence on the employee's first day of employment. The first day of employment is the first day the employee performs an hour of service. The first day of re-employment is the first day the employee performs an hour of service following a break in service. An initial year of service shall end on the day immediately preceding the first anniversary of the employee's date of hire or rehire. Any subsequent year of service shall commence on the day following the completion of the immediately preceding year of service.

Section 1.11 – Trust

- (a) **Trust** means the qualified trust created under the employer's plan. The trust shall be known as the Township of Lower Merion Police Pension Fund Deed of Trust.
- (b) **Trustee** means the person or persons appointed by the employer to be the trustee of the trust, or any duly appointed successor trustee.

ARTICLE II – PARTICIPATION

Section 2.1 – Plan Participation

- (a) **Eligibility** – An employee who is a member of the eligible class of employees shall be eligible for plan participation provided that he agrees to make the mandatory contributions as set forth in Section 6.2.
- (b) **Eligible Class of Employees** – Employees of the employer who are employed as police officers on a regularly scheduled, full time basis shall be eligible to be covered under the plan. Any police officer employed as a temporary, special, part-time, or permanent part-time officer of the employer shall not be considered a member of the eligible class of employees.
- (c) **Entry Date** – An eligible employee shall participate in the plan on the first day he performs one hour of service, provided he completes the form consenting to mandatory employee contributions under the plan.

Section 2.2 – Termination of Participation

A participant shall continue to be an active participant of the plan so long as he is a member of the eligible class of employees and he does not terminate employment. He shall become an inactive participant if he terminates employment or ceases to be a member of the eligible class of employees. He shall cease participation completely upon the later of his receipt of a total distribution of his nonforfeitable accrued benefit under the plan or the forfeiture of the nonvested portion of the accrued benefit.

Section 2.3 – Re-Participation

- (a) If a participant becomes an inactive participant, because he is no longer a member of the eligible class of employees; such inactive participant shall become an active participant immediately upon returning to the eligible class of employees. In the event an employee who is not a member of an eligible class of employees becomes a member of an eligible class, such employee shall participate immediately.
- (b) If a participant incurs a break in service, he shall become an active participant immediately upon returning to employment.

Township of Lower Merion Police Pension Fund

ARTICLE III – RETIREMENT BENEFITS

Section 3.1 – Service Rules

- (a) (1) **Year of Vesting Service** – For purposes of determining the nonforfeitable interest in the participant's accrued benefit, the employee shall receive credit for the aggregate of all time periods commencing with the employee's first day of employment or re-employment and ending on the date a break in service begins, except for periods of service disregarded below. The first day of employment or re-employment is the first day the employee performs an hour of service. Fractional periods of a year will be expressed in terms of days. One year of vesting service shall be credited for each 365-day period.
- (2) **Break in Service Rules**
- (A) **Vested Participant** – A former participant who had a nonforfeitable right to all or a portion of his accrued benefit derived from employer contributions at the time of his termination from service and who did not receive a distribution of his accumulated contributions shall retain credit for all years of vesting service prior to a break in service.
- (B) **Nonvested Participant or Employee** – In the case of a former participant or employee who did not have any nonforfeitable right to his accrued benefit derived from employer contributions at the time of his termination from service or who received a distribution of his accumulated contributions, years of vesting service before a break in service shall not be taken into account in computing service, except as provided in Section 5.3.
- (b) **Year of Benefit Service** – For the purpose of determining the participant's benefit under the pension benefit formula, the participant shall receive credit for the aggregate of all time periods commencing with the participant's first day of active participation or active reparticipation and ending on the date a break in service begins or the participant is no longer a member of an eligible class of employees, except for periods of service disregarded herein. Fractional periods of a year will be expressed in terms of days. One year of benefit service shall be credited for each 365-day period. Any years of service disregarded under Section 5.3 Cashout Distributions and Restoration shall be disregarded for this purpose.

Section 3.2 – Normal Retirement

- (a) **Normal Retirement Date** – The normal retirement date of each participant shall be the day on which he satisfies both of the following requirements:
- (1) he attains age 50; and
 - (2) he completes 25 years of vesting service.
- A participant's right to his normal retirement benefit shall be 100% vested and nonforfeitable upon attainment of the normal retirement date, notwithstanding the plan's vesting schedule.
- (b) (1) **Normal Retirement Benefit** – The normal retirement benefit of each participant shall not be less than the largest periodic benefit that would have been payable to the participant upon separation from service at or prior to his normal retirement date under the plan, but taking into account any decrease in average monthly compensation.
- (2) **Normal Form of Payment** – The normal form of retirement benefit for each participant shall be a level monthly pension payable during the participant's lifetime, with payments commencing on the first day of the month coincident with or next following his normal retirement date, and ceasing upon the participant's death.
- (c) **Pension Benefit Formula** – Each eligible participant shall receive a monthly benefit payable at his normal retirement date equal to 50% of final monthly average salary during his last thirty-six (36) months.
- (d) **Service Increment Benefit** – Each eligible participant who retires on or after January 1, 2013 shall receive, pursuant to Act 89 of 2005, a monthly increase (monthly service increment) of \$100 after 26 years of completed service, \$200 after 27 years of completed service, \$300 after 28 years of completed service, \$400 after 29 years of completed service and \$500 after 30 years of completed service.
- (e) **IRC Section 415 Limitations on Benefits and Contributions** – Notwithstanding the benefits set forth in this Article, the annual benefit otherwise payable to a participant at any time shall be limited or modified to the extent required to comply with the provisions of Section 7.1 (limitations on benefits under IRC section 415 and related employer provisions under IRC section 414).

Township of Lower Merion Police Pension Fund

In any limitation year commencing before January 1, 2000 in which the accrued benefit of one or more participants would be in excess of the limitations on annual benefits under IRC section 415, the annual benefits under any other plan that the employer also sponsors will be reduced to the extent necessary to comply with such limitations first. If any further reduction is required, the annual benefits under this plan will then be reduced with respect to such participants.

If any reduction is required in any limitation year commencing on or after January 1, 2000, the annual benefits under any other defined benefit plan that the employer sponsors will be reduced to the extent necessary to comply with such limitations first. If any further reduction is required, the annual benefits under this plan will then be reduced with respect to such participants.

With respect to the limitation on annual additions, if one or more participants would be in excess of such limitations under IRC section 415, the annual additions under any defined contribution plan that the employer also sponsors will be reduced to the extent necessary to comply with such limitations first. If any further reduction is required, the annual additions under this plan to the extent there are employee nondeductible contributions made for such limitation year that are not picked up will then be reduced with respect to such participants.

- (f) **Adjustments for Former Employees** – For participants who terminate, retire or become disabled after January 1, 1999, accruals shall be increased by the following cost-of-living adjustment. The benefit adjustment shall occur (1) initially as of the January 1 after the later of the termination of the participant's employment or his retirement date, and (2) thereafter as of each subsequent January 1. The first adjustment shall be prorated for the portion of the first calendar year of retirement. The annual adjustment shall not cause the benefit payable to exceed the maximum permissible defined benefit dollar limit as described in Section 7.1(e)(5) for the calendar year.

The adjusted retirement benefit payable each month for a plan year shall equal the monthly retirement benefit multiplied by a fraction:

- (1) the numerator of which is the monthly Consumer Price Index-Urban Wage Earners and Clerical Workers (CPI-W) for Philadelphia issued by the U.S. Bureau of Labor Statistics for August 31 preceding the January 1 effective date of the adjustment.
- (2) the denominator of which is the Index for the immediately prior August 31.

There shall be no adjustment if the change in the CPI decreases over the applicable 12 month period.

Notwithstanding the above, the total cost-of-living adjustment shall not exceed the percentage increase in the Consumer Price Index from the plan year in which the former participant last performed service as a full-time employee. No adjustment shall result in a total retirement benefit in excess of 75% of the former participant's average monthly salary. Further, the total cost-of-living adjustment to a participant shall not exceed 30%.

Section 3.3 – Accrued Benefit

A participant's accrued benefit at any time equals: (a) the product of the normal retirement benefit determined in accordance with Section 3.2(c) and (d) multiplied by a fraction, the numerator of which is the number of years of benefit service at such date, and the denominator of which is the number of years of benefit service the participant would have as of the year containing his normal retirement date if he continues to work until such date.

If a participant begins receiving benefits at a time other than his normal retirement date, the participant's benefit will be determined in accordance with Section 3.4 if benefits commence after his normal retirement date and in accordance with Section 3.5 if benefits commence before his normal retirement date.

Section 3.4 – Late Retirement

- (a) **Nonforfeitability** – If a participant remains employed after his normal retirement date, his benefits shall remain 100% vested and nonforfeitable. Payment of benefits shall not commence until the first day of the month coincident with or next following his actual retirement date.
- (b) **Suspension of Benefits Until Payment** – Payment of normal retirement benefits shall be suspended for each calendar month during which the participant remains employed after his normal retirement date. The amount of benefits that are paid later than his normal retirement date shall be computed under the pension benefit formula, and shall be increased by any service increment benefit. The participant's pension benefit shall be determined on the basis of the participant's years of service for benefit accrual completed before and during the period of suspension; and the participant's compensation with the

Township of Lower Merion Police Pension Fund

employer during the period of suspension shall be included in any relevant determination of monthly average salary.

Section 3.5 – Early Retirement

An early retirement benefit shall be provided to a participant with twenty or more years of vesting service who terminates employment prior to the completion of normal retirement age and service requirements and who files a written application for an early retirement benefit with the governing body of the employer. The early retirement benefit shall become effective as of the first day of the month coincident with or next following the date the application is filed with the governing body or the date designated on the application, whichever is later, and shall be the actuarial equivalent of the accrued benefit calculated as follows:

- (a) The accrued benefit shall be determined under Section 3.3.
- (b) The actuarial equivalent of the accrued benefit shall be determined by actuarially reducing the accrued benefit to reflect that it will commence on the effective date of the early retirement rather than on the date on which the member would have completed normal retirement age and service requirements. The actuarial reduction shall be calculated using the actuarial assumptions reported in the last actuarial valuation report filed with the Public Employee Retirement Commission under Act 205.

Section 3.6 – Disability Retirement

If an actively employed participant suffers a service-connected disability and is unable to perform his normal duties prior to his normal retirement date, he may receive a disability benefit under the plan. Such disabled participant shall be entitled to a monthly disability benefit equal to his normal retirement benefit which shall be equal to fifty percent (50%) of the participant's final average monthly salary, plus the service increment benefit as defined in Section 3.2(d), if applicable for the period ending as of the date disability commenced. In the event the participant receiving service-connected total disability became so disabled as an immediate or direct result of heroic actions or circumstances in the line of duty, the monthly service-connected disability pension shall be equal to seventy percent (70%) of the participant's final average monthly salary, plus the service increment benefit as defined in Section 3.2(d), if applicable. Effective January 1, 2010 this determination shall be made by the Plan Administrator. The Plan Administrator will be asked to consider an event heroic where an officer, in the line of duty, has risked imminent and substantial harm from another person or persons, or from extraordinary or emergency conditions as distinguished from normal events associated with the general risk associated with police work. Such risks of imminent and substantial harm do not include those risks that are indistinguishable from those to which individuals in our society are exposed generally, such as falls, vehicular accidents in which the officer was not acting under emergency conditions, training or educational activities, weather-related accidents, or injuries or disabilities sustained only as the result of strenuous activity in performing the officer's duties.

The disability retirement benefit otherwise payable under this plan shall be offset by any Social Security disability benefit received for the same injury by the participant.

Disability shall continue until death.

Disability means mentally or physically unfit, for an indefinite duration and recovery is not predicted in the foreseeable future, to perform the duties presently being provided by a Lower Merion police officer.

Section 3.6.1 - Service-Connected Disability Pension Claims

- (a) If a participant suffers a work-related injury that the participant believes renders him or her totally disabled as provided in Section 3.6, then the participant shall submit a service-connected disability pension application to the Township, which shall be forwarded to the Plan Administrator. The Plan Administrator may require that the participant execute one or more medical releases permitting the Plan Administrator to receive and review the participant's medical records relevant to his or her injury or illness underlying the service-connected disability pension claim.
 - (1) If a participant believes that he or she has suffered a work-related injury that the participant believes renders him or her totally disabled as provided in Section 3.6, and that the injury was suffered as an immediate or direct result of "heroic actions" in the line of duty as provided in Section 3.6, then the participant shall indicate, describe and explain the presence of such "heroic actions" in his or her pension application.
- (b) The Plan Administrator shall notify the participant in writing of its findings and shall issue a written decision determining whether the participant is eligible for a service-connected disability pension. If the participant is so eligible, and the participant has also made a claim that his or her disability was the result

Township of Lower Merion Police Pension Fund

of "heroic actions," the decision shall also resolve whether the participant's disability was the immediate or direct result of "heroic actions" as claimed by the participant.

The Township shall delay implementation of any determination by the Plan Administrator regarding a participant's application for service-connected disability pension benefits for ten (10) calendar days following issuance of the written determination to the participant. Within that ten (10) calendar day period, the participant must notify the Township in writing whether the determination is accepted or whether the determination will be appealed. As may be provided by law or under the applicable collective bargaining agreement, the participant may appeal the determination, either with regard to the participant's work-related injury not being deemed permanent, or with regard to the injury not being the result of "heroic actions."

Section 3.7 – Benefit Distribution

- (a) **Commencement of Benefits** – Subject to the limitations of this plan, the benefit distribution shall commence as soon as administratively feasible after the later of the participant's termination of employment or his satisfaction of the normal retirement date requirements, provided that he files a written application for the retirement benefit.
- (b) **Form of Payment** – A participant shall receive distribution of his accrued benefit as a monthly pension payable as of the first day of each month as long as the participant lives.
- (c) **General Payment Provisions**
 - (1) If any person entitled to receive benefits hereunder is physically or mentally incapable of receiving or acknowledging receipt thereof, and if a legal representative has been appointed for him, the plan administrator may direct the benefit payment to be made to such legal representative.
 - (2) The benefits due any participant on account of his most recent period of employment shall not duplicate any benefits due the same participant under this plan on account of previous employment with the employer.

Section 3.8 – Suspension of Benefits

Under this plan, normal retirement benefits in pay status shall be suspended if a participant returns to employment; however, there shall be no suspension if the participant is required to perform services for the employer from time to time as a police reserve in compliance with 53 P.S. 769. If the participant accrues an additional benefit, the plan shall offset the actuarial value of the distributions made to the participant by the last day of the preceding plan year against the benefit accrual for the current plan year.

Section 3.9 – Domestic Relations Orders

Nothing contained in this plan prevents the trustee, in accordance with the direction of the plan administrator, from complying with the provisions of an acceptable domestic relations order that creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to receive all or a portion of the benefits payable with respect to a participant under the plan.

A distribution under an acceptable domestic relations order will not be made to an alternate payee until the participant is entitled to a distribution under this plan and commences such distribution. Nothing in this Section permits the alternate payee to receive a form of payment not otherwise permitted under the plan.

The plan administrator shall establish reasonable procedures to determine the acceptability of a domestic relations order in accordance with IRC section 414(p). Upon receiving a domestic relations order, the plan administrator promptly will notify the participant and any alternate payee named in the order, in writing, of the receipt of the order and the plan's procedures for determining the acceptability of the order. Within a reasonable period of time after receiving the domestic relations order, the plan administrator shall determine the acceptability of the order and shall notify the participant and each alternate payee, in writing, of its determination. The plan administrator shall provide notice under this paragraph by mailing to the individual's address specified in the domestic relations order. If any portion of the participant's nonforfeitable accrued benefit is payable during the period the plan administrator is making its determination of the acceptability of the domestic relations order, the plan administrator shall make a separate accounting of the amounts payable. If the plan administrator determines the order is an acceptable domestic relations order within 18 months of the date amounts first are payable following receipt of the order, it shall direct the trustee to distribute the payable amounts in accordance with the order. If the plan administrator does not make its determination of the acceptability of the order within the 18-month determination period, it shall direct the

Township of Lower Merion Police Pension Fund

trustee to distribute the payable amounts in the manner the plan would distribute if the order did not exist and will apply the order prospectively if it later determines the order is an acceptable domestic relations order.

ARTICLE IV – DEATH BENEFITS

Section 4.1 – Death Benefit With Respect to Employee Contributions

- (a) **Benefit Payable** – If no death benefit is payable under Section 4.2, an amount equal to the participant's accumulated contributions as determined under Section 6.2 shall be payable to the participant's designated beneficiary in one lump sum.
- (b) **Beneficiary Designation** – The participant shall have the right to designate his beneficiaries, including a contingent beneficiary, and shall have the right at any time to change such beneficiaries. The designation shall be made in writing on a form supplied by the plan administrator. No designation shall be effective until filed with the plan administrator. If the participant fails to designate a beneficiary, or if the designated person or persons predeceases the participant, "beneficiary" shall mean the surviving spouse, or if there is no surviving spouse, then eligible children as defined in Section 4.2(c). If there is neither a named beneficiary nor a surviving spouse, nor child, then the benefit shall be payable to the estate of the participant. However, in the event that no letters have been taken out on the estate within six months after death and the death benefit payable is less than \$100, the death benefit shall be paid to the undertaker or any person or municipality that paid the claim of the undertaker.

Section 4.2 – Killed-in Service Benefit and Survivor Benefit

- (a) **Killed-in-Service Benefit** – Effective with respect to active participant deaths occurring on or after January 1, 2013 while performing police services for the employer, the killed-in-service death benefit shall no longer be payable under this plan or by the employer.
- (b) **Survivor Benefit** – If a retired or disabled participant who is receiving a pension benefit dies or if an active participant dies after satisfying the requirements for retirement, the participant's surviving spouse or eligible child (if any and as further described in Section 4.2(c)) shall receive a benefit equal to 50% of the retirement benefit that the participant was receiving or would have been receiving if the participant had retired on the date of death. For this purpose, the death benefit for a participant who became disabled after January 1, 1999, shall be 50% of the deceased participant's benefit without the Social Security disability offset.
 - (1) If an active officer with more than twenty (20) years of vesting service dies before attaining age 50 and completing 25 years of vesting service, such survivors benefit shall be equal to fifty percent (50%) of the deceased officer's monthly pension benefit entitlement at the date of death (as adjusted in accordance with Section 3.5).
 - (2) If an early retired officer who is receiving a benefit pursuant to Section 3.5 dies, such survivors benefit shall be equal to fifty percent (50%) of the deceased officer's monthly pension benefit entitlement at the date of early retirement.
- (c) Payment shall be in the form of a pension (without actuarial adjustment with respect to the age of the beneficiary) and shall commence as of the first day of the month following the date of death. Payment to the surviving spouse shall cease upon the death of the surviving spouse. For purposes of Section 4.2, surviving spouse means a current spouse that was married to the participant for at least one year prior to the death of the participant.

If there is no surviving spouse or if the surviving spouse dies (thereby ceasing to be the surviving spouse of the participant), then the benefit shall be payable to any eligible child (or children) of the participant who is under the age of eighteen or, if attending college, who is under the age of twenty-three. For this purpose, attending college shall mean being registered at an accredited institution of higher learning and carrying a minimum course load of seven credit hours per semester. In the case of multiple eligible children, the benefit payable shall be divided equally among the children. Payment shall cease upon the earlier of death or the attainment of age eighteen (or age twenty-three if attending college). Child shall be defined as unmarried child(ren) who shall be a natural or legally adopted child where the officer has at least partial legal custody at the time of death; stepchild(ren) are excluded.

If there is an acceptable domestic relations order in force with respect to the participant, the alternate payee shall receive a portion of the death benefit to the extent provided in the order, but only if the alternate payee has not died. However, no order shall be accepted if it provides that the alternate payee

Township of Lower Merion Police Pension Fund

shall be the surviving spouse creating a right to a death benefit under this Section 4.2 as the death benefit payable hereunder is only payable with respect to a widow or widower or an eligible child.

ARTICLE V – TERMINATION OF EMPLOYMENT BENEFITS

Section 5.1 – Vesting

If a participant separates from the service of the employer other than by retirement, disability, or death, he shall forfeit any benefit accrued under Section 3.3 unless he has been credited with 12 years of vesting service. A participant who has been credited with 12 years of vesting service shall be entitled to a vested deferred pension if he files with the plan administrator a written notice of his intention to vest within 90 days of the date he terminates employment or ceases to be a member of the eligible class of employees. Such vested deferred pension shall be equal to the benefit accrued to the date of termination.

Section 5.2 – Payment of Benefits

- (a) **Payment as of Normal Retirement Date** – If the participant terminates his employment on or before his normal retirement date, payment of the vested accrued pension may begin at his normal retirement date. If payments do not commence until after his normal retirement date, distribution must begin by the required beginning date for minimum required distributions and the amount of the benefit payable shall be determined as provided in Section 3.4.
- (b) **Payment as of Early Retirement Date** – Upon the request of an eligible terminated participant who has completed 20 years of vesting service, payment of the vested accrued pension may begin on or after his early retirement date. In the event of such earlier commencement of benefits, the benefit shall be paid pursuant to the early retirement provisions of Section 3.5.
- (c) **Payment Prior to Early Retirement Date** – No accrued benefit is payable before the early retirement date, except in the event of death or disability. Nevertheless, if the participant is not eligible to receive his benefit accrued under Section 3.3 at the time of his termination of employment (either due to his years of vesting service or his failure to file a written notice under Section 5.1), he shall receive an amount equal to his accumulated contributions as soon as administratively possible after severance of employment as provided in Section 6.2.
- (d) **Death Before Retirement** – If a participant terminates employment and dies before beginning to receive retirement benefits, a pre-retirement death benefit may be payable, to the extent provided under Article IV.

Section 5.3 – Accumulated Contribution Distribution and Restoration

- (a) **Accumulated Contribution** – If an employee receives a distribution of his accumulated contributions under Section 6.2, the employee's vested accrued benefit shall be zero. In determining the participant's accrued benefit after the occurrence of such a distribution, the plan shall disregard all years of benefit service performed by such employee before the date of distribution.
- (b) **Restoration** – If a participant receives a distribution pursuant to this Section and if he resumes covered employment under the plan, he shall have the right to restore his accrued benefit under Section 3.2 upon the repayment to the plan of the full amount of the distribution plus interest, compounded annually from the date of distribution at the rate set forth in Section 6.2(c). In order to make a total or partial repayment, the employee may transfer to the plan the account balance of the individual retirement account or annuity to which the distribution being repaid was transferred, provided that both transfers are accomplished in compliance with IRC section 408(d). Such repayment must be made within five years after the participant returns to active participation.

If a participant is eligible to restore his accrued benefit, but such restoration has not been made; then, for the purpose of determining years of benefit service and years of vesting service, years of service before the employee's break-in-service shall be disregarded.

ARTICLE VI – CONTRIBUTIONS

Section 6.1 – Employer Contributions

The Chief Administrative Officer of the plan shall determine the financial requirements of the plan on the basis of the most recent actuarial report and shall determine the minimum obligation of the employer with respect to

Township of Lower Merion Police Pension Fund

funding the plan for any given plan year. The Chief Administrative Officer shall submit the financial requirements of the plan and the minimum obligation of the employer to the employer (or its governing body) annually and shall certify the accuracy of such calculations and their conformance with Act 205. To the extent that the payments received under Section 8.4(a)(2) do not exceed the employer's annual obligation for future service cost, as determined by the actuary in accordance with Act 205, the employer shall be obligated to make such contribution to the trust by annual appropriations.

Section 6.2 – Mandatory Employee Contributions

- (a) **Mandatory Contribution Amount** – As a condition of participation in this plan, each active participant must contribute, on an after-tax basis, a percentage of his compensation as established each year.

The participant contributions to the Police Pension Fund will be as follows: For 2013 – 1.7%, for 2014 and beyond, if any future actuarial valuation by the Fund's designated actuary determines that the Fund's revenue sources including State funding and not including any contributions by the Township are insufficient and contributions from any other source are necessary to maintain the actuarial soundness of the Fund, said participant contributions shall be as follows: between 0% and 3.0% - participants will contribute; between 3.0% and 4.0% - Township will contribute; between 4.0% and 5.0% - participants will contribute; between 5.0% and 6.0% - Township will contribute; between 6.0% and 7.0 - participants will contribute anything over 7.0% - Township will be responsible. The Township does not intend to alter its future actuarial assumptions artificially or unjustifiably for the purpose of triggering a contribution requirement by the Township and/or by the participants.

Participant contributions are based on the compensation as defined in Section 1.3.

Participant pension contributions shall be required, if in effect at the time, for any Heart and Lung/Workers Compensation benefits paid by the Township to the participant.

The employer may reduce or eliminate the contribution required provided that any reduction or elimination of contributions is authorized on an annual basis by an ordinance or resolution by the employer.

- (b) **Employee Contributions** – The employer shall remit employee contributions to the trust of the plan as soon as administratively feasible.
- (c) **Determination of Accumulated Contributions** – The participant's accumulated contributions shall be equal to his mandatory employee contributions, with interest credited at the rate of 5.500% per annum. Such interest shall be credited annually in the form of a simple interest rate. A participant shall be 100% vested in his accumulated contributions.
- (d) **Withdrawal of Accumulated Contributions** – Upon termination of employment, a participant who is not vested in his benefit accrued under Section 3.3 shall receive an amount that is equal to his total accumulated contributions. The withdrawal shall be payable in one lump sum. Thereafter, the former participant shall have no further right to any benefit under this plan.

In no event may any amount be withdrawn or distributed until the participant's retirement, disability, death or termination of employment, regardless of the income tax accounting treatment required by IRC section 72(e)(8)(D).

- (1) **Eligible Rollover Distribution** - Effective for distributions made on or after January 1, 1993, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any eligible portion of a lump sum distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover payment.

- (A) An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution to the extent such distribution is required under IRC section 401(a)(9) and the portion of any distribution that is not includable in gross income; and any other distribution(s) that is reasonably expected to total less than \$200 during a year. Effective for distributions made after December 31, 2001, any eligible portion of a lump sum distribution shall include after-tax employee contributions. However, such portion may be transferred only to an individual retirement account or annuity described in IRC section 408(a) or (b) or to a qualified defined contribution plan described in IRC section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable.

Township of Lower Merion Police Pension Fund

- (B) An eligible retirement plan is an individual retirement account described in IRC section 408(a), an individual retirement annuity described in IRC section 408(b), an annuity plan described in IRC section 403(a), or a qualified trust described in IRC section 401(a), that accepts the distributee's lump sum distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity. Effective for distributions made after December 31, 2001, an eligible retirement plan shall also mean an annuity contract described in IRC section 403(b) and an eligible plan under IRC section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in IRC section 414(p).
- (C) A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in IRC section 414(p), are distributees with regard to the interest of the spouse or former spouse.

(2) Special Rule Relating to Time for Written Explanation

Effective for distributions made on or after January 1, 1993, for any distribution in excess of \$200 that may be paid in the form of a lump sum, the plan administrator shall give the participant written notice of his eligible rollover distribution rights as required under IRC section 402(f) no less than 30 days and no more than 180 days (90 days for notices issued before January 1, 2007) before the annuity starting date with respect to the distribution. Effective for distributions made on or after January 1, 1994, such distribution may commence less than 30 days after the notice is given, provided that:

- (A) The participant is provided with information that clearly states that the participant has a right to a period of at least 30 days after receiving the written explanation and notice to consider the decision of whether or not to elect a distribution;
- (B) The participant, after receiving the written notice, affirmatively elects a distribution.
- (e) **Forfeiture** – The death benefit payable under Article IV shall not be less than the participant's accumulated contributions.

Section 6.3 – Rollover/Transfer Contributions

Rollover and transfer contributions shall not be permitted under this plan and there shall be no rollover/transfer account.

ARTICLE VII – ADDITIONAL QUALIFICATION RULES

Section 7.1 – Limitation on Benefits Under IRC Section 415

(a) Single Defined Benefit Plan Limitations

- (1) This Section 7.1 applies regardless of whether any participant is or has ever been a participant in another qualified plan maintained by the adopting employer. If any participant is or has ever been a participant in another qualified plan maintained by the employer, or a welfare benefit fund maintained by the employer (as defined in IRC section 419(e)) under which amounts attributable to post-retirement medical benefits are allocated to separate accounts of key employees (as defined in IRC section 419A(d)(3)), or an individual medical account (as defined in IRC section 415(l)(2)) maintained by the employer, or a simplified employee pension (as defined in IRC section 408(k)) maintained by the employer, that provides an annual addition as defined in Section 7.1(e)(1); Section 7.1(c) is also applicable to that participant's benefits.
- (2) The annual benefit otherwise payable to a participant at any time under the plan shall not exceed the maximum permissible benefit.

(b) Defined Contribution Plan Limitations

Township of Lower Merion Police Pension Fund

If a participant has made mandatory employee contributions (as defined in IRC section 411(c)(2)(C)), under the terms of this plan, the amount of such contributions shall be treated as an annual addition to a qualified defined contribution plan.

- (1) The amount of annual additions that may be credited to the participant's employee nondeductible contribution account for any limitation year will not exceed the lesser of the maximum permissible amount or any other limitation contained in this plan. If a contribution that would otherwise be contributed to the participant's account would cause the annual additions for the limitation year to exceed the maximum permissible amount, the amount contributed will be reduced so that the annual additions for the limitation year will equal the maximum permissible amount.
 - (A) Prior to determining the participant's actual compensation for the limitation year, the employer may determine the maximum permissible amount for a participant on the basis of a reasonable estimation of the participant's compensation for the limitation year, uniformly determined for all participants similarly situated.
 - (B) As soon as is administratively feasible after the end of the limitation year, the maximum permissible amount for the limitation year will be determined on the basis of the participant's actual compensation for the limitation year.
 - (C) If there is an excess amount, the mandatory employee contributions shall be reduced.
- (2) This Section 7.1(b)(2) shall apply if, in addition to this plan, the participant is covered under a qualified defined contribution plan maintained by the employer, a welfare benefit fund (as defined in Code section 419(e)) maintained by the employer, an individual medical account (as defined in Code section 415(l)(2)) maintained by the employer, or a simplified employee pension (as defined in Code section 408(k)) maintained by the employer, that provides an annual addition as defined in Section 7.1(e)(1), during any limitation year. The annual additions that may be credited to a participant's account under this plan for any such limitation year will not exceed the maximum permissible amount reduced by the annual additions credited to a participant's account under the qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions for the same limitation year. If the annual additions with respect to the participant under the defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions maintained by the employer are less than the maximum permissible amount and the contribution that would otherwise be contributed to the participant's employee nondeductible contribution account under this plan would cause the annual additions for the limitation year to exceed this limitation, the amount contributed will be reduced so that the annual additions under all such plans and funds for the limitation year will equal the maximum permissible amount. If the annual additions with respect to the participant under such defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions in the aggregate are equal to or greater than the maximum permissible amount, no amount will be contributed to the participant's account under this plan for the limitation year.
 - (A) Prior to determining the participant's actual compensation for the limitation year, the employer may determine the maximum permissible amount for a participant in the manner described in Section 7.1(b)(1)(A).
 - (B) As soon as is administratively feasible after the end of the limitation year, the maximum permissible amount for the limitation year will be determined on the basis of the participant's actual compensation for the limitation year.
 - (C) If, pursuant to Section 7.1(b)(2)(B) or as a result of the allocation of forfeitures under the other plans, a participant's annual additions under this plan and such other plans would result in an excess amount for a limitation year, the excess amount will be deemed to consist of the annual additions last allocated, except that annual additions attributable to a simplified employee pension will be deemed to have been allocated first, followed by annual additions to a welfare benefit fund or individual medical account, regardless of the actual allocation date.
 - (D) If an excess amount was contributed by a participant as of a date that coincides with an allocation date of another plan, any excess amount shall be disposed of in the manner provided under such other plan. Any remaining excess amount shall be disposed of in the manner provided in Section 3.2(e).

Township of Lower Merion Police Pension Fund

(c) Combined Limitations: Other Plans

- (1) This section applies if any participant is also a participant, or has ever participated in another plan maintained by the employer, including a qualified plan, a welfare benefit fund maintained by the employer (as defined in IRC section 419(e)) under which amounts attributable to post-retirement medical benefits are allocated to separate accounts of key employees (as defined in IRC section 419A(d)(3)), an individual medical account, or a simplified employee pension that provides an annual addition as described in Section 7.1(e)(1).
- (2) If a participant is, or has ever been, a participant in more than one defined benefit plan maintained by the employer, the sum of the participant's annual benefits from all such plans may not exceed the maximum permissible benefit. If the maximum permissible benefit is exceeded solely due to the accrued benefit under a frozen or terminated defined benefit plan, the benefit accrual under this plan shall be reduced until the maximum permissible benefit is no longer exceeded.
- (3) For limitation years beginning before January 1, 2000, if the employer maintains, or ever maintained, one or more qualified defined contribution plans in which any participant in this plan participated, including a welfare benefit fund maintained by the employer (as defined in IRC section 419(e)) under which amounts attributable to post-retirement medical benefits are allocated to separate accounts of key employees (as defined in IRC section 419A(d)(3)), or an individual medical account, or a simplified employee pension, the sum of the participant's defined contribution fraction and defined benefit fraction shall not exceed 1.0 in any limitation year and, where the sum exceeds 1.0 for a participant for a limitation year, the annual benefit otherwise payable to the participant under this plan will be limited in accordance with Section 3.2(e).

Benefit increases resulting from the repeal of IRC section 415(e) shall be provided to all current and former participants (with benefits limited by IRC section 415(e)) who have an accrued benefit under the plan immediately before the first day of the first limitation year beginning in 2000.

- (4) Where the participant's employer-provided benefits under all defined benefit plans ever maintained by the employer (determined as of the same age) would exceed the maximum permissible benefit applicable at that age, the order in which the employer's sponsored plans will be reduced shall be as provided in Section 3.2(f).

(d) Protection of Accrued Benefit

In the case of an individual who was a participant in one or more defined benefit plans of the employer as of the first day of the first limitation year beginning after December 31, 1986, the application of the limitations of this Section 7.1 shall not cause the maximum permissible benefit amount for such individual under all such defined benefit plans to be less than the individual's Tax Reform Act of 1986 (TRA '86) accrued benefit. The preceding sentence applies only if all such defined benefit plans met the requirements of IRC section 415, for all limitation years beginning before January 1, 1987.

(e) Definitions (IRC Section 415 Limitations)

- (1) **Annual Additions** – The sum of the following amounts credited to a participant's account for the limitation year: (A) employer contributions, (B) employee contributions, (C) forfeitures, (D) allocations under a simplified employee pension, and (E) amounts allocated, after March 31, 1984, to an individual medical account that is part of a pension or annuity plan maintained by the employer. Also amounts derived from contributions paid or accrued after December 31, 1985 (in taxable years ending after such date), that are attributable to post-retirement medical benefits, allocated to the separate account of a key employee (as defined in IRC section 419A(d)(3)) under a welfare benefit fund.

For limitation years beginning before January 1, 1987, employee contributions shall only be taken into account for this purpose up to the lesser of the amount of employee contributions in excess of 6% of compensation for the limitation year, or one-half of the employee contributions for that year. Picked-up contributions under IRC section 414(h)(2) shall not be included as an annual addition with respect to a participant.

- (2) **Annual Benefit** – A benefit under the plan that is payable annually in the form of a straight life annuity. The annual benefit shall include any picked-up contributions made by the employer under IRC section 414(h)(2). Except as provided below, a benefit payable in a form other than a straight life annuity must be adjusted to an actuarially equivalent straight life annuity before applying the limitations of this Section 7.1. For limitation years beginning before January 1, 1995, where a participant's benefit must be adjusted to an actuarially equivalent straight life annuity, the actuarially

Township of Lower Merion Police Pension Fund

equivalent straight life annuity shall be equal to the greater of the annuity benefit computed using the interest rate specified in Section 1.2 or 5%.

For limitation years beginning on or after January 1, 1995, where a participant's benefit must be adjusted to an actuarially equivalent straight life annuity, the actuarially equivalent straight life annuity shall be equal to the greater of the annuity benefit computed using the actuarial assumptions specified in Section 1.2(c) and the annuity benefit that has the same actuarial present value as the form of benefit payable to the participant, computed using a 5% interest rate assumption and the IRC section 417 mortality table defined in Section 1.2(c).

For limitation years beginning after December 31, 2005, with respect to a lump sum payment, the actuarially equivalent straight life annuity benefit shall be equal to the greatest of: (i) the equivalent annual benefit computed using the interest rate and mortality table specified in Section 1.2(c) for a lump sum payment; (ii) the equivalent annual benefit computed using a 5.5% interest rate assumption and the IRC section 417 mortality table (as adopted to be effective on or before the limitation years beginning after December 31, 1999 and defined in Section 1.2(c)); or (iii) the equivalent annual benefit computed using the IRC section 417 interest rate and the IRC section 417 mortality table, divided by 1.05.

For limitation years beginning after December 31, 1994 but prior to January 1, 2006 and subject to the special provisions for distributions made during the plan year beginning on or after January 1, 2004 and the plan year beginning on or after January 1, 2005, in the case of a lump sum payment, the actuarially equivalent benefit shall be equal to the greater of the equivalent annual benefit computed using the interest rate and mortality table specified in Section 1.2(c) and the equivalent annual benefit computed using the annual rate of interest on 30-year Treasury securities definition of the IRC section 417 interest rate and the IRC section 417 mortality table as adopted to be effective on or before the limitation years beginning after December 31, 1999 as defined in Section 1.2(c).

For distributions made during the plan year beginning on or after January 1, 2004 and the plan year beginning on or after January 1, 2005, the special provisions of this paragraph shall apply. In the case of a lump sum payment, the actuarially equivalent benefit shall be equal to the greater of the equivalent annual benefit computed using the interest rate and mortality table specified in Section 1.2(c) for a lump sum payment and the equivalent annual benefit computed using a 5.5% interest rate assumption and the IRC section 417 mortality table as adopted to be effective on or before the limitation years beginning after December 31, 1999 and defined in Section 1.2(c). Notwithstanding the preceding, with respect to such a distribution made on or after the first day of the first plan year beginning on or after January 1, 2004 but on or before December 31, 2004, the distribution shall not exceed the lesser of the amount calculated in the absence of this special provision and the transition amount. The transition amount is the otherwise determined benefit that when converted to an actuarially equivalent straight life annuity determined using the interest rate and mortality table specified in Section 1.2(c) for a lump sum payment is within the limitations of IRC section 415 and when converted to an actuarially equivalent straight life annuity determined using the transition rate and the applicable mortality table is within the limitations of IRC section 415. For this purpose, the transition rate is the applicable interest rate determined under Section 1.2(c) that was adopted and in effect on the last day of the last plan year beginning before January 1, 2004.

The determination of the actuarially equivalent benefit used for a lump sum payment shall also apply in determining the actuarially equivalent straight life annuity for any benefit form other than (A) a nondecreasing annuity payable for a period of not less than the life of the participant (or, in the case of a preretirement survivor annuity, the life of the surviving spouse), or (B) an annuity that decreases during the life of the participant merely because of (i) the death of the survivor annuitant (but only if the reduction is not below 50% of the annual benefit payable before the death of the survivor annuitant), or (ii) the cessation or reduction of Social Security supplements or qualified disability payments (as defined in IRC section 401(a)(11)).

The annual benefit does not include any benefits attributable to employee contributions or rollover contributions or the assets transferred from a qualified plan that was not maintained by the employer. No actuarial adjustment to the benefit is required for (A) the value of a qualified joint and survivor annuity, (B) the value of benefits that are not directly related to retirement benefits (such as a qualified disability benefit, pre-retirement death benefits, and post-retirement medical benefits), and (C) the value of post-retirement cost-of-living increases made in accordance with IRC section 415(d) and Regulation section 1.415(d)-1(d).

Township of Lower Merion Police Pension Fund

- (3) **Compensation** – A participant's earned income and any earnings reportable as W-2 wages for federal income tax withholding purposes that are paid by the employer. W-2 wages means wages as defined in IRC section 3401(a) but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed. Picked-up contributions under IRC section 414(h)(2) shall not be included in the participant's compensation.

For limitation years beginning after December 31, 1991, for purposes of applying the limitations of this Section 7.1, compensation for a limitation year is the compensation actually paid or includable in gross income during such limitation year.

In order to be taken into account for a limitation year, compensation must be paid or treated as paid prior to severance from employment with the employer. Further, effective for limitation years beginning on or after January 1, 2008, compensation in excess of the limitations of Section 1.3(b) shall not be taken into account.

For limitation years beginning after December 31, 1997, compensation shall include elective contributions. Elective contributions are amounts excludable from the employee's gross income and contributed by the employer, at the employee's election to a cafeteria plan excludable under IRC section 125, a IRC section 401(k) arrangement (excludable under IRC section 402(e)(3)), a simplified employee pension (excludable under IRC section 402(h)), a tax sheltered annuity (excludable under IRC section 403(b)), a deferred compensation plan (excludable under IRC section 457(b)), or a IRC section 501(c)(18) plan. Effective for limitation years beginning on or after January 1, 1998, compensation shall also include any elective amounts that are not includable in gross income of the employee by reason of a IRC section 132(f)(4) qualified transportation fringe benefit plan.

Effective for limitation years beginning after December 31, 1997, elective contribution amounts under a cafeteria plan excludable under IRC section 125 include any amounts not available to a participant in cash in lieu of group health coverage because the participant is unable to certify that he has other health coverage (deemed section 125 compensation). An amount will be treated as an amount under IRC section 125 only if the employer does not request or collect information regarding the participant's other health coverage as part of the enrollment process for the health plan.

In order to be taken into account for a limitation year, compensation must be paid or treated as paid prior to severance from employment with the employer. Effective for limitation years beginning on or after July 1, 2007, an includable payment shall be treated as paid prior to severance from employment if it is paid by the later of 2½ months after severance or the last day of the calendar year that includes the severance date. For this purpose, includable payments are those that absent the severance would have been paid and are regular compensation for services during regular working hours or outside working hours (such as overtime or shift differentials), commissions, bonuses, or other similar compensation. Includable payments shall also include accrued sick, vacation, or other leave if such payments would have been included in compensation as defined in Section 1.3 if they were paid prior to the employee's severance from employment.

For limitation years beginning after December 31, 2008, compensation for a limitation year shall include amounts paid as differential wages to a participant on qualified military service leave of more than 30 days and otherwise meeting the requirements of IRC section 3401(h)(2).

- (4) **TRA '86 Accrued Benefit** – A participant's accrued benefit under the plan, determined as if the participant had separated from service as of the close of the last limitation year beginning before January 1, 1987, when expressed as an annual benefit within the meaning of IRC section 415(b)(2). In determining the amount of a participant's TRA '86 accrued benefit, the following shall be disregarded:

- (A) any change in the terms and conditions of the plan after May 5, 1986; and
- (B) any cost of living adjustments occurring after May 5, 1986.

- (5) **Defined Benefit Dollar Limitation** – Effective for limitation years ending after December 31, 2001, the defined benefit dollar limitation is \$160,000, as adjusted, effective January 1 of each year, under IRC section 415(d) in such manner as the Secretary of the Treasury shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under IRC section 415(d) will apply to limitation years ending with or within the calendar year for which the adjustment applies. Notwithstanding the preceding, the adjusted benefit limit shall not be applied to distributions due prior to January 1 where the limitation year is not the calendar year.

Township of Lower Merion Police Pension Fund

Effective for limitation years ending on or before December 31, 2001, the defined benefit dollar limitation is \$90,000. Effective January 1, 1988, and each January 1 thereafter, the \$90,000 limitation is automatically adjusted under IRC section 415(d) as prescribed by the Secretary of the Treasury.

- (6) **Defined Contribution Dollar Limitation** – \$40,000, as adjusted under IRC section 415(d) for limitation years beginning after December 31, 2002. Effective for limitation years beginning after December 31, 1994 but before January 1, 2003, the defined contribution dollar limitation is \$30,000, as adjusted under IRC section 415(d).
- (7) **Defined Benefit Fraction** – A fraction, the numerator of which is the sum of the participant's projected annual benefits under all the defined benefit plans (whether or not terminated) maintained by the employer, and the denominator of which is 125% of the defined benefit dollar limitation applicable to the participant determined for the limitation year under IRC sections 415(b)(1)(A) and (d) and in accordance with Section 7.1(e)(13).

However for limitation years beginning before January 1, 1995, the denominator of this fraction will be the lesser of 125% of the defined benefit dollar limitation applicable to the participant determined for the limitation year under IRC sections 415(b)(1)(A) and (d) and in accordance with Section 7.1(e)(13) below or 140% of the highest average compensation, including any adjustments under IRC section 415(b)(5).

Notwithstanding the above, if the participant was a participant as of the first day of the first limitation year beginning after December 31, 1986, in one or more defined benefit plans maintained by the employer that were in existence on May 6, 1986, the denominator of this fraction will not be less than 125% of the sum of the annual benefits under such plans that the participant had accrued as of the close of the last limitation year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the plan after May 5, 1986. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfied the requirements of IRC section 415 for all limitation years beginning before January 1, 1987.

- (8) **Defined Contribution Fraction** – A fraction, the numerator of which is the sum of the annual additions to the participant's account under all the defined contribution plans (whether or not terminated) maintained by the employer for the current and all prior limitation years (including the annual additions attributable to the participant's voluntary employee nondeductible contributions or mandatory employee contributions as defined in IRC section 411(c)(2)(C) to this and all other defined benefit plans, whether or not terminated, maintained by the employer, and the annual additions attributable to all welfare benefit funds maintained by the employer (as defined in IRC section 419(e)) under which amounts attributable to postretirement medical benefits are allocated to separate accounts of key employees (as defined in IRC section 419A(d)(3), or individual medical accounts and simplified employee pensions maintained by the employer), and the denominator of which is the sum of the maximum aggregate amounts for the current and all prior limitation years of the participant's service with the employer (regardless of whether a defined contribution plan was maintained by the employer). The maximum aggregate amount in any limitation year is the lesser of: (A) 125% of the defined contribution dollar limitation, or (B) 35% (1.4 x 25%) of the participant's compensation for such year.

If the employee was a participant as of the end of the first day of the first limitation year beginning after December 31, 1986, in one or more defined contribution plans maintained by the employer that were in existence on May 6, 1986, the numerator of this fraction will be adjusted if the sum of this fraction and the defined benefit fraction would otherwise exceed 1.0 under the terms of this plan. Under the adjustment, an amount equal to the product of (1) the excess of the sum of the fractions over 1.0 times (2) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last limitation year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the plan made after May 5, 1986, but using the IRC section 415 limitation applicable to the first limitation year beginning on or after January 1, 1987.

The annual addition for any limitation year beginning before January 1, 1987, shall not be recomputed to treat all employee contributions as annual additions.

- (9) **Employer** – For purposes of this Section 7.1, employer shall mean the employer that adopts this plan and any entity required to be aggregated with the employer pursuant to regulations.
- (10) **Excess Amount** – The excess of the participant's annual additions for the limitation year over the maximum permissible amount.

Township of Lower Merion Police Pension Fund

- (11) **Limitation Year** – The 12-consecutive-month period defined in Section 1.4(e).
- (12) **Maximum Permissible Amount** – The maximum annual addition that may be contributed or allocated to a participant's account under a plan for any limitation year shall not exceed the lesser of:
- (A) the defined contribution dollar limitation as defined in Section 7.1(e)(6), or
 - (B) 100% of the participant's compensation for the limitation year.

If a short limitation year is created because of an amendment changing the limitation year to a different 12-consecutive-month period, the maximum permissible amount will not exceed the defined contribution dollar limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short limitation year}}{12}$$

(13) **Maximum Permissible Benefit**

- (A) The maximum permissible benefit is the defined benefit dollar limitation. However, for limitation years beginning before January 1, 1995, the maximum permissible benefit is the lesser of the defined benefit dollar limitation or 100% of the participant's highest average compensation.
- (B) If the participant has less than 10 years of participation in the plan, the defined benefit dollar limitation shall be multiplied by a fraction: (i) the numerator of which is the number of years (or part thereof) of participation in the plan, and (ii) the denominator of which is 10.

In the case of a participant who has less than ten years of benefit service with the employer, defined benefit compensation limitation shall be multiplied by a fraction: (i) the numerator of which is the number of years (or part thereof) of benefit service with the employer, and (ii) the denominator of which is 10.

Where a defined benefit plan fraction is calculated, the adjustments of this Section 7.1(e)(13)(B) shall be applied in the denominator of the fraction based upon years of service. For purposes of computing the defined benefit plan fraction only, years of service shall include future years of service (or part thereof) commencing before the participant's normal retirement date. Such future years of service shall include the year that contains the date the participant reaches his normal retirement date, only if it can be reasonably anticipated that the participant will receive a year of service for such year, or the year in which the participant terminates employment, if earlier.

This Section 7.1(e)(13)(B) shall not apply to disability benefit paid in accordance with Section 3.6 or to benefits payable under Article IV.

- (C) If the annual benefit of the participant commences on or before age 65, the defined benefit dollar limitation will not be reduced. Effective for distributions made in limitation years ending on or before December 31, 2001, if the annual benefit of the participant commences on or before age 65 but on or after age 62, the defined benefit dollar limitation shall be as determined in (A) and (B) above.
- (D) Effective for distributions made in limitation years ending on or before December 31, 2001, if the benefit of a participant commences prior to age 62 but on or after age 55, the defined benefit dollar limitation applicable to the participant at such earlier age shall be the greater of:
 - (a) \$75,000, or
 - (b) an annual benefit payable in the form of a straight life annuity that is the actuarial equivalent of the defined benefit dollar limitation for age 62, as determined above. The annual benefit beginning prior to age 62 but on or after age 55 shall be determined as the lesser of the actuarial equivalent benefit computed using the interest rate and mortality table specified in Section 1.2(c).

This Section 7.1(e)(13)(D) shall not apply to disability benefit paid in accordance with Section 3.6 or to benefits payable under Article IV.

- (E) Effective for distributions made in limitation years ending on or before December 31, 2001, if the benefit of a participant commences prior to age 55, the defined benefit dollar limitation applicable to the participant at such earlier age shall be the greater of: (a) the actuarial equivalent of a \$75,000 annual benefit beginning at age 55; or (b) an annual benefit that is the actuarial equivalent of the defined benefit dollar limitation for age 62 that is equal to the defined benefit dollar limitation as determined in (A) and (B) above. The annual benefit beginning prior to age 55 shall be determined as the lesser of the actuarial equivalent benefit computed using the interest rate and mortality table specified in Section 1.2(c) and the equivalent amount computed using a

Township of Lower Merion Police Pension Fund

5% interest rate assumption and the IRC section 417 mortality table as described in Section 1.2(c).

This Section 7.1(e)(13)(E) shall not apply to disability benefit paid in accordance with Section 3.6 or to benefits payable under Article IV.

- (F) Effective for limitation years ending after December 31, 2001, if the benefit of a participant commences after age 65, the defined benefit dollar limitation applicable to the participant at the later age is the annual benefit payable in the form of a straight life annuity commencing at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the participant (adjusted under Section 7.1(e)(14)(B), if necessary) at the participant's age 65. The actuarial equivalent of the defined benefit dollar limitation at the participant's age 65 is determined as the lesser of:
- (i) The actuarial equivalent of the defined benefit dollar limitation at the participant's age 65 computed using a 5% interest rate assumption and the IRC section 417 mortality table as defined in Section 1.2(c); and
 - (ii) The actuarial equivalent of the defined benefit dollar limitation for the limitation year of distribution multiplied by the adjustment ratio. The adjustment ratio is equal to the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the plan described in "a." to the adjusted age 65 straight life annuity described in "b."
 - a. The adjusted immediately commencing straight life annuity is the annual amount of the immediately commencing straight life annuity payable to the participant, computed disregarding the participant's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are applied to offset accruals. For this purpose, the annual amount of the immediately commencing straight life annuity is determined without applying the limitations of this Section 7.1.
 - b. The adjusted age 65 straight life annuity is the annual amount of the straight life annuity that would be payable under the plan to a hypothetical participant who is 65 years old and has the same accrued benefit (with no actuarial increases for commencement after age 65) as the participant receiving the distribution (determined disregarding the participant's accruals after age 65 and without applying the limitations of this Section 7.1).

For these purposes, if any benefits are forfeited upon death, an adjustment shall be made to reflect the probability of the participant's death between the participant's attainment of age 65 and the annuity starting date.

Effective for limitation years ending on or before December 31, 2001, if the benefit of a participant commences after age 65, the defined benefit dollar limitation applicable to the participant at the later age shall be the annual benefit payable in the form of a straight life annuity commencing at the later age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the participant (adjusted under (A) and (B) above, if necessary) at age 65. The actuarial equivalent annual benefit beginning after age 65 shall be determined as the lesser of the equivalent amount computed using the interest rate and mortality table specified in Section 1.2(c) and the equivalent amount computed using a 5% interest rate assumption and the IRC section 417 mortality table as described in Section 1.2(c).

- (G) Notwithstanding the provisions of this Section 7.1(e)(13), in limitation years beginning before 1997 for participants who have 15 or more years of full-time service at retirement (including military service), the maximum annual straight life annuity shall not be reduced below \$50,000 (as indexed pursuant to IRC section 415(d)), regardless of the participant's age at retirement.
- (H) **Minimum Benefit Permitted** – Notwithstanding anything else in this Section to the contrary, the benefit otherwise accrued or payable to a participant under this plan shall be deemed not to exceed the maximum permissible benefit if:
- (i) The retirement benefits payable for a plan year under the actuarially equivalent straight life annuity with respect to such participant under this plan and under all other defined benefit plans (regardless of whether terminated) ever maintained by the employer does not exceed \$1,000 multiplied by the participant's number of years of benefit service or parts thereof (not less than 1 and not to exceed 10) with the employer; and

Township of Lower Merion Police Pension Fund

- (ii) The employer has not at any time maintained a defined contribution plan, a welfare benefit fund under which amounts attributable to post-retirement medical benefits are allocated to separate accounts of key employees (as defined in IRC section 419A(d)(3), or an individual medical account in which the participant participated (for these purposes, employee contributions, whether voluntary or involuntary, under a defined benefit plan are not treated as a separate defined contribution plan).

For this purpose, mandatory employee contributions shall not be considered a separate defined contribution plan maintained by the employer. Similarly, an individual medical account or an account for postretirement medical benefits shall be not considered a separate defined contribution plan maintained by the employer.

- (14) **Projected Annual Benefit** – The annual benefit as defined in Section 7.1(e)(2), to which the participant would be entitled under the terms of the plan assuming:
 - (A) the participant will continue employment until his normal retirement date under the plan (or current age, if later), and
 - (B) the participant's compensation for the current limitation year and all other relevant factors used to determine benefits under the plan will remain constant for all future limitation years.

Straight life annuity means an annuity payable in equal installments for the life of the participant that terminates upon the participant's death.

- (15) **Year of Participation** – For the purpose of this Section 7.1, a participant shall be credited with a year of participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (1) the participant is credited with at least the period of service for benefit accrual purposes, required under the terms of the plan in order to accrue a benefit for the accrual computation period, and (2) the participant is included as a participant under the eligibility provisions of the plan for at least one day of the accrual computation period. If these two conditions are met, the portion of a year of participation credited to the participant shall equal the amount of benefit accrual service credited to the participant for such accrual computation period. A participant who is permanently and totally disabled within the meaning of IRC section 415(c)(3)(C)(i) for an accrual computation period shall receive a year of participation with respect to that period. In addition, for a participant to receive a year of participation (or part thereof) for an accrual computation period, the plan must be established no later than the last day of such accrual computation period. In no event will more than one year of participation be credited for any 12-month period.

Section 7.2 – Distribution Requirements

- (a) **Applicability** – The requirements of this Section 7.2 shall apply to any distribution of a participant's interest.

With respect to distributions under the plan made on or after January 1, 2005 for calendar years beginning on or after January 1, 2005, the plan will apply the minimum distribution requirements of IRC section 401(a)(9) as set forth in this Section 7.2. Distributions made prior to January 1, 2005 are subject to the provisions of the plan as in effect before this amendment and restatement of the plan.

- (b) **Time and Manner of Distribution**

- (1) **Required Beginning Date** – The entire interest of a participant must be distributed or begin to be distributed no later than the participant's required beginning date.
- (2) **Limits on Distribution Periods** – As of the first distribution calendar year, distributions, if not made in a single-sum, may only be made over one of the following periods (or a combination thereof):
 - (A) the life of the participant,
 - (B) the life of the participant and a designated beneficiary,
 - (C) a period certain not extending beyond the life expectancy of the participant, or
 - (D) a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary.
- (3) **Death of Participant Before Distributions Begin** – If the participant dies before distributions begin, the participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

Township of Lower Merion Police Pension Fund

- (A) If the participant's surviving spouse is the participant's sole designated beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the participant died, or by December 31 of the calendar year in which the participant would have attained age 70½, if later.
- (B) If the participant's surviving spouse is not the participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the participant died.
- (C) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death or if a lump sum death benefit is otherwise payable, the participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.
- (D) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse begin, this Section 7.2(a)(3), other than Section 7.2(a)(3)(A), will apply as if the surviving spouse were the participant if this plan otherwise provides for the payment of a death benefit.

For purposes of this Section 7.2(a)(3) and Section 7.2(d), distributions are considered to begin on the participant's required beginning date (or, if Section 7.2(a)(3)(D) applies, the date distributions are required to begin to the surviving spouse under Section 7.2(a)(3)(A)). If annuity payments irrevocably commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 7.2(a)(3)(A)), the date distributions are considered to begin is the date distributions actually commence.

- (4) **Forms of Distribution** – Unless the participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Section 7.2(b), (c), and (d). If the participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of IRC section 401(a)(9) and Regulation section 1.401(a)(9)-6.

(c) **Determination of Amount to Be Distributed Each Year**

- (1) **General Annuity Requirements** – If the participant's interest is to be paid in the form of annuity distributions under the plan, payments under the annuity shall satisfy the following requirements:
 - (A) The annuity distribution must be paid in periodic payments made at intervals not longer than one year;
 - (B) The distribution period must be over a life (or lives) or over a period certain not longer than the period described in Section 7.2(c) or (d);
 - (C) Once payments have begun over a period certain, the period certain may only be changed as permitted under Regulation section 1.401(a)(9)-6, A-13;
 - (D) Payments must either be nonincreasing or increase only as follows:
 - (i) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;
 - (ii) to provide cash refunds of employee contributions upon the participant's death;
 - (iii) to pay increased benefits that result from a plan amendment; or
 - (iv) to the extent increases are permitted in accordance with Regulation section 1.401(a)(9)-6, A-14(c) or (d).
- (2) **Amount Required to be Distributed by Required Beginning Date** – The amount that must be distributed on or before the participant's required beginning date (or, if the participant dies before distributions begin, the date distributions are required to begin under Section 7.2(a)(1) or (3)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the participant's benefit accruals as of the last day of the first distribution

Township of Lower Merion Police Pension Fund

calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the participant's required beginning date.

In the case of a lump sum distribution of the participant's accrued benefit on or before the participant's required beginning date, the minimum required distribution shall be determined by expressing the participant's benefit as a pension payable in the normal form of payment with an annuity starting date as of the first day of the distribution calendar year and multiplying the monthly benefit by 12. If the distribution is being made before the April 1 required beginning date but in such year, both the first and second years required minimum distribution shall be determined and shall not be eligible for rollover.

- (3) **Additional Accruals After First Distribution Calendar Year** – Any additional benefits accruing to the participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.
- (d) **Requirements For Annuity Distributions That Commence During Participant's Lifetime** – The participant's interest cannot be distributed in the form of a joint and survivor annuity under the terms of this plan. Further, no death benefit can be paid in the form of a period certain annuity.
- (e) **Requirements For Minimum Distributions Where Participant Dies Before Date Distributions Begin**
 - (1) **Participant Survived by Designated Beneficiary** – If the participant dies before the date distribution of his or her interest begins and there is a designated beneficiary, the participant's entire interest will be distributed, beginning no later than the time described in Section 7.2(a)(3)(A) or (B), over the life of the designated beneficiary or over a period certain not exceeding:
 - (A) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the participant's death; or
 - (B) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.
 - (2) **No Designated Beneficiary** – If the participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's death, distribution of the participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the participant's death.
 - (3) **Death of Surviving Spouse Before Distributions to Surviving Spouse Begin** – If the participant dies before the date distribution of his or her interest begins, the participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 7.3(d) will apply as if the surviving spouse were the participant, except that the time by which distributions must begin will be determined without regard to Section 7.3(a)(3)(A).
- (f) **Definitions (IRC Section 401(a)(9) Requirements)**
 - (1) **Designated Beneficiary** – The individual who is designated as the beneficiary under the plan and is the designated beneficiary under IRC section 401(a)(9) and Regulation section 1.401(a)(9)-4.
 - (2) **Distribution Calendar Year** – A calendar year for which a minimum distribution is required. For distributions beginning before the participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the participant's required beginning date. For distributions beginning after the participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 7.2(a)(3).
 - (3) **Life Expectancy** – Life expectancy as computed by use of the Single Life Table in Regulation section 1.401(a)(9)-9.
 - (4) **Required Beginning Date** – The required beginning date of a participant is the later of: (i) the first day of April of the calendar year following the calendar year in which the participant attains age 70½ and (ii) the first day of April of the calendar year following the calendar year in which the participant retires.

Township of Lower Merion Police Pension Fund

ARTICLE VIII – ADMINISTRATION OF THE PLAN

Section 8.1 – Fiduciary Responsibility

- (a) **Management and Control of Plan Assets** – The governing body of the employer shall designate the persons responsible for the management and control of plan assets. Such persons shall discharge their duties with respect to the plan in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the applicable provisions of the Internal Revenue Code.
- (b) A fiduciary of this plan is required to exercise the judgment and care under the circumstances then prevailing that men of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.
- (c) **Allocation of Responsibility**
 - (1) When the plan administrator is required to follow the directions of the trustee or the trustee is required to follow the directions of the plan administrator, they shall not be deemed to share such responsibility. Instead, the responsibility of the person giving the directions shall be deemed to be his sole responsibility and the responsibility of the person receiving directions shall be to follow those directions insofar as such instructions on their face are proper under applicable law.
 - (2) The plan administrator or trustee under this plan may employ one or more persons, including independent accountants, attorneys, and actuaries to render advice with regard to any responsibility such person has under the plan.
- (d) **Liability and Indemnification** – Subject to Act 205, no past, present, or future officer of the employer nor of any participating employer shall be personally liable to any participant, beneficiary, or other person under any provision of the plan or trust or any insurance policy or contract issue pursuant thereto. No individual fiduciary shall be liable for any act or omission of any other fiduciary. Unless resulting from the gross negligence, willful misconduct or lack of good faith on the part of the fiduciary, the employer shall indemnify and save harmless such fiduciary from, against, for and in respect of any and all damages, losses, obligations, liabilities, liens, deficiencies, costs, and expenses, including without limitation, reasonable attorney's fees and other costs and expenses incident to any suit, action, investigation, claim or proceedings suffered in connection with his acting as a fiduciary under the plan.

Section 8.2 – Administration by Board of Trustees

- (a) **Establishment of a Board of Trustees** – The governing body of the employer shall establish a Board of Trustees to be responsible for the administration of the plan in accordance with the Deed of Trust.
 - (1) **Composition of the Board of Trustees** - The Board of Trustees shall be comprised of five (5) individuals, Three trustees (the "Board Trustees") shall be appointed by the Board of Commissioners. Initially, one (1) Board Trustee shall be appointed to serve for one (1) year, one (1) for two (2) years, and one (1) for three (3) years. Thereafter, each Board Trustee shall be appointed for a three (3) year term. The fourth Trustee shall be the Township Manager, who shall serve ex-officio with all rights and duties of a Trustee. The fifth Trustee (the "Fraternal Order of Police Trustee") shall be an active Fraternal Order of Police (F.O.P.) bargaining member to be appointed annually by the Lower Merion Township F.O.P. The Fund shall be managed and administered under an appropriate Deed of Trust prepared by the Township Solicitor and approved by the Board of Commissioners.
 - (2) **Plan Administrator** - The Board of Commissioners shall appoint a Plan Administrator to handle the day-to-day operation of the Plan, including the expenditure of the Plan's funds for the benefit of its participants, as set forth below. The Plan Administrator shall be the Township Manager, who may serve through a designee, unless the Board of Commissioners shall appoint another individual or entity.
 - (3) **Minutes of Meetings** - The Plan Administrator or designee shall keep minutes of the Board of Trustees' proceedings and all dates, records, and documents pertaining to the Trustees' administration of the Fund.
 - (4) **Errors and Omissions** - No Trustee shall be liable for any act or omission of any other Trustee, nor for any act or omission on their own part excepting only their own willful misconduct or gross negligence. The Township shall indemnify and save harmless claims or liabilities, including legal

Township of Lower Merion Police Pension Fund

fees, arising from acting as a Trustee, excepting only expenses and liability arising out of the Trustee's own willful misconduct or gross negligence. Trustees shall serve without bond.

- (5) **Conflict of Interest** - No Trustee shall vote on any matter directly related to the payment of benefits to the Trustee.
- (6) **Majority Voting** - The action of the Trustees shall be determined by the vote or other affirmative expression of a majority of its Trustees. All actions of the Trustees shall be certified and attested to by the Plan Administrator.
- (7) **Required Meetings** - The Trustees shall meet at least semi-annually and at other times at the call of the Trustees.
- (8) **Powers and Duties of the Trustees** - The Trustees shall have the following powers and duties:
 - (A) To hold, invest, reinvest and administer the Fund in accordance with an appropriate agreement of trust approved by the Board of Commissioners. The custodial trust agreement may permit Investment Managers approved by the Board of Trustees to manage and operate the Fund and to receive, hold, invest, and disperse any sum or sums as may be necessary to carry out the Plan, and all other applicable statutes, ordinances, and regulations.
 - (B) To employ, retain, and compensate money managers and investment consultants as it may deem necessary to carry out its duties hereunder and to pay them from the Plan.
 - (C) To provide guidance to any Investment Managers of the Fund for the investment of all monies deposited in such Fund, and the reinvestment of all earnings of the Fund; to direct the Investment Managers to make an annual determination of the fair market value of the Fund as of December 31st of each year and as of such additional dates as the Plan Administrator may direct.
 - (D) To designate a Fund custodian for the depository of all Fund assets.
 - (E) To deposit into the Fund all contributions required under applicable law and in accordance with the advice, counsel, and direction of the Township's Actuary.
 - (F) To correct any defect or supply any omission or reconcile any inconsistency in such a manner and to such extent as the Trustees shall deem expedient to implement the Plan.
 - (G) To expend funds as properly required by the Plan Administrator for the benefit of the Plan's participants.
- (9) **Determination of Evidence** - The determinations by the Trustees shall be made based upon the submission of such evidence as the Trustees shall require.
- (10) **Determinations are Final and Binding** – Except as otherwise provided by applicable law, the determination of the Trustees in each case shall be final and conclusive and entitled to deference by any third party unless such determination is arbitrary and capricious.
- (11) **No Amendments** - Notwithstanding anything herein, the Trustees shall not have the power to amend the terms of the Plan or take any action that would directly or indirectly increase the Township's funding obligation under the Plan other than in the normal course of determining benefits under the Plan.
- (12) **Powers and Duties of the Plan Administrator** - The Plan Administrator shall have the following powers and duties:
 - (A) To employ, retain, and compensate, upon approval of the Board of Commissioners, accountants, auditors, attorneys, and actuaries, as it may deem necessary to carry out its duties hereunder and to be paid from the Plan.
 - (B) To make all decisions pertinent to the Plan regarding pension payments to any applicant or Participant, or Refunds of Participant Contributions Accounts to any person who may be entitled to the same under the Plan; however, such payments shall be wholly contingent upon the sufficiency of the Fund for such purposes. Neither the Plan Administrator nor the Board of Trustees in any way guarantees the sufficiency of the Fund to make such payments nor assumes any liability for the insufficiency thereof.

Township of Lower Merion Police Pension Fund

- (C) To make all decisions in accordance with the terms of the Plan including, but not limited to the following:
- (1) To determine all questions relating to the eligibility of Employees to become Participants in the Plan.
 - (2) To compute and certify the amount and kind of benefits payable to Participants.
 - (3) To make and publish such rules and regulations for the administration of the Plan as are not inconsistent with the terms of the agreement of trust or applicable law.
- (D) The Plan Administrator shall make available to any Participant or beneficiary for examination during regular business hours any Plan records that pertain to the Participant or beneficiary.
- (E) The Plan Administrator shall fulfill the duties of the Chief Administrative Officer of the Plan as provided in the Municipal Pension Plan Funding Standard and Recovery Act, 53 P.S. Section 895.101, et seq. including the following:
- (1) To certify and submit the financial requirements of the pension plan and the minimum obligation of the Township with respect to the pension plan, with appropriate documenting detail, to the Board of Commissioners on or before the last business day in September, annually.
 - (2) To supervise and direct the preparation biennially of an actuarial valuation report, to sign the same indicating that, to the extent of the understanding and knowledge of the Plan Administrator, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic conditions of the pension plan, and to file the report with the Public Employee Retirement Study Commission.
 - (3) To take whatever steps are deemed necessary to ensure that the information contained in the actuarial valuation report is made available to active members or benefit recipients of the pension plan.

Section 8.3 – Claims Procedure

- (a) **Notification** – The chief administrative officer shall notify each participant in writing of his determination of benefits. If the chief administrative officer denies any benefit, such written denial shall include:
- The specific reasons for denial;
 - Reference to provisions on which the denial is based;
 - A description of and reason for any additional information needed to process the claim; and
 - An explanation of the claims procedure.
- (b) **Appeal** – The participant or his duly authorized representative may:
- Request a review of the participant's case in writing to the employer;
 - Review pertinent documents;
 - Submit issues and comments in writing.

The written request for review must be submitted no later than 60 days after receiving written notification of denial of benefits.

- (c) **Review** – The Board of Trustees must render a decision no later than 60 days after receiving the written request for review, unless circumstances make it impossible to do so; but in no event shall the decision be rendered later than 120 days after the request for review is received.

Section 8.4 – Actuarial Valuation and Funding

- (a) **Township Actuary** - The Township Actuary is a person who has at least five (5) years of actuarial experience with public pension plans, and who is either enrolled as a member of the American Academy of Actuaries or enrolled as an actuary pursuant to the Employee Retirement Income Security Act of 1974.
- (b) **Employment of Township Actuary** - The Board of Commissioners shall, from time to time, employ the Township Actuary at a compensation to be determined by the Board of Commissioners. In selecting the Township Actuary, the Township Manager shall make a recommendation to the Board of Commissioners.

Township of Lower Merion Police Pension Fund

- (c) **Duties of Actuary** - The Township Actuary employed by the Board of Commissioners shall provide the following services on behalf of the Plan:
- (1) Prepare all required actuarial studies, in accordance with all applicable laws, including, but not limited to, Act 205.
 - (2) Assist in determining the Plan's annual Minimum Municipal Obligation as described in Section 302 of Act 205 and the amount which the Township shall contribute to the Fund for each Plan Year.
 - (3) Such other reasonable and necessary actuarial services as the Board of Trustees and/or Plan Administrator/Township Manager shall direct.
- (d) **Actuarial Valuation** – In compliance with Act 205, the actuarial valuation report shall be prepared and filed under the supervision of the Chief Administrative Officer of the municipality or of the association of municipalities cooperating pursuant to the Intergovernmental Cooperation Act and named as the sponsoring employer of this plan. The actuary shall perform an actuarial valuation at least biennially. Each biennial actuarial valuation report shall be made as of the beginning of such plan year and shall be prepared and certified by an approved actuary. An approved actuary means a person who has at least five years of actuarial experience with public pension plans and who is either enrolled as a member of the American Academy of Actuaries or enrolled as an actuary pursuant to ERISA.
- If the employer is applying or has applied for Supplemental State Assistance pursuant to Section 603 of the Act, the actuarial valuation report shall be made annually.
- (e) **Allowable Administrative Expenses** – The expenses attributable to the preparation of any actuarial valuation report or investigation required by Act 205 or any other expense that is permissible under the terms of Act 205 and that are directly associated with administering the plan shall be an allowable administrative expense payable from the assets of the trust.
- (f) **Benefit Modifications** – Prior to the adoption of any benefit plan modification by the employer, the chief administrative officer shall provide to the employer a cost estimate of the proposed benefit plan modification prepared by an approved actuary. Such estimate shall disclose to the employer the impact of the proposed benefit plan modification on the future financial requirements of the plan and the future minimum obligation of the employer with respect to the plan.

ARTICLE IX – AMENDMENT AND TERMINATION OF PLAN

Section 9.1 – Right to Discontinue and Amend

It is the expectation of the employer that it will continue this plan indefinitely and make the payments of its contributions hereunder, unless permitted to terminate under the provisions of Act 600.

Section 9.2 – Amendments

Except as herein limited, the employer shall have the right to amend this plan at any time to any extent that it may deem advisable. Such amendment shall be stated in writing and shall be by ordinance or resolution of the governing body of the employer. The employer's right to amend the plan shall be limited as follows:

- (a) No amendment shall be adopted in violation of the employer's contractual or statutory obligations.
- (b) No amendments shall have the effect of vesting in the employer any interest in or control over any contracts issued pursuant hereto or any other property in the fund.
- (c) No amendment to the vesting schedule adopted by the employer hereunder shall deprive a participant of his vested portion of his employer-derived accrued benefit to the date of such amendment.

Section 9.3 – Protection of Benefits in Case of Plan Merger

In the event of a merger or consolidation with, or transfer of assets or liabilities to any other plan, each participant will receive a benefit immediately after such merger, consolidation or transfer (if the plan then terminated) that is at least equal to the benefit the participant was entitled to immediately before such merger, consolidation or transfer (if the plan had terminated).

Section 9.4 – Termination of Plan

- (a) **When Plan Terminates** – This plan shall terminate upon the legal dissolution of the employer or the termination of the plan by the amendment action of the employer. Subject to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, Act 205 of 1984) governing

Township of Lower Merion Police Pension Fund

financially distressed municipalities, the liability of the employer to make contributions to the plan shall automatically terminate upon liquidation or dissolution of the employer, upon its adjudication as a bankrupt, or upon the making of a general assignment for the benefit of its creditors.

(b) **Allocation of Assets** – Upon termination or partial termination, the accrued benefit of each affected participant who is an active participant or who is not an active participant but has not incurred a one-year break in service shall be 100% vested and nonforfeitable; however, no participant or other individual shall have recourse towards the satisfaction of any benefit accrued under the plan other than from the fund. The amount of the fund assets shall be allocated to participants and beneficiaries subject to provisions for expenses of administration of liquidation. The allocation of assets shall be in accordance with the following (to the extent assets are sufficient).

(1) There shall be allocated an amount equal to that portion of each individual's accrued benefit that is derived from the participant's voluntary contributions.

(2) There shall be allocated an amount equal to that portion of each individual's accrued benefit that is derived from the participant's mandatory contributions.

(3) (A) There shall be allocated amounts sufficient to provide the pension of each participant or beneficiary who was receiving such a benefit three years before the date of termination.

(B) There shall likewise be allocated amounts sufficient to provide the normal form of pension for each participant who was eligible to retire three years before the date of termination but had not done so.

In both cases, the benefits shall be based upon the plan provisions in effect during the five years before the date of termination under which such benefits would be the least.

(4) There shall be allocated amounts sufficient to provide all vested benefits due participants.

(5) There shall be allocated amounts sufficient to provide all other benefits of the plan.

If assets are insufficient to provide all benefits within any one of the above paragraphs (1) through (5), they shall be allocated pro rata among the participants or beneficiaries within that paragraph on the basis of the present value of such benefits.

The allocation of assets, when determined by the actuary, may be implemented through the continuation of the existing fund or through the purchase of insurance company annuity contracts, or by a combination of these media.

(c) **Remaining Fund Balance** – Notwithstanding any provision in this plan to the contrary, upon the termination of the plan, but only after all liabilities to the participants and their respective beneficiaries have been satisfied, the employer shall be entitled to any balance of the net assets of the fund that shall remain by reason of erroneous actuarial computations or overpayments during the life of the plan.

ARTICLE X – MISCELLANEOUS PROVISIONS

Section 10.1 – Exclusive Benefit – Non-Reversion

The plan is created for the exclusive benefit of the employees of the employer and shall be interpreted in a manner consistent with its being a qualified plan as defined in IRC section 401(a). The corpus or income of the trust may not be diverted to or used for other than the exclusive benefit of the participants or their beneficiaries.

Notwithstanding the above, any contribution made by the employer because of a mistake of fact must be returned to the employer within one year of the contribution. Further, a reversion to the employer is permissible upon plan termination in accordance with Section 9.4(c).

Section 10.2 – Inalienability of Benefits

No benefit or interest available hereunder including any annuity contract distributed herefrom shall be subject to assignment or alienation, either voluntarily or involuntarily. The preceding sentence shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a participant pursuant to a domestic relations order, unless such order is determined to be an acceptable domestic relations order as defined in IRC section 414(p), or any domestic relations order entered before January 1, 1985.

Township of Lower Merion Police Pension Fund

Section 10.3 – Employer-Employee Relationship

This plan is not to be construed as creating or changing any contract of employment between the employer and its employees, and the employer retains the right to deal with its employees in the same manner as though this plan had not been created.

Section 10.4 – Binding Agreement

This plan shall be binding on the heirs, executors, administrators, successors and assigns as such terms may be applicable to any or all parties hereto, and on any participants, present or future.

Section 10.5 – Inconsistency or Conflict of Prior Ordinances or Resolutions

Any ordinance or resolution with an effective date prior to the adoption date of this amendment and restatement of the plan shall be of no effect.

Section 10.6 – Separability

If any provision of this plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof and this plan shall be construed and enforced as if such provision had not been included.

Section 10.7 – Construction

The plan shall be construed in accordance with the laws of the Commonwealth of Pennsylvania and with the applicable portions of the Internal Revenue Code. It is intended that the plan comply with the interpretations of P.L. 1804, as amended (53 P.S. 767) (Act 600), issued by the judicial and regulatory bodies of the Commonwealth of Pennsylvania.

Section 10.8 – Copies of Plan

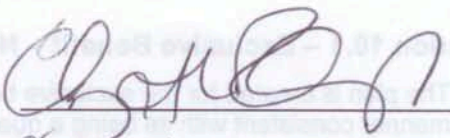
This plan may be executed in any number of counterparts, each of which shall be deemed as an original, and said counterparts shall constitute but one and the same instrument that may be sufficiently evidenced by any one counterpart.

Section 10.9 – Interpretation

Wherever appropriate, words used in this plan in the singular may include the plural or the plural may be read as singular, and the masculine may include the feminine.

IN WITNESS WHEREOF, the Employer has caused this Plan to be executed this 19th day of June, 2013.

Lower Merion Township

By: 
Title: President, Lower Merion Township
Board of Commissioners