

The Pennsylvania Municipalities Pension Trust is pleased to offer a new type of pension plan to meet the needs of our member townships. PSATS, in partnership with Summit Financial Corporation and Nationwide Trust, will begin offering a 401(a) defined contribution plan in January of 2017.

What is a 401(a) Defined Contribution Plan?

A 401(a) plan is a money purchase plan that allows contributions by the employer. The employer will determine who is eligible, the vesting schedule and who is responsible for making the investment options. Contributions by the employer can be a percentage of pay or a flat annual dollar amount. The value of the account is based on the contributions made by the employer and the investment earnings.

Who Can Participate?

The employer will determine who is eligible to participate in the plan. To be eligible for state aid reimbursement, an employee must work a minimum of 35 hours per week. For new plans, the township must fund the plan for three full calendar years before the plan is eligible to receive state aid.

Can the Employee also Contribute to the Plan?

Yes, an employee may make contributions to a 457(b) Deferred Compensation plan. The two plans will work together to build toward a more secure retirement.

What are the Advantages?

- Employer can choose to control investment of plan assets
- Employer contribution levels are more predictable and make the budgeting process easier
- Employees can more easily determine their benefit at any given time
- Participant assets can be transferred to another qualified plan without tax upon termination of employment
- Participants can be allowed to have control of investments to meet individual goals
- Account balance and learning tools available 24/7 on-line
- Participant reports will be mailed quarterly

How much does it cost to join each plan?

Townships will be charged the following fees for participation:

1. Trust Administration Costs (based on participating employees only):
 - **Townships with less than 5 employees:**
 - Electronic transfer (ACH): \$200 per year
 - Payment by Check : \$300 per year
 - **Townships with 5 – 10 employees:**
 - Electronic transfer (ACH): \$250 per year
 - Payment by Check : \$400 per year
 - **Townships with more than 10 employees:**
 - Electronic transfer (ACH): \$350 per year
 - Payment by Check : \$500 per year
2. Other Costs:
 - **PSATS Trustee administration cost (asset based):** 40 bpts or .4% (\$400 for every \$100,000 of plan assets)
 - **Summit Financial cost** for plan design consulting, fiduciary responsibility, investment selection and monitoring, educational meetings, plan documents, administration, coordinated service with PSATS Trustees, etc. : 35 bpts or .35% (\$350 for every \$100,000)
 - **Nationwide Trust cost** for recordkeeping, web site, benefit payments, tax reporting, benefit statements, township /sponsor website, accounting, compliance and reporting: 27 bpts or .27%
3. Mutual Fund Expenses (varies by type of fund selected)

How do I enroll in the 401(a) Plan?

This type of plan is governed by Act 44 of 2009, which states that a pension administrator is a professional service provider. A municipality's first step in the procurement of a pension administrator is the preparation of a Request for Proposal (RFP). Contact Stephanie Dobson at the PSATS Trustees Insurance Fund for an RFP template. You may reach her by email at sdobson@psats.org or by calling (800) 382-1268.