

**Sec. 48. Funding Requirements; Contributions; Definitions.**

- (1) A participating municipality or court may adopt the Defined Contribution Plan for new hires only where the participating municipality or court, and the affected division, is not less than 50% actuarially funded as of the most recent annual actuarial valuation. The municipality or court may make additional contributions to the Retirement System or reallocate assets among Defined Benefit Plan coverage classifications in order to meet the conditions of this subsection. The municipality or court shall comply with the Retirement Board's Amended Amortization Policy for Closed Divisions Within Open Municipalities.
  
- (2) In the Resolution Adopting the Defined Contribution Plan, the municipality or court shall provide for the contribution of a percentage or amount of the participant's compensation to the Retirement System. Specific contribution amounts shall be specified in the Adoption Agreement for each plan year. The municipality or court shall choose the percentage or amount from the available contribution programs. The contribution programs available for selection are any percentage or amount of compensation allowed by federal law. The municipality or court shall choose the same contribution rate or plan for all participants in the same benefit program coverage classification. The Retirement System shall determine the timing and mechanism for the remittance of employer contributions. The Retirement Board may establish a program for making transfers from the reserve for employer contributions and benefit payments to the reserve for defined contribution plan for the purpose of meeting all or a part of the municipality's or court's contribution under this subsection. Contributions shall be contributed to the Trust in accordance with the payment schedule set forth in the Adoption Agreement. If so elected by the employer in the Adoption Agreement, a participant shall be required to make contributions as provided in subsection (5) and in the Adoption Agreement in order to be eligible for employer contributions to be made on his/her behalf.
  
- (3) To the extent required under 415(c) of the IRC, in no event shall the Annual Addition for a participant for any plan year exceed the lesser of:
  - (a) Forty Thousand Dollars (\$40,000) (as increased by the cost-of-living in accordance with IRC 415(d)); or
  
  - (b) One hundred percent (100%) of the compensation of such participant received from an employer during the plan year. The compensation limit described in this paragraph (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of IRC 401(h) or IRC 419A(f)(2)) which is otherwise treated as an Annual Addition.

The defined contribution plan shall be administered so as to comply with the limitations of IRC 415. Notwithstanding anything in this subsection, the contributions on behalf of any participant shall be reduced to the extent necessary to comply with such limitations.

If, as of any allocation date, the Annual Additions allocated to any participant's account exceed the limitations of IRC section 415, the excess Annual Additions will be corrected as permitted under the Employee Plans Compliance Resolutions System (or similar IRS correction program).

- (4) For purposes of this Article, the following definitions apply:
- (a) Annual Addition means the sum of the following amounts credited to a participant's account for the Limitation Year:
    - (i) Employer contributions;
    - (ii) Forfeitures;
    - (iii) Employee contributions; and
    - (iv) Allocations under a simplified employee pension.

Amounts allocated, after March 31, 1984, to an individual medical account, as defined in section 415(l)(2) of the IRC, which is part of a pension or annuity plan maintained by the employer, are treated as Annual Additions to a defined contribution plan.

- (b) Limitation Year means a calendar year, or the 12 consecutive month period elected by the employer in the Adoption Agreement.