

**Manhattan Beach
Police Association**

**Retiree Medical Reimbursement
Plan and Trust**

*Amended and Restated
January 1, 2000*

Contents

1. *Introduction*
2. *Eligibility & Participation*
3. *Benefits Payments*
4. *Financing Benefits*
5. *Board of Trustees*
6. *Powers & Duties of Board*
7. *Investment of Funds*
8. *Amendment/Termination*
9. *General Provisions*
10. *Definitions*
11. *Execution*

Appendix

- A *Vesting*
- B *Maximum Monthly
Reimbursement Amount*
- C *Claim Submission*
- D *Historical Adjustments*
- E *Trust By-Laws*

1. Introduction

1.1 Establishment of the Plan and Trust

Whereas, the Manhattan Beach Police Association (hereafter known as the MBPOA) has established, effective January 1, 1997, the Manhattan Beach Police Association Retiree Medical Reimbursement Plan and Trust (the “**Trust**”) for the purpose of funding retiree medical care for certain eligible **Plan Members** of the Manhattan Beach Police Association; and

Whereas, **Board of Trustees** (the “**Board**”), desires to make certain amendments to the **Trust** and the **Trust** reserves to the **Board** the right to amend the **Trust** by majority vote;

Now, therefore, the **Trust** is hereby amended and restated in its entirety effective January 1, 2000. The provisions of the **Trust**, as in effect on December 31, 1999, are hereby incorporated by reference to the extent not amended by this restated **Trust**.

1.2 Purpose of the Trust

The purpose of this **Trust** is to pay a portion or all of the **Eligible Expenses** of certain retired **Plan Members, Surviving Spouses** and **Surviving Dependents** of the MBPOA on or after January 1, 1997. It is the intent of the **Board** to pay **Eligible Expenses** from the earnings of the **Trust** and that the principal of the **Trust** not be used unless needed or as required by law or by the Internal Revenue Code.

*In general, here’s how the plan works: MBPOA **Plan Members** (and their eligible **Dependents**) who make sufficient contributions to become “vested” will, upon retirement, be eligible for reimbursement for a portion of their **Eligible Expense**. The level of reimbursement is based upon the **Plan Member’s** level of vesting, age, marital status and the annual maximum declared by the **Board**.*

1.3 Organization of the Trust Document

The **Trust** is divided into the following sections:

1. Introduction

2. Eligibility and Participation. Describes who is eligible to participate in the plan and when.

3. Benefits Payments. Describes the levels of possible benefits and how they apply to **Plan Members**.

4. Financing Benefits. Explains how contributions work and role of the **Board** in setting reimbursements.

5. Board of Trustees. Describes (together with **Appendix E**) who serves on the **Board** and how.

6. Powers and Duties of Board. Details exactly what the **Board** may do and their responsibilities.

7. Investment of Trust Funds. Describes investment policy, decisions and **Board** powers.

8. Amendment or Termination. Explains process for handling funds upon plan termination.

9. General Provisions. Describes various rules concerning plan operation and benefit disputes.

10. Definitions. Defines important terms used throughout the plan. These appear in bold wherever used.

11. Execution. Location for **Board** to indicate approval for this amendment and restatement of the **Trust**.

Appendix A – C. Explains by examples the process for determining and requesting payments.

Appendix D. Provides a historical record of yearly contribution and maximum adjustments.

1.4 Trust Irrevocable

The **Trust** shall be irrevocable (although it may be terminated or amended per Section 8) and no part of its corpus or income shall ever revert to or inure to the benefit of the MBPOA or the City of Manhattan Beach, except for the return of mistaken contributions as provided below.

Contributions received by mistake of fact may be returned, within one year after payment of the contribution, upon approval by the **Board**.

2. Eligibility and Participation

2.1 Eligibility and Participation

An **Eligible Employee** of the City of Manhattan Beach Police Department as provided in Section 10 shall become a **Plan Member** upon enrollment in the **Trust**, but not before January 1, 1997. Participation in the **Trust** is voluntary for members of the MBPOA as of December 31, 1996 ("Pre 1997 MBPOA members"). All **Eligible Employees** hired on or after January 1, 1997, will automatically become **Plan Members**. All **Plan Members**, except those who have achieved a 100% **Vested Percentage**, must contribute an amount at least equal to the Minimum Payroll Contribution currently in effect.

If a "Pre 1997 MBPOA member" elects to join the **Trust** at a future date, after electing not to participate at the inception of the **Trust**, he/she will be allowed to participate only after meeting the following conditions: 1) he/she will be required to make **Trust** contributions at or above the minimum rate then in effect for new hires and 2) he/she will pay a flat penalty equal to \$50 per month from January 1, 1997 to the date of entry into the **Trust**. He/she will not receive **Vested Percentage** credit for payment of this penalty.

2.2 Reinstatement

A **Plan Member** may elect to stop contributions to the **Trust** after having first met the **Minimum Vesting Contribution** amount.

(a) A **Plan Member** electing to stop contributions may, any time prior to the date the **Plan Member**:

1. quits, resigns, retires, is discharged, dies, terminates or fails to return to work following either 1. the expiration of an approved leave of absence or 2. upon recall after layoff, or
2. notifies the **Board** of their termination of employment and/or MBPOA membership,

elect to rejoin the **Trust**. **Plan Members** electing such reinstatement must first pay a penalty equal to \$50.00 per month from the date contributions were stopped to the date of reinstatement. He/she will not receive **Vested Percentage** credit for payment of this penalty.

(b) For purposes of this reinstatement provision:

1. Absence for military service with the armed forces of the United States will not constitute termination of employment, provided that he/she returns to work with the City of Manhattan Beach within the time limits prescribed by law for reinstatement of employment rights. However, if he/she fails to return to work as described, his/her termination shall be deemed to have occurred on the first anniversary of the date of entry into military service.
2. A **Plan Member** who fails to return to work from authorized paid or unpaid leave of absence shall be deemed terminated on the scheduled return date.

This right of reinstatement is limited to one time only.

2.3 Continued Participation

To maintain participation in the **Trust**, a **Plan Member** must remain employed by the City of Manhattan Beach Police Department and a member of the bargaining unit represented by the MBPOA. This is determined in accordance with reasonable and uniform standards and policies adopted by the **Board** which shall be consistently observed; provided, however, that:

(a) In the event an employee of the City of Manhattan Beach Police Department is promoted to a position not covered by the collective bargaining agreement, said employee may self-pay contributions to the

Trust on an after-tax basis in order to continue earning **Vested Percentage** credit, however, said employee must continue to be a member in good standing of the MBPOA by keeping dues current. (See Article ___, Sec. ___, MBPOA By-Laws). Any staff member precluded from paying dues by a law or ordinance may be an honorary member of the MBPOA and continue as a **Plan Member** in the **Trust**.

- (b) All current dues must be paid for the purpose of continuing membership in the MBPOA. The MBPOA will determine membership status and inform the **Trust** of any changes.
- (c) In the event a **Plan Member** is approved for an authorized leave of absence by the City of Manhattan Beach, said **Plan Member** will continue participation in the **Trust** during such leave of absence, Said **Plan Member** may, but is not required to, continue earning **Vested Percentage** credit by electing to make quarterly contributions to the **Trust** during such leave of absence consistent with procedures adopted by the **Board**.

Plan Members retiring prior to January 1, 2007, may choose to continue to make monthly contributions to increase their vesting credit, up to January 1, 2007. No MBPOA dues are required for continued membership. This option is allowed on a one-time only basis at the time of retirement for those who qualify. This provision expires December 31, 2006.

2.4 When Participation Ends

Except for benefits payable pursuant to Section 4, a **Plan Member's** coverage under the **Trust** shall end on:

- (a) the date of a **Plan Member's** death, or
- (b) the date the **Trust** is terminated

whichever occurs first.

2.5 Re-employment With the City of Manhattan Beach

Notwithstanding the foregoing, if a **Plan Member's** participation in the **Trust** ends on or after the January 1, 1997 and he/she is subsequently re-employed by the Manhattan Beach Police Department, he/she will become a **Plan Member** and receive full credit for his/her prior contributions for purposes of determining his/her **Vesting Percentage** under the Plan. Upon reentry, his/her **Vesting Percentage** will be determined by applying the **Minimum** and **Maximum Vesting Contribution** amounts for newly **Eligible Employees**.

3. Benefit Payments

3.1 Benefit Amount

The **Applicable Monthly Maximum Amount** will be determined annually by the **Board** as described in Section 4.2. A **Plan Member** shall receive up to his/her **Maximum Monthly Reimbursement Amount** for his **Eligible Expenses** incurred during the **Plan Year**. Although no more than the **Plan Member's Maximum Monthly Reimbursement Amount** shall be paid on a month-to-month basis, unused amounts shall be accumulated during the year and be available for reimbursement of **Eligible Expenses** not reimbursed earlier in the year. In no event shall:

- (a) total reimbursements for the **Plan Year** exceed the **Plan Member's Maximum Monthly Reimbursement Amount** multiplied by the number of months the **Plan Member** was eligible to claim payments during the year, and
- (b) unreimbursed **Eligible Expenses** be carried forward to the next **Plan Year** for payment.

Such reimbursement shall be made by the **Plan Administrator** only upon application by the **Plan Member**, which shall include satisfactory evidence of the **Plan Member's** payment of such **Eligible Expenses** within six (6) months of incurring such expense, and following the procedures outlined in Appendix D or under the insurance policy, if applicable.

3.2 No Duplication of Benefits

A **Plan Member, Spouse, Dependent, Surviving Spouse** or **Surviving Dependent** shall not receive benefits as set forth in subsection 3.1, above, during any period that he/she is covered by or eligible for another group medical plan, including coverage through the City of Manhattan Beach. Notwithstanding the foregoing, a **Plan Member** over age 65 shall be eligible to receive benefits if he/she is otherwise eligible.

3.3 Survivor's Benefit

The **Trust** provides a survivor's benefit for an eligible **Surviving Spouse** and/or **Surviving Dependent(s)** as follows:

(a) Plan Member Death Prior To Retirement

If a **Plan Member** had 1. achieved at least a 25% **Vested Percentage**, 2. been married for at least one year and/or had one or more **Dependents** and 3. dies before his/her **Retirement Date**, his/her **Surviving Spouse/Dependents** will be eligible for the benefit they would have been entitled to had the **Plan Member** retired. This benefit will become payable when the **Plan Member** would have become age 50 or 2007, whichever is later.

If a **Plan Member** had not achieved at least a 25% **Vested Percentage** at death, his/her contributions (only) will be returned to his/her **Surviving Spouse** (or **Surviving Dependent** if there is no **Surviving Spouse**). Instead of receiving a return of his/her contributions, his/her **Surviving Spouse** (but not **Surviving Dependent**) may elect to purchase at least a 25% **Vested Percentage** within 6 months of his/her death by paying the **Minimum Vesting Contribution** then in effect.

(b) Plan Member Death After Retirement

The **Plan Member's Surviving Spouse** and/or **Surviving Dependent(s)**, if any, will continue to be eligible to receive benefits.

3.4 Commencement of Benefits

No benefits are payable to a **Plan Member** until he/she reaches his/her **Retirement Date** as defined in Section 10. Upon his/her **Retirement Date**, he/she may begin receiving benefits, subject to other applicable **Trust** provisions.

No benefit will commence for any **Plan Member, Spouse, Dependent, Surviving Spouse** or **Surviving Dependent** under the **Trust** for a period of ten (10) years from January 1, 1997, unless a "Pre 1997 MBPOA member" reaches age 65 prior to January 1, 2007.

3.5 Payment of Claims

No **Trust** benefit shall be paid unless a **Plan Member** has first submitted a written claim form to the **Plan Administrator** at the following address: Manhattan Beach Police Association Medical Reimbursement Plan and **Trust**, 420 15th Street, Manhattan Beach, CA 90266.

Upon receipt of a properly documented claim, as outlined in Appendix C or the applicable insurance policy claim form, the **Plan Administrator** shall direct the payment of the benefit provided under this **Trust**, as soon as is administratively feasible. The **Plan Member** must also submit such evidence as the **Plan Administrator** shall reasonably require to substantiate the nature, the amount and the timeliness of any claim incurred for which **Trust** benefits are claimed. A **Plan Member, Surviving Spouse** or **Surviving Dependent** must submit a claim within the six month period, beginning with the date the service is rendered (or death of the **Plan Member**, if applicable).

3.6 Procedure if Benefits Are Denied

Any **Plan Member, Surviving Spouse, Surviving Dependent** or duly authorized representative of a **Plan Member** may file a claim for a benefit to which the claimant believes that he/she is entitled and in accordance to subsection 3.5. Within ninety (90) days from the receipt of such claim, the **Plan Administrator** shall send to the claimant notice of the grant or denial, in whole or part, of such claim, unless special circumstances require an extension of time for processing the claim. In no event may the extension exceed ninety (90) days from the end of the initial period. If the notice of the denial of a claim is not furnished in accordance with this section, the claim shall be paid.

The **Plan Administrator** shall provide, to every claimant who is denied a claim for benefits, written notice setting forth in a manner calculated to be understood by the claimant:

- (a) the specific reason or reasons for denial;
- (b) specific reference to pertinent **Trust** provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim, and an explanation of why such material is necessary; and
- (d) an explanation of the **Trust's** claim review procedure.

Within sixty (60) days after the receipt by the claimant of written notification of the denial, in whole or in part, of his claim, the claimant or his duly authorized representative, upon application to the **Plan Administrator**, in person or by certified mail, may request a review of such denial. The claimant may review pertinent documents and may submit issues and comments in writing. Final resolution of disputed claims will be determined by the **Board**.

4. Financing Benefits

4.1 Contributions to the Trust Fund

The City of Manhattan Beach and/or the MBPOA may, pursuant to a collective bargaining agreement, deliver periodic payments to the **Board** that are contributed on behalf of eligible **Plan Members** under the **Trust** to the **Trust Fund** in accordance with the funding policy determined by the **Board**. The funding policy may be changed by the **Board** as appropriate. The **Board** shall be accountable for all delivered contributions. The MBPOA and **Plan Members** may also make periodic contributions. All contributions become assets of the **Trust** and all assets may only be distributed in accordance with the provisions of the **Trust** and as permitted by the Internal Revenue Code.

4.2 Determination of Applicable Monthly Maximum Amounts

The **Applicable Monthly Maximum Amounts** will be determined by the **Board** based on the contribution by the City of Manhattan Beach, if any, and investment returns of the **Trust** and other factors. The **Applicable Monthly Maximum Amounts** will be announced prior to the change of cost of medical insurance by the City for the coming year, but the amount and announcement of the amount may be changed at any time at the sole discretion of the **Board**.

4.3 Liability of the Trust

Except as herein expressly provided, neither the City of Manhattan Beach nor the **Trust Fund** shall, in any manner, be liable for, or subject to, the debts, contracts or liabilities of the MBPOA, any **Plan Member** or current or future **Plan Member** or beneficiary of the **Trust**.

Benefits are payable solely from the **Trust Fund**, and shall be deferred or only paid in part if at any time the **Trust Fund** is inadequate to pay all its current liabilities.

Neither the City of Manhattan Beach or the MBPOA shall, in any manner, be liable for or subject to the debts, contracts or liabilities of the **Trust Fund**, any current or future **Plan Member** of the **Trust Fund**.

4.4 Payments From the Trust Fund

Payments shall be made from the **Trust Fund** by the **Plan Administrator** in accordance with the policies and procedures approved by the **Board**. Unless the **Trust** shall, for any reason, fail to be granted or maintain qualified status under Internal Revenue Code Section 501 (c) (9), it shall be impossible at any time for any part of the principal or income of the **Trust Fund** to be used for, or diverted to, purposes other than providing benefits to the **Plan Members** and their beneficiaries, or for payment of taxes or administration expenses as provided hereunder.

5. Board of Trustees

5.1 Establishment of the Board of Trustees

The **Trust Fund** shall be administered by the **Board of Trustees**, which shall consist of five (5) individual **Trustees**, collectively elected by the MBPOA membership. Each person elected as a **Trustee** shall be a **Plan Member** in good standing of the MBPOA. Each **Trustee** shall serve a term of two (2) years on the **Board**; except for the initial election, which will elect three **Trustees** for a three (3) year term and two **Trustees** for a two (2) year term. Each **Trustee** shall serve the designated term, or until death, incapacity, resignation or removal, whichever comes first. Any active **Trustee** who retires from employment with the City of Manhattan Beach during his tenure as **Trustee** may continue to serve out his term. Elections shall be conducted according to the procedures provided for in the By-Laws of the **Trust** contained in Appendix F. No more than one current **Plan Member** of the MBPOA Board of Directors may serve on the **Board** at any one time.

5.2 Acceptance of Office

The MBPOA expressly designates the **Trustees** of the **Board** as **Fiduciaries** who shall have exclusive authority and discretion to control and manage the operation and administration of the **Trust**. Each **Trustee** accepts designation as a **Fiduciary** and a **Trustee** by the written acceptance and signature of this document, and assumes the duties, responsibilities and obligations of the **Board** as created and established hereunder and under applicable law. Any **Trustee** named hereafter shall do likewise by signing this document, or a form thereof, approved and filed with the **Board**.

5.3 Resignation or Removal

Plan Members of the MBPOA may, by majority vote, remove a **Trustee** with the recommendation of the majority of the **Board**. The **Trustee** shall be notified in writing of such action. A **Trustee** may resign from the **Board** by giving 30 days written notice of the intended action to the **Board**. A vacancy on the **Board** shall not impair the power of the **Board** acting to administer the plan and **Trust** as provided herein.

Upon removal or resignation of a **Trustee**, a successor shall be appointed by the **Board** to fill the remaining term. The successor **Trustee** shall have the same rights, duties, powers and immunities as the predecessor **Trustee** being succeeded. Any resigning or removed **Trustee** shall execute all documents, and do all acts necessary, to vest the rights, duties and powers in the successor **Trustee**.

In the event a **Trustee** is appointed to fill a vacancy caused by the resignation or removal of a **Trustee**, the successor **Trustee** shall serve the remaining portion of the term as specified in subsection 5.1.

In the event of the temporary absence or inability to act of any of the **Trustees**, an alternate **Trustee** empowered to act in such **Trustee's** place may be designated by the **Board**. Such alternate **Trustee** shall have the same duties, powers and responsibilities as the designated **Trustee**.

A resigning or removed **Trustee** shall, within five (5) days, forward to the **Board** any and all records, documents, moneys and other items belonging to the **Trust Fund** which were received by such **Trustee** in his capacity as a **Plan Member** of the **Board**.

5.4 Trustee Expenses

The **Trustees** of the **Board** shall be reimbursed by the **Trust Fund** for all pre-approved, reasonable expenses incurred in connection with the performance of their official duties as **Trustees**, and authorized by the **Board**.

5.5 Meetings and Manner of Voting

The **Board** shall select a chairperson to run the meetings and may select other officers if it is deemed advisable. The **Board** shall determine the time and place of its meetings and may establish a regular meeting schedule, but shall meet no less than four times per year. The chairperson shall give written notice of the meetings to each **Trustee** at least 10 days prior to the scheduled meeting. Additional meetings may be scheduled, as needed, when proper notice and disclosure is made.

Any action taken by the **Board** shall be by majority vote of the total number of **Trustees** in attendance at a meeting in which a quorum is present, with abstentions deemed not to be votes. A quorum exists if there are four (4) **Trustees** present at a duly called meeting of the **Board**. A **Trustee** must be present in order to cast a vote and no proxy may be substituted. All meetings shall be conducted pursuant to Robert's Rules of Order (Amended). All minutes and other required documents shall be posted for review by the **Plan Members**.

6. Powers and Duties of Board

6.1 Powers of the Board of Trustees

The **Board** shall have exclusive authority to control and manage the operation and administration of the **Trust**. The **Board** is the named **Fiduciary** of the **Trust** and is the **Plan Administrator** of the **Trust**. The powers granted to the **Board** herein are in addition to, and not in limitation of, all powers granted to the **Trustees** by common law, statute, and other provisions of the **Trust** agreement are exercisable from time to time, and are not powers to be considered exhausted by their exercise on one or more occasions, and are exercisable in the sole discretion of the **Trustees**. Unless specifically limited by law or by this **Trust**, the **Board** shall have the power to act in the best interest of the **Trust**, **Plan Member**, **Surviving Spouse** or **Surviving Dependent**, and to exercise any or all of the following powers:

- (a) To invest and reinvest (or encumber) funds of the **Trust** in any investments as set forth in Section 7 and as permitted by law.
- (b) To maintain or exercise delinquency controls and to enforce the payment of contributions to the **Trust** by the City of Manhattan Beach under the applicable collective bargaining agreement by legal action in the name of the **Board**, or the name of the **Trust** or by any other appropriate means.
- (c) To sue or to be sued on behalf of the **Trust** and to be the only necessary parties, plaintiff or defendant, in any such action.
- (d) To accept, compromise, arbitrate or otherwise settle any obligation, liability or claim involving this **Trust**, including any claim asserted for taxes under present or future law. The **Board** may also enforce or contest any such obligation, liability or claim by appropriate legal proceedings, but it shall not be obliged to do so unless, in its judgment, it is in the best interests of the **Trust** to do so.
- (e) To receive contributions from the City of Manhattan Beach, the MBPOA and certain qualified **Plan Members**, at the discretion of the **Board**, to deposit such moneys in a bank, savings and loan or other financial institution, subject to the supervision of appropriate state or federal authorities.
- (f) To provide for the administration of the **Trust** by delegating administrative functions to the **Plan Administrator**, who may be an independent contractor with his own office and staff, or, alternatively, the **Board** may engage the services of an administrator and delegate any of the functions the **Board** may deem proper. The **Plan Administrator** shall be a **Fiduciary** and shall have duties specified in a written agreement with the **Trust**.
- (g) To employ (or terminate) one or more persons to assist the **Board** in administering the **Trust**, to provide collection and payment of services, to render investment or administrative advice, or to perform such other **Fiduciary** functions as the **Board** considers advisable. All such engagements involving delegation of **Fiduciary** duties shall be pursuant to a written contract between the consultants and the **Board**, which contract shall constitute acceptance by the consultant to be bound by, and subject to, the **Fiduciary** obligations of the **Trust** and which contract shall clearly set forth the responsibilities delegated to, and accepted by, the consultant. Investment of the **Trust Fund** may be by segregated funds under different investment management.
- (h) To delegate to a state or national banking or savings and loan association, an investment firm or association, an investment consultant, or to an insurance company, as **Fiduciary**, as provided in Section 7.2, the duty of managing the funds and assets of the **Trust**, including the duties of collection and payment, investments and reinvestments, in such manner and to the extent considered desirable by the **Board** and permitted under the terms of the **Trust** and under applicable law. The **Trustees** will invest using only commonly accepted investment strategies.

- (i) To enter into loans, excluding subordination and/or guarantee agreements, which, in the business judgment of the **Board**, are desirable to protect or enhance any investment in which the **Trust** holds an interest.
- (j) To purchase on behalf of the **Trust**, **Board** and **Fiduciaries**, errors and omissions policies to protect the funds of the **Trust**, as permitted in Section 6.7. To the extent permitted by law, to facilitate the purchase on behalf of the individual **Fiduciaries**, rider coverage on their individual behalf to protect against individual recourse.
- (k) To establish and maintain an office for the **Trust** which shall be staffed in such manner as the **Board** deems appropriate.
- (l) To enter into reciprocity agreements with the **Trustees** of other qualified **Trusts** upon terms mutually agreeable, actuarially sound and lawful.
- (m) To establish and to accumulate such reserve funds as the **Board** deems appropriate in accordance with the **Trust** and federal law and any lawful regulations issued thereunder.
- (n) To adopt uniform procedures, rules and regulations for the administration of the **Trust** which are consistent with the terms and intent of the **Trust**.
- (o) To establish and periodically review any wages and salaries of any employees of the **Trust**.
- (p) To interpret, construe and apply the provisions of this **Trust**, including motions, resolutions, administrative rules and regulations, contracts, instruments or writings that have been adopted or entered into on behalf of the **Trust**, and any such interpretation adopted by the **Board** shall be binding upon all **Plan Members**, **Surviving Spouses** and **Surviving Dependents**.
- (q) The **Board** shall make the final decision concerning the eligibility for benefits and the extent of benefits payable to **Plan Members**, which decision shall be binding on all persons to the fullest extent of the law. No action of the **Board** may be revised, changed or modified by any arbitrator, court or other entity unless the party seeking such action has exhausted all of its administrative remedies under the **Trust** and is able to show, by clear and convincing evidence, that the decision of the **Board** was arbitrary and capricious in considering the information available at the time of its decision.

6.2 Duties of Fiduciaries

In addition to any **Fiduciary** obligations which may be provided for elsewhere in this **Trust** or any obligations established by law, the **Fiduciaries** must perform as follows:

- (a) To maintain accurate and detailed records and accounts of all properties of the **Trust Fund** and all investments, receipts, disbursements and other transactions under the **Trust**.
- (b) To open to inspection and audit, at all reasonable times, all the accounts, books and records of the **Trust**, to any **Plan Member** or person designated by law to have access to such accounts, books and records.
- (c) To engage, annually, an independent, qualified certified public accountant, who shall conduct an examination of any financial statements of the **Trust**, required by law, and any financial statements considered necessary by such accountant.
- (d) To file with local, state and federal agencies, all reports required by law.
- (e) To manage the **Trust** solely in the interests of **Plan Members**, **Surviving Spouses** and **Surviving Dependents**, and for the exclusive purpose of providing benefits to **Plan Members**, **Surviving Spouses** and **Surviving Dependents**.

- (f) To discharge duties with the care, prudence and diligence that a prudent person, familiar with such matters and acting in a like capacity and under similar circumstances, would use in the conduct of a similar business.
- (g) To diversify the investments of the **Trust Fund** in order to minimize the risk of large losses, unless, under circumstances, it is clearly prudent not to do so.

6.3 Breach of Fiduciary Duty

A **Fiduciary** who while acting as, or serving as, a **Fiduciary**, breaches any of the responsibilities, obligations or duties imposed upon him by the **Trust** or by law, shall be personally liable to make good to the **Trust Fund** any losses resulting from such breach, and to restore to the **Trust Fund** any profits which may have been made through the use of the **Trust** assets. In addition, such **Fiduciary** shall be subject to other equitable or remedial relief as the court may deem appropriate, including his removal as a **Fiduciary** and reimbursement to the **Trust Fund** of attorney fees and costs incurred by the **Trust** as a result of such breach.

6.4 Restrictions Upon Actions

(a) A **Fiduciary** shall not:

1. Utilize the assets of the **Trust** in his or her own interest or for his or her own account.
2. In his or her individual or in any other capacity, act in a transaction involving the **Trust** on behalf of a party whose interests are adverse to the interests of the **Trust** or its participants.
3. Receive consideration for his or her own personal account from any party dealing with the **Trust** in connection with a transaction involving the assets of the **Trust**.
4. Maintain the indicia of ownership of **Trust** assets outside the jurisdiction of the District Court of the United States.

(b) Nothing in this section shall be interpreted to prohibit a **Fiduciary** from:

1. Receiving any benefits to which he or she may be entitled as a **Plan Member** or beneficiary of the **Trust**.
2. Serving as a **Fiduciary** in addition to being an officer, employee, agent or other representative of a party in interest.

6.5 Allocation of Fiduciary Responsibilities

Fiduciary responsibilities may be allocated or delegated as follows, so long as the allocation or delegation meets the **Fiduciary** standards set forth above and is evidenced by an appropriate resolution of the **Board**:

- (a) Any responsibility to manage or control **Trust** assets may be allocated only among the **Trustees** and any fund custodian, except insofar as such responsibility is delegated to an Investment Manager as provided hereafter.
- (b) Other responsibilities may be allocated or delegated to any person, but any **Plan Member** or beneficiary whose claim for benefits is denied shall have the right to have the denial ultimately reviewed by the **Board** itself.

6.6 Breach of Co-Fiduciary

(a) The **Fiduciaries** shall jointly manage and control the assets of the **Trust**, unless the **Trustees** specifically allocate responsibilities, obligations or duties among the **Fiduciaries**, and each **Fiduciary** shall use reasonable care to prevent a co-**Fiduciary** from committing a breach of a **Fiduciary** responsibility. A **Fiduciary** shall be liable for a breach of **Fiduciary** responsibility of another co-**Fiduciary** in the event:

1. He or she knowingly participates in, or undertakes to conceal, an act or omission of the co-**Fiduciary**, knowing such act or omission is a breach;
2. If, by his or her failure to discharge his or her duties prudently and in accordance with the obligations set forth in this **Trust**, he or she has enabled the co-**Fiduciary** to commit the breach; or
3. If he or she has knowledge of a breach by a co-**Fiduciary** and makes no reasonable effort, under the circumstances, to remedy such breach.

(b) In the event the responsibilities of the **Board** are allocated specifically to each of the **Trustees** or to other **Fiduciaries**, an individual **Fiduciary** shall not be liable for an act or omission of another **Fiduciary** in carrying out such responsibility, except to the extent that the appointing **Fiduciary** failed to use prudence or failed to consider the interests of the participants or beneficiaries (1) in the appointment of the **Fiduciary**; (2) in the allocation of the responsibility; (3) with respect to the establishment or implementation of the procedures under which the responsibilities were allocated; or (4) in continuing to prevent such allocation or designation.

(c) To the extent allowed by law, **Fiduciaries** are not to be liable with respect to a breach of a **Fiduciary** duty if such breach was committed before they became **Fiduciaries** or after they ceased to be **Fiduciaries**.

6.7 Fiduciary Insurance

Nothing in this Article shall preclude:

- (a) The **Trust** from purchasing insurance for its **Fiduciaries**, or for itself, to cover liabilities or losses occurring by reason of the act or omission of a **Fiduciary**, if such insurance permits recourse by the insured against the **Fiduciary** in the case of the breach of a **Fiduciary** obligation by such **Fiduciary**; or
- (b) A **Fiduciary** from purchasing insurance to cover liability under this part from or for his or her own account.

6.8 Persons Prohibited From Being Fiduciaries

No person who has been convicted of, or who has been imprisoned as a result of his or her conviction of, those crimes set forth in **ERISA** Section 411 shall be permitted to serve as an Administrator, **Fiduciary**, officer, **Trustee**, custodian, counsel, agent or employee of the **Trust**, or as a consultant to the **Trust**.

6.9 Payment of Benefits

Unless specifically provided by law, the **Board** shall not make any payments on behalf of, or distributions to, any person entitled to any benefits, except to the **Plan Member**, **Surviving Spouse** or **Surviving Dependent(s)** personally entitled thereto as provided in Section 3; provided, however, that if such person is considered by the **Board** to be incompetent, then any payment due may be paid to such person and in such manner as the **Board**, in their sole discretion, consider to be in the best interest of such person for whom the payment is made. The **Board** shall not be under any duty to see to the application of funds so paid, provided due care was exercised in the selection of the person to whom funds were paid, and the receipt of

the person to whom funds were paid shall be full acquittance to the **Board**. The **Board** shall not be liable to any person for a determination made in good faith that a **Plan Member, Surviving Spouse or Surviving Dependent** is incompetent.

7. Investment of Trust Funds

7.1 Investment Policies

The **Board** shall establish and carry out funding and investment policies and methods consistent with the objectives of the **Trust**. Every effort shall be made to protect the assets of the **Trust** and decisions made regarding investments shall reflect this philosophy.

7.2 Investment Decisions

The **Board** may itself invest and otherwise manage **Trust** assets or it may delegate all or some of these powers, including the power to acquire and dispose of assets to an “investment manager” that qualifies as such under **ERISA** and acknowledges in writing that it is a **Fiduciary** with respect to the **Trust**. The appointment, selection and retention of any investment managers shall be solely the responsibility of the **Board** and shall be revocable by it at any time.

The **Board** may also utilize the services of investment advisors, brokers, consultants, attorneys, administrators or other persons in making investment decisions.

7.3 General Investment Powers

The **Trust** assets, or any part thereof, may be invested in individual policies of life insurance, securities issued by the United States Government and/or state governments, in common or preferred stock, in corporate bonds, in other securities listed on any exchange or traded in any over-the-counter market (including shares of mutual investment companies in pooled investment portfolios), in notes, in short-term investment mutual funds or similar investment vehicles, in guaranteed investment contracts, in certificates of deposit of any bank, in commercial paper, in bankers’ acceptances or in any other properties in which this **Trust** may lawfully invest. If any assets are ever held in which this **Trust** may not properly invest, they shall be disposed of as promptly as is prudent under the circumstances.

7.4 Specific Investment Powers

The **Board** shall have all rights and powers with respect to investing the **Trust** property that an absolute owner would have, subject only to any written directions previously received from another **Fiduciary** authorized hereunder to give such directions.

These investment powers shall include, without limitation, the following powers in addition to those set forth elsewhere hereunder and other given by law:

- (a) To hold in cash in a non-interest bearing account such portion of the **Trust** assets as may be reasonably required for the day-to-day administration of the **Trust** and disbursement of benefits, by depositing the same in any financial institution such as a bank or savings and loan (including any bank acting as fund custodian hereunder) subject to the rules and regulations governing such deposits. Additional cash shall be placed in interest-bearing accounts and/or obligations (which may be with the **Trust** custodian) until such times as it is otherwise invested;
- (b) To participate in any plan of lease, merger, consolidation, exchange, foreclosure or reorganization affecting securities held hereunder at any time;
- (c) To deposit stocks under voting agreements;
- (d) To subscribe for stock or bond privileges;

- (e) To vote with respect to all securities or other assets in person, except that where an investment manager has been appointed and is acting, shareholder material with respect to assets under its supervision will be forwarded to it if it so requests;
- (f) To register securities in the name of a nominee, or to hold the same unregistered and in such form that they will pass by deliver;
- (g) To lease, repair, alter or improve real estate or other assets;
- (h) To sell any securities, real estate or other assets at public or private sale for such prices and upon such terms as it may deem proper, without liability on the part of the purchasers to see to the application of the purchase money;
- (i) To borrow money and to secure the repayment thereof by mortgage on real estate, pledge of securities or otherwise, without liability on the part of the lenders as to the application of the assets loaned;
- (j) To invest **Trust** assets collectively with funds of other Trusts in one or more of the investment funds for employee benefit Trusts established by a fund custodian or any other common or commingled fund now or hereafter maintained by any fund custodian as the same may be amended from time to time; and if any portion of the **Trust** is so invested, the declaration creating such funds shall be deemed to be incorporated into this **Trust** the same as if fully set forth here;
- (k) To lend stock certificates and other securities constituting part of the **Trust** assets to securities brokers and others; provided, that the terms and conditions of each such loan shall be established in accordance with, and shall comply with the applicable terms of this **Trust** and all applicable rules, regulations and laws governing the **Board** and this **Trust**.

8. Amendment or Termination

8.1 Amendment of the Trust

The **Board** may, by majority vote, amend the **Trust** from time to time in accordance with the Internal Revenue Code, except that no such amendment may permit the return or repayment to the City of Manhattan Beach of any property held or acquired by the **Board**, or the proceeds thereof, or result in or permit the distribution of any property for the benefit of anyone other than **Plan Members, Surviving Spouses** or **Surviving Dependents** except as allowed by applicable law.

8.2 Termination of the Trust

Subject to the applicable collective bargaining agreement between the City of Manhattan Beach and the MBPOA, the **Board** shall have the right to discontinue or to terminate this **Trust**, in whole or in part, only with the approval of the **Plan Members** of the MBPOA (determined by majority vote).

8.3 Distribution of Assets Upon Termination

In the event of termination of the **Trust**, the assets of the **Trust Fund** shall be distributed as follows:

- (a) First, to the payment of all reasonable and necessary expenses of managing and administering the **Trust**;
- (b) Second, to the payment of benefits to eligible **Plan Members, Surviving Spouses** or **Surviving Dependents** for benefits described under the **Trust**;
- (c) Third, to the payment of benefits described in Section 501 (c) (9) of the Internal Revenue Code to eligible **Plan Members** or designated beneficiaries of Manhattan Beach Police Association except that a disproportionate amount of benefits shall not be provided to officers or highly compensated **Plan Members** of the MBPOA.

Upon final distribution of the **Trust Fund**, the **Board** shall be relieved from all further liability for all amounts paid under this subsection 8.3.

8.4 Transfer of Assets To or From Another Trust

Notwithstanding anything above to the contrary, the **Board** may, if the **Trust** is wholly or partially terminated, transfer the **Trust** assets or any portion thereof to any other Trust or non-profit entity which provides similar benefits or may receive assets from any other Trust or non-profit entity which is wholly or partially terminated.

9. General Provisions

9.1 Nonalienation of Benefits

No **Plan Member**, **Surviving Spouse** or **Surviving Dependent** shall have the right to sell, transfer, assign, hypothecate or otherwise dispose of any right or interest under the **Trust** and the **Board** shall not recognize or be required to recognize any such sale, transfer, assignment, hypothecation or other disposition; and any right or interest under this **Trust** shall not be subject in any manner to voluntary transfer, or to transfer by operation of law or otherwise, and shall be exempt from the claims of creditors or other claimants and from all orders, decrees, garnishments, executions or other legal or equitable process or proceeding to the fullest extent permissible by law.

9.2 Applicable Law

The **Trust** and the performance thereunder shall be governed by and construed according to applicable federal law and, to the extent that federal law is not applicable, according to the laws of the State of California.

9.3 Severability

If any provision of this **Trust** is held illegal or invalid for any reason, this illegality or invalidity shall not affect the remaining parts of this **Trust**, but this instrument shall be construed and enforced as if the illegal and invalid provisions had never been inserted in this **Trust**.

9.4 Agent for Service of Legal Process

The **Board** shall be designated Agent for Service of Legal Process for all matters arising under the **Trust**.

9.5 Binding Effect

This **Trust** shall be binding upon all **Plan Members** or former **Plan Members** claiming to have an interest under the **Trust**, their heirs, executors, administrators, conservators and assigns, and upon the City of Manhattan Beach, the MBPOA, the **Board** and their respective successors and assigns.

9.6 Disputed Benefits

In the event of any dispute or question arising under this **Trust**, concerning the beneficiaries to whom benefits should be paid, whether any other payments should be made, or to whom any other assets of the **Trust** should be delivered, the **Trustees**, or any of them, may withhold such action until the dispute or question is determined under the appropriate provision of this **Trust**. The **Board** may, in the event of competing claims, in their discretion, deposit any sum claimed by two or more parties in escrow and notify the disputants of the willingness of the **Trust** to deliver the sum so deposited to whomever should establish the right to the sum through appropriate court action and, in such an event, the **Trustees** shall have no obligation to participate in any litigation between the disputants.

9.7 Governing Provisions

Each **Fiduciary** under the **Trust** shall discharge his or her duties solely in the interest of **Plan Members** and their **Spouses**, **Dependents** and beneficiaries and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of a like enterprise, of a like character and with like aims.

9.8 Applicable Agreements

The rights and duties of all parties (so far as they relate to this **Trust** and **Trust Fund**), including **Plan Members, Surviving Spouses** or **Surviving Dependents** and their beneficiaries and **Trustees**, shall be governed by the provisions of this **Trust** and the acts of the **Trustees**.

9.9 Agreement Binding on Successors and Assigns

This agreement shall be binding upon and inure to the benefit of the MBPOA or any successor to the MBPOA, and all **Plan Members, Surviving Spouses** or **Surviving Dependents** and beneficiaries, and any successors in interest or assigns.

9.10 Costs and Expense of Suits

The cost and expense of any suit or proceeding brought against the **Trust Fund** or against the **Trustees** or any of them (including reasonable attorneys' fees), in any matter arising out of or under this **Trust**, shall be paid from the **Trust Fund**; provided, however, that such expenses or fees shall not be payable for any proceeding brought against a **Fiduciary** or **Fiduciaries** on behalf of the **Trust Fund** to recover from a **Fiduciary** or **Fiduciaries** for damage or loss sustained on account of an alleged breach of **Fiduciary** duty of defendant **Fiduciary** or **Fiduciaries**.

In an action filed by the **Trust** or any or all of the **Trustees** against a current or former **Fiduciary**, the **Trust** shall not be obligated to pay to reimburse such current or former **Fiduciary** (being sued) for his or her attorneys' fees, costs and other expenses, unless ordered to do so by a court.

9.11 Interference With Rights Protected by Law

It shall be unlawful for any person to discharge, fine, suspend, discipline or discriminate against a **Plan Member, Surviving Spouse** or **Surviving Dependent** or a beneficiary for exercising any right to which he or she is entitled under the provisions of the **Trust**, federal or state law.

It shall be unlawful for any person to discharge, fine, suspend, expel or discriminate against any person because he or she has given information or has testified or is about to testify in any inquiry or proceeding relating federal or state law.

It shall be unlawful for any person through the use of fraud, force, violence or threat of the use of force or violence to restrain, coerce or intimidate any **Plan Member, Surviving Spouse** or **Surviving Dependent** or beneficiary for the purpose of interfering with or preventing the exercise of any right to which he or she is or may be entitled under the **Trust**, or federal or state law.

9.12 Titles and Heading Not to Control

The titles of titles, table of contents and headings of paragraphs in this **Trust** are placed herein only for convenience of reference, and in case of any conflict, the text of this **Trust** rather than such titles or headings shall control.

9.13 Waiver of Notice

Any notice required under this **Trust** may be waived by the person entitled thereto as long as such waiver is in accordance with any applicable federal or state law.

9.14 Standards of Interpretation

This **Trust** is designed and intended to comply with the standards set by **ERISA**, as amended, and construction of the **Trust** shall be consistent with the laws of the United States. The **Trustees** are vested

with the power to interpret this **Trust**, and their interpretation, if not in conflict with the plain meaning of this **Trust** and/or any applicable law or government regulation, shall be final and conclusive.

10. Definitions

10.1 Definitions

Whenever used in the **Trust**, the following terms shall have the respective meanings set forth below:

- (a) **Applicable Monthly Maximum Amount** means the amount(s) designated by the **Board** each **Plan Year** to be available to eligible retired **Plan Members, Spouses, Dependents, Surviving Spouses** and **Surviving Dependents** who have achieved a 100% **Vested Percentage**.
- (b) **Board** means the **Board of Trustees** which maintains and administers the **Trust** as described in Section 5, collectively appointed under the terms of the **Trust**.
- (c) **Dependent** means a natural or legally adopted child of a **Plan Member** who is a **Dependent** on the date of such **Plan Member's Retirement Date** and under the age of 18. The **Board** may require proof of dependency or age.
- (d) **Effective Date** means January 1, 2000.
- (e) **Eligible Employee** means 1. an employee of the City of Manhattan Beach Police Department who is a member of a bargaining unit represented by the MBPOA and/or the Manhattan Beach Police Management Association, and 2. an individual who was previously covered by the **Trust** while represented by the MBPOA who has promoted out of the bargaining unit and who has maintained his/her status as a member in good standing of the MBPOA.
- (f) **Eligible Expense** means payments made to purchase medical coverage or to reimburse qualified medical expenses or any similar medical benefit established by the **Board** and which benefit will be in compliance with IRC Sec. 501 (c) (9) made by the **Board** or by
 - 1. **Plan Members** and **Surviving Spouses/Dependents** for themselves, and
 - 2. **Plan Members** for their **Spouse** and/or **Dependents**.
- (g) **ERISA** means the Employee Retirement Security Act of 1994.
- (h) **Fiduciary** means the **Trustees** and all persons appointed or engaged by them who:
 - 1. Exercise any discretionary authority or discretionary control respecting the management or disposition of the **Trust Funds**;
 - 2. Render any investment advise to the **Trustees** for a fee or other compensation; or
 - 3. Exercise any discretionary authority or responsibility for administration.
- (i) **Maximum Monthly Reimbursement Amount** means the amount available to a retired **Plan Member** each month during the **Plan Year** determined by multiplying the **Plan Member's Vested Percentage** by the Applicable Monthly Maximum for the **Plan Year**.
- (j) **Maximum Vesting Contribution** means the aggregate accumulated amount a **Plan Member** must contribute to achieve a 100% **Vested Percentage**. Over time, the **Board** may increase this amount, but once reached by a **Plan Member**, no further contributions are required nor permitted.
- (k) **Minimum Payroll Contribution** means the minimum amount, as declared by the **Board**, required to be contributed to the **Trust** by all **Plan Members** except those who have achieved a 100% **Vested Percentage**. This was \$25.00 on January 1, 1997.

- (l) **Minimum Vesting Contribution** means the aggregate accumulated amount a **Plan Member** must contribute to achieve a 25% **Vested Percentage**. Over time, the **Board** may increase this amount, but once reached by a **Plan Member**, future increases may not reduce an **Plan Member's** then **Vested Percentage**.
- (m) **Plan Administrator** means the **Board** or their duly appointed agents.
- (n) **Plan Member** means an **Eligible Employee** who 1. becomes a participant in the **Trust** and 2. does not sever his/her participation prior to earning a 25% **Vested Percentage** in accordance with Sections 2 and 10.
- (o) **Plan Year** means each 12-month period beginning January 1 and ending the following December 31.
- (p) **Prior Plan and Trust** means the Manhattan Beach Police Association Retiree Medical Reimbursement Plan and Trust as in effect on December 31, 1999.
- (q) **Retirement Date** means the first day after a **Plan Member** 1. attains age 50, 2. achieves a **Vested Percentage** of 25% and 3. ceases to be an employee of the City of Manhattan Beach. If a **Plan Member** who has achieved a 25% **Vested Percentage** becomes disabled, as determined by the **Board**, prior to age 50 and can no longer work, he/she will qualify for benefits upon reaching age 50.
- (r) **Surviving Dependent** means a natural or legally adopted child of a **Plan Member** who was a **Dependent** on the date of such **Plan Member's** death and under the age of 18. The **Board** may require proof of dependency or age.
- (s) **Spouse** means the person to whom a **Plan Member** is legally married to on the date of such **Plan Member's Retirement Date** for a period of at least one year.
- (t) **Surviving Spouse** means the person to whom a **Plan Member** was legally married to on the date of such **Plan Member's** death for a period of at least one year.
- (u) **Trust** means the Manhattan Beach Police Association Retiree Medical Reimbursement Plan and Trust as described herein on the **Effective Date** and, where not superseded, the **Prior Plan and Trust** by reference hereto.
- (v) **Trust Fund** means all of the assets which are held by the **Board** for the purposes of this **Trust**.
- (w) **Trustee** means a **Plan Member** of the **Board** appointed/elected to act as **Trustees** of the assets of the **Trust** as provided in Section 5.
- (x) **Vested Percentage** means the percentage of **Applicable Monthly Maximum Amount** available to a **Plan Member** as follows:

The **Minimum Vesting Contribution** amount equaled \$5,950 when the **Trust** was first created and it equaled a 25% **Vested Percentage**. This amount will be periodically adjusted for inflation, as indicated above.

The **Maximum Vesting Contribution** amount equaled \$23,800 when the **Trust** was first created and it equaled a 100% **Vested Percentage**. This amount will be periodically adjusted for inflation, as indicated above.

The exact **Vested Percentage** of a **Plan Member** will be determined by interpolation between the **Minimum Vesting Contribution** and the **Maximum Vesting Contribution**. So for example, using the initial amounts above (\$5,950 and \$23,800), contributions of \$11,900 would achieve 50% **Vested**

Percentage. There is no interpolation below the then current **Minimum Vesting Contribution** – the **Vested Percentage** is 0% until 25% is achieved.

As the **Minimum Vesting Contribution** and the **Maximum Vesting Contribution** increase, the **Vested Percentage** will be calculated in layers. The percentage computed just before a change takes effect is frozen and added to the percentage computed using contributions made after the change and the new **Minimum Vesting Contribution** and **Maximum Vesting Contribution** amounts. Appendix A contains an example of how this procedure works.

The **Board of Trustees** will periodically adjust the **Minimum Vesting Contribution** and **Maximum Vesting Contribution** amounts for new employees, reentering **Plan Members**, and future contributions for current **Plan Members** who have not already achieved a 100% **Vested Percentage** in order to adjust for inflation.

10.2 Gender and Number

Except when otherwise indicated by the context, any masculine terminology herein shall also include the feminine, and the definition of any term herein in the singular shall also include the plural.

11. Execution

The Manhattan Beach Police Association Retiree Medical Reimbursement Plan and Trust, initially effective January 1, 1997, as amended and restated January 1, 2000 is hereby adopted by the **Board** as indicated below.

Executed this ____ day of _____, 2000.

Chairperson Date

Trustee Date

Trustee Date

Trustee Date

Trustee Date

Appendix A

Vesting

Example 1: A **Plan Member** who makes contributions to the **Trust** in the amount of \$11,900 (adjusted, if necessary by the **Board**) prior to retirement, will be vested at 50% of the Applicable Maximum Monthly Amount. This can be achieved by paying \$25 per pay period (adjusted, if necessary) for twenty years. \$25 per pay period (adjusted) is the minimum contribution.

Example 2: The minimum total contribution amount to vest is \$5950 (adjusted, if necessary), which will equal 25% of the Applicable Maximum Monthly Amount.

Example 3: A **Plan Member** that makes \$23,800 (adjusted, if necessary) in contributions to the **Trust**, will be fully vested at 100% of the Applicable Maximum Monthly Amount.

When the minimum and/or total contribution amount to vest is adjusted by the **Board**, your vested status will be computed in the future in stages. This way your vesting % will not be reduced by any new higher required contributions. But your future increases in vesting will be based on the new levels.

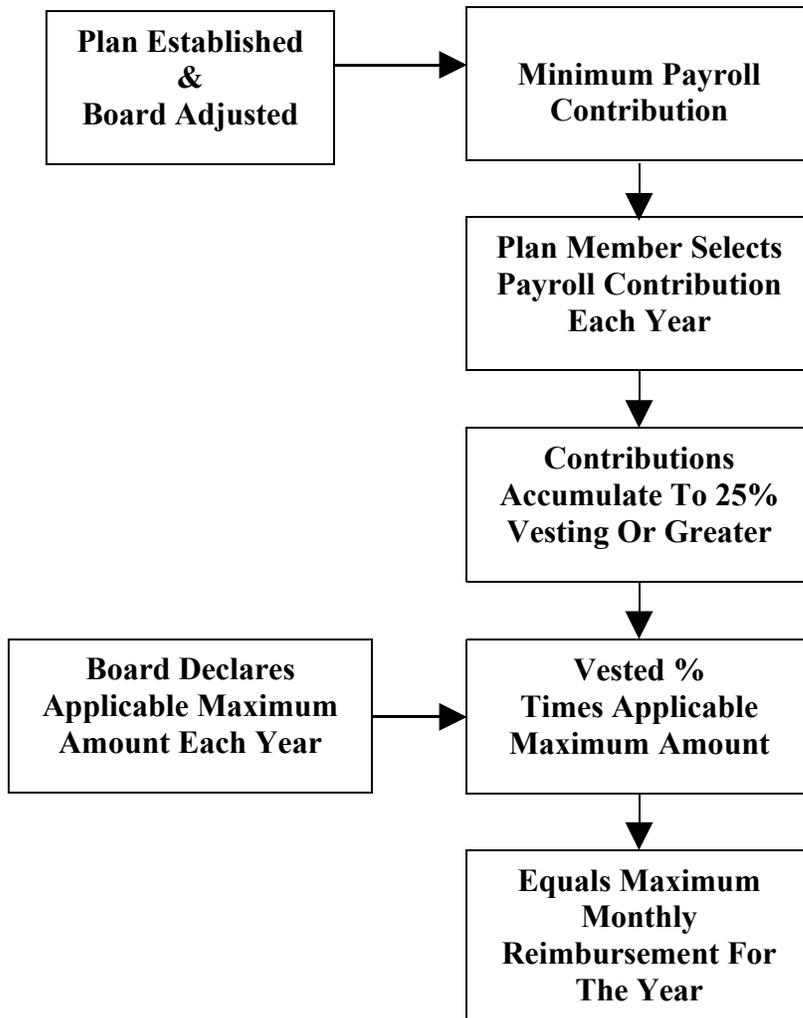
No benefits are vested until the **Plan Member** achieves a minimum of 25% vesting.

All contributions must be made prior to the **Plan Member's Retirement Date** (except as noted in Section 2). A **Plan Member** may not exceed 100% vesting.

Appendix B

Maximum Monthly Reimbursement Amount

The following schematic shows the steps to calculate an individual's **Maximum Monthly Reimbursement Amount**.



Appendix C

Claim Submission Procedure

To request reimbursement for **Eligible Expenses**, each **Plan Member**, **Surviving Spouse** or **Surviving Dependent** must complete a form which certifies that:

1. The **Plan Member** has been covered under a medical insurance policy or self-insured plan for the period covered by the request for premium reimbursement. This policy may be reviewed by the **Plan Administrator**.
2. All amounts received from the **Trust** have been and will be used solely for reimbursement of **Eligible Expenses**.
3. The amount spent on **Eligible Expenses** equals or exceeds the amount the **Plan Member**, **Surviving Spouse** or **Surviving Dependent** receives from the **Trust**.

Each **Plan Member**, **Surviving Spouse** or **Surviving Dependent** must also provide the **Trust** with the:

1. Name of the provider of insurance or plan sponsor.
2. Policy or group number.
3. Amount of contribution, payment or reimbursement paid each month.
4. Date and to whom payment was made.

Failure to return forms or provide information results in suspension of benefits until acceptable information is received.

Appendix D

Historical Adjustments

Each year the **Board** must declare the Minimum Payroll Contribution, 25% **Minimum Vesting Contribution** amount, 100% **Maximum Vesting Contribution** amount (with adjustments, if any) and the **Maximum Monthly Reimbursement Amounts** for each possible retired **Plan Member** category (under age 65 single amount, over age 65 single and 2 party amounts). Target **Maximum Monthly Reimbursement Amounts** are CalPERS PERSCare rates for 1 party under age 65 full coverage and 1 or 2 party over age 65 CalPERS rates for Medicare Supplement coverage.

From time to time, the **Board** must adopt a policy for making adjustments to any/all of these amounts, although no **Maximum Monthly Reimbursement Amounts** need be declared until the first claim for benefits is presented (most probably 2007).

The following chart will serve as a historical record of these annual decisions.

Calendar Year	Min. Payroll Contrib. 6/1	25% Vesting Amount	100% Max. Vesting Amount	CalPERS 2 Party Rate
1997	25.00	5,950	23,800	
1998				
2000				
2000				
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014				
2015				

Appendix E

Trust By-Laws

TO BE ADDED