

RESOLUTION NO. 381

**A RESOLUTION OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, ADOPTING
THE VANTAGECARE RETIREMENT HEALTH SAVINGS PROGRAM**

WHEREAS, the City has employees rendering valuable services; and;

WHEREAS, the establishment of a retiree health savings plan for such employees serves the interests of the City by enabling it to provide reasonable security regarding such employees' health needs during retirement, by providing increased flexibility in its personnel management system, and by assisting in the attraction and retention of competent personnel; and

WHEREAS, the Council has determined that the establishment of the retiree health savings plan (the Plan) serves the above objectives; NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE,
WASHINGTON, AS FOLLOWS:**

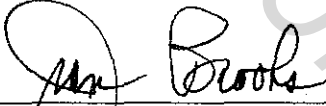
Section 1. Retirement Health Savings Plan Adopted. The City of University Place hereby adopts the Retirement Health Savings Plan in the form of the ICMA Retirement Corporation's VantageCare Retirement Health Savings program.

Section 2. Plan Assets Held In Trust. The Assets of the Plan shall be held in trust, with the Employer serving as trustee, for the exclusive benefit of Plan participants and their beneficiaries, and the assets of the Plan shall not be diverted to any other purpose prior to the satisfaction of all liabilities of the Plan. The City has executed the Declaration of Trust of the City of University Plan Integral Part Trust in the form of the model trust made available by the ICMA Retirement Corporation.

Section 3. City Manager Shall be Coordinator. The City Manager shall be the coordinator and the contact for the Plan and shall receive necessary report, notices, etc..

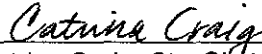
Section 4. Effective Date. This resolution shall take effect immediately upon its adoption.

ADOPTED BY THE CITY COUNCIL JANUARY 21, 2003.



Jean Brooks, Mayor

ATTEST:

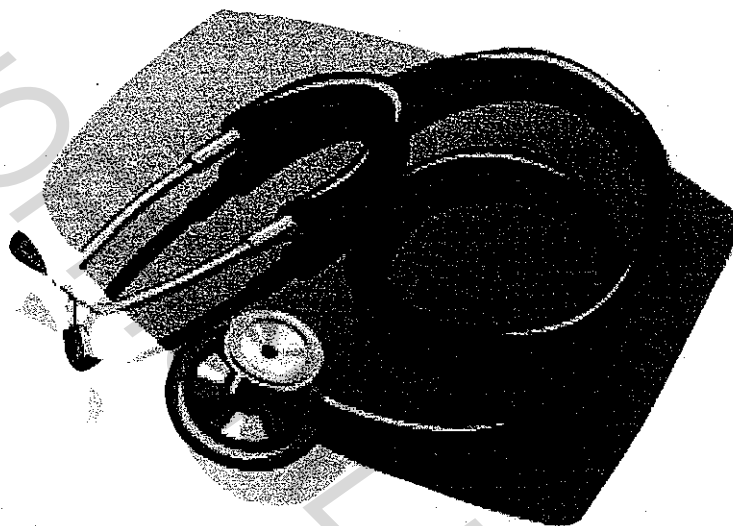


Catrina Craig, City Clerk

VANTAGECARE

RETIREMENT HEALTH SAVINGS PLAN

Return Booklet



This booklet contains the following documents:

- *Suggested Resolution for Adoption of the VantageCare Retirement Health Savings Plan*
- *Employer VantageCare Retirement Health Savings Plan Adoption Agreement*
- *VantageCare Retirement Health Savings Plan Implementation Data Form*
- *Administrative Services Agreement Addendum for the VantageCare Retirement Health Savings Plan*



ICMA RETIREMENT CORPORATION
The Public Sector Expert

USING THE VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN RETURN BOOKLET

This is one of two booklets containing information needed to establish your VantageCare Retirement Health Savings (RHS) Plan with the ICMA Retirement Corporation (ICMA-RC).

This booklet includes:

- Suggested Resolution for Adoption of the VantageCare Retirement Health Savings Plan
- Employer VantageCare Retirement Health Savings Plan Adoption Agreement
- VantageCare Retirement Health Savings Plan Implementation Data Form
- Administrative Services Agreement Addendum for the RHS Plan prepared for employers expecting to adopt the Plan

Please return the following to ICMA-RC using the envelope provided:

1. A copy of the approved and executed **Suggested Resolution** (if required).

Your governing body may require the execution of a Resolution to adopt the RHS Plan. If so, you may use this model Resolution. Please execute the Resolution and return a copy to ICMA-RC along with the other forms in this Return Booklet.

If a Resolution is not required, please inform your VantageCare Retirement Health Savings Plan New Business Analyst at 1-800-326-7272.

2. The **original** completed **RHS Adoption Agreement**.

Detailed instructions for completion of the Adoption Agreement follow. You may wish to consult with your ICMA-RC Retirement Plan Specialist and your benefits counsel on the various choices in the Adoption Agreement.

If your governing body requires the execution of this Adoption Agreement at the same time as the Suggested Resolution, please execute it prior to returning it to ICMA-RC along with the other forms in this Return Booklet.

3. The **original** completed **RHS Implementation Data Form**.

This form provides ICMA-RC with the necessary contact information in order to set up your new VantageCare Retirement Health Savings Plan.

4. Two executed **originals** of the **Administrative Services Agreement Addendum**.

Please execute both copies of the Administrative Services Agreement Addendum and return them to ICMA-RC along with the other forms in this Return Booklet.

Please note

Upon receipt and processing of your *Return Booklet*, ICMA-RC will send you a written Notice of Plan Acceptance, an executed copy of the Administrative Services Agreement Addendum, employee enrollment kits including an employee RHS announcement letter, and complete instructions for submitting contributions that may also be found in Chapter Three of the *VantageCare Retirement Health Savings Plan Employer Manual*.

For assistance

Please contact the VantageCare Retirement Health Savings Plan New Business Analyst at 1-800-326-7272.

Please note that the information in this booklet and the documents herein take into account only the federal tax rules related to ICMA-RC's VantageCare Retirement Health Savings Plan. Prior to implementing an RHS plan, the employer is responsible for determining that there are no state or local laws that would prohibit it from offering the plan to its employees. The employer must also determine that the options it selects in the VantageCare Retirement Health Savings Plan Adoption Agreement fall within state/local requirements.

**SUGGESTED RESOLUTION FOR ADOPTION OF THE
VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PROGRAM**

Name of Employer: _____

State: _____

Resolution of the above-named Employer (the "Employer"):

WHEREAS, the Employer has employees rendering valuable services; and

WHEREAS, the establishment of a retiree health savings plan for such employees serves the interests of the Employer by enabling it to provide reasonable security regarding such employees' health needs during retirement, by providing increased flexibility in its personnel management system, and by assisting in the attraction and retention of competent personnel; and

WHEREAS, the Employer has determined that the establishment of the retiree health savings plan (the "Plan") serves the above objectives;

NOW, THEREFORE BE IT RESOLVED, that the Employer hereby adopts the Plan in the form of the ICMA Retirement Corporation's VantageCare Retirement Health Savings program.

BE IT FURTHER RESOLVED that the assets of the Plan shall be held in trust, with the Employer serving as trustee, for the exclusive benefit of Plan participants and their beneficiaries, and the assets of the Plan shall not be diverted to any other purpose prior to the satisfaction of all liabilities of the Plan. The Employer has executed the Declaration of Trust of the _____ (name of Employer) Integral Part Trust in the form of: (Select one)

- ☐ The model trust made available by the ICMA Retirement Corporation
- ☐ The trust provided by the Employer (executed copy attached hereto).

BE IT FURTHER RESOLVED, that the _____ (use title of Employer's official, not name) shall be the coordinator and contact for the Plan and shall receive necessary reports, notices, etc.

I, _____, Clerk of the (City, County, etc.) of _____, do hereby certify that the foregoing resolution, proposed by (Council Member, Trustee, etc.) _____, was duly passed and adopted in the (Council, Board, etc.) _____ of the (City, County, etc.) of _____ at a regular meeting thereof assembled this _____ day of _____, 20____, by the following vote:

AYES:
NAYS:
ABSENT:

(Seal)

Clerk of the (City, County, etc.)

Please see attached resolution

Instructions For Completing The Employer VantageCare Retirement Health Savings Plan Adoption Agreement

The Employer VantageCare Retirement Health Savings (RHS) Plan Adoption Agreement specifies the details of how your RHS Plan will operate. For example, the adoption agreement details employee eligibility requirements, sources of contributions, the level of contributions, vesting provisions (if any), the types of benefits that will be funded by the RHS Trust, and procedures to be followed in case of the death of the employee. The following instructions outline how the adoption agreement should be completed. Any questions regarding the adoption agreement can be directed to your ICMA-RC Retirement Plan Specialist. You may also wish to consult with your benefits counsel.

I. Employer Name - Enter the official name of the employer sponsoring the RHS Plan (e.g. City of Anytown, State).

III. Effective Date of the Plan - Enter the date your RHS Plan will become effective. - 5/4/11

IV. Welfare Plan - Enter the name(s) of the employee welfare benefit plan(s) that will be funded through the RHS Plan. If you do not already have a retiree welfare plan in place, a sample plan is provided in the VantageCare Retirement Health Savings Plan Retain Booklet.

Your welfare plan document(s) identifies the underlying benefits available to the retiree such as medical, dental and long-term care coverage. It can be a simple document, but it must be in writing in order for your employees to enjoy tax-free treatment of the benefits they receive.

V. Eligible Groups and Participant Eligibility Requirements

A. Eligible Groups: This section is used to designate the employee group(s) that are covered under your RHS Plan. If you intend to provide different benefits to different groups of employees, you should establish distinct RHS Plans and complete a separate adoption agreement for each group.

Please note that if your RHS Plan covers non-collectively bargained employees, AND if it provides for reimbursement of any medical expenses other than insurance premiums, the welfare plan nondiscrimination rules will apply. More information regarding these rules is available in the *VantageCare Retirement Health Savings Plan Questions And Answers For Employers* and the *VantageCare Retirement Health Savings Plan Employer Manual*.

The coverage group specified in your adoption agreement must correspond to a group of the same designation that is defined in the statutes, ordinances, rules, regulations, personnel manuals or other material in effect in your state or locality.

Irrevocable Election to Participate: Unless you check this box, all employees in the eligibility group(s) you designate must participate in the RHS program.

If you desire, you may allow your employees to make a one-time irrevocable election to participate in the RHS program by checking the Irrevocable Election box. Employees in the designated eligibility group(s) will be allowed to elect to participate in the program on an irrevocable basis.

For newly eligible employees, you may allow an election window of no more than 60 days from the date of initial eligibility during which they may make the election to participate. Participation may begin no earlier than the calendar month following the end of the election window. If the employee does not make the election in the year of initial eligibility, the election to participate may be made in a later year. You may provide an annual election window of no more than 60 days during which these employees may make their elections. Participation may not begin until the following calendar year for employees that wait until a later year to make their participation election. In either case, the election may not be revoked.

Employees that do not elect to participate in RHS will not be eligible to receive direct employer contributions or to make employee contributions (mandatory or elective).

If you do not check this box, all employees in the covered group (current employees and future hires) will be required to participate in the RHS program.

Note that the RHS plan upon which the VantageCare RHS IRS private letter ruling was based did not include elective employee participation (see shaded portion of the Adoption Agreement). However, ICMA-RC has obtained the opinion of counsel that this feature should be allowed as long as the requirements outlined in the RHS Declaration of Trust and this Adoption Agreement are met. You may wish to discuss this feature with your own benefits counsel. Any questions regarding this feature of the RHS program can be directed to your ICMA-RC Retirement Plan Specialist.

B. Participant Eligibility: If desired, you may specify a minimum period of service (e.g. 6 months) and/or minimum age (e.g. age 21) requirement.

VI. Contribution Sources and Amounts - This section outlines the amount and types of contributions to your RHS Plan.

A. Direct Employer Contributions and Mandatory Employee Contributions

You, as the employer, may choose to make

- ✓ direct employer contributions of a specific amount or percentage of earnings (as defined by you in this section),
- ✓ mandatory contributions of accumulated unused leave,
- ✓ mandatory contributions of employee compensation, or
- ✓ a combination of the above.

Your selection is made in Section VI.A. of the Adoption Agreement. Use Section VI.A.1. to define your direct employer contribution formula. Use Sections VI.A.2. and 3. to define your mandatory accrued leave or compensation contribution requirements.

Direct employer contributions

Direct employer contributions can be made as either a specific dollar amount or a percentage of earnings.

Please note that this definition of earnings is referred to in other sections of the Adoption Agreement. You may need to complete the definition of earnings even if you do not choose to make direct employer contributions.

Mandatory contributions of employee compensation and accumulated leave

Mandatory contributions can be used as a way to share responsibility for funding your retirement health plan with your employees. Mandatory compensation contributions may take the form of either a reduction in salary (e.g., 1% of compensation is contributed to the Trust) or a decrease in the annual pay plan or merit increase (e.g., 1% of a 3% pay plan adjustment is contributed to the Trust). The employer can establish an unused leave or compensation contribution formula that best fits the needs of its covered employees. For example, the employer might require all accumulated leave in excess of a certain number of hours to be contributed to the RHS Plan on an annual basis. For mandatory contributions of both compensation and leave, no FICA or income tax are payable at the time of contribution, and, if used for medical expenses, no FICA or income tax are payable at distribution.

Mandatory contributions of employee compensation or accrued leave are established by the employer – employees may not choose whether or not to make these contributions and they may not revise the contribution amount.

Note that direct employer contributions made as a percentage of earnings, mandatory contributions of employee compensation that are made as a percentage of earnings, as well as mandatory contributions of accumulated leave, may be subject to nondiscrimination testing. See the discussion in the *VantageCare Retirement Health Savings Plan Questions And Answers For Employers* and the *VantageCare Retirement Health Savings Plan Employer Manual*, or contact your benefits counsel.

B. Employee Elective Contributions

In addition, you may also choose to allow your employees

- ✓ to elect to make voluntary after-tax contributions,
- ✓ to make a one-time irrevocable election of the amount of their compensation that will be contributed on an ongoing basis to your RHS Plan as an employer contribution,
- ✓ to make a one-time irrevocable election of the amount of their accrued leave that will be contributed (generally at retirement) to your RHS Plan as an employer contribution,
- ✓ to make an annual, irrevocable election to have all or a portion of their leave accruing in the next calendar year contributed to your RHS Plan as an employer contribution, or
- ✓ a combination of the above.

If you desire to allow after-tax contributions or irrevocable employee elections described above, complete Section VI.B. See immediately below for additional information regarding each of these contribution types.

Note that the RHS plan upon which the VantageCare RHS IRS private letter ruling was based did not include elective employee contributions (see shaded portion of the Adoption Agreement). However, ICMA-RC has obtained the opinion of counsel that these features should be allowed as long as the requirements outlined in the RHS Declaration of Trust and this Adoption Agreement are met. You may wish to discuss these features with your own benefits counsel. Any questions regarding these features of the RHS program can be directed to your ICMA-RC Retirement Plan Specialist.

Note that elective employee contributions (with the exception of voluntary after-tax contributions and contributions of a fixed dollar amount of compensation made pursuant to an irrevocable election) may be subject to nondiscrimination testing. See the discussion in the *VantageCare Retirement Health Savings Plan Questions And Answers For Employers* and the *VantageCare Retirement Health Savings Plan Employer Manual*, or contact your benefits counsel.

Voluntary After-Tax Contributions

If you choose, your employees may elect to make voluntary after-tax contributions to their RHS accounts. In order to protect the tax-exempt status of your RHS Trust, aggregate employee after-tax contributions are limited to no more than 25% of total contributions to your RHS plan. You may specify a lower limit, and/or enforce the limit at the employee level if you wish.

After-tax contributions are subject to FICA (if applicable) and income tax. To allow your employees to make voluntary after-tax contributions, complete Section VI.B.1.

Your employees may modify their after-tax contribution election at any time by completing the *VantageCare RHS Plan Employee After-Tax Contribution Election Form*.

Irrevocable Election to Contribute Compensation or Accrued Leave

Your RHS Plan can provide a way to shelter previously accrued sick, vacation, and other types of leave - the employer and employee will pay no FICA or income tax on the contributed funds, and, if used for medical expenses, no FICA or income tax will be due at distribution. Please note that employees may not choose whether or not to receive their leave or compensation in cash once they elect to contribute it to the RHS plan. Once your employees make an irrevocable election to contribute compensation or accrued leave, the election will apply to all succeeding years in which they participate in the RHS program. The election cannot be revised or revoked.

You may allow employees to make an irrevocable election with respect to compensation or accrued leave, or both. In addition, you may specify the type(s) of leave that may be contributed. To allow your employees to make irrevocable elections to contribute compensation or accrued leave, complete Section VI.B.2.a. or b.

There is no fixed maximum or minimum contribution amount or percentage for irrevocable election contributions of compensation or leave. If you desire to provide for such limits, however, you may do so.

For newly eligible employees, you may allow an election window of no more than 60 days from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window. If the employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. You may provide an annual election window of no more than 60 days during which these employees may make their elections. Contributions may not begin until the following calendar year for employees that wait until a later year to make their election. In either case, the election may not be revoked.

Annual Irrevocable Election to Contribute Leave Accruing in the Next Calendar Year

Your RHS Plan can also provide a way to shelter sick, vacation and other types of leave that is scheduled to be accrued in the next calendar year. As with irrevocable election contributions of compensation and accrued leave, no FICA or income tax is payable on these future accrual contributions and, if used for medical expenses, no FICA or income tax will be due at distribution. To allow your employees to make annual elections to contribute leave accruing in the next calendar year, complete Section VI.B.2.c.

Future leave accrual contributions must be elected prior to the start of the next calendar year - employees may not elect to contribute the value of their sick and vacation leave for the calendar year during which the election is made. There is no exception for newly eligible employees - all elections must be made in the prior calendar year.

You may specify the type(s) of leave that may be contributed pursuant to the annual irrevocable election to contribute future accruals. In addition, you may specify whether you wish contributions of future leave accruals to be made as the leave is earned or at the end of the year. In either case, the leave must be retained for contribution to the RHS plan. In the case where you specify contributions to be made at the end of the year, the leave must be placed in "reserve" as it accrues such that the employee cannot access it. The leave must be contributed to the RHS Plan.

There is no fixed maximum or minimum contribution amount or percentage for annual irrevocable election contributions of future leave accruals. If you desire to provide for such limits, however, you may do so.

Your employees' election to contribute future leave accruals will apply to all succeeding years until revised by the employee on the *VantageCare RHS Plan Annual Prospective Leave Election Form*.

C. Limits on Contributions

You may establish limits on each type of RHS Plan contribution by completing the pertinent sections referenced above. In addition, you may establish an overall limitation on RHS plan contributions by completing Section VI.C. You may wish to speak with your benefits counsel.

Recordkeeping of Contribution Types

Note that the IRS considers direct employer contributions, mandatory accrued leave and mandatory compensation contributions, irrevocably elected employee compensation and accrued leave contributions, and future leave accrual contributions, to be employer contributions. In other words, all contributions other than voluntary after-tax contributions are considered to be employer contributions. However, ICMA-RC will recordkeep the direct employer contributions as a distinct source for participant reporting purposes. Voluntary after-tax contributions will also be sourced to a distinct employee after-tax source. All other types of employee contributions -- mandatory accrued leave, mandatory employee compensation, irrevocably elected employee compensation and accrued leave contributions, and future leave accrual contributions -- will be combined and shown as employee pre-tax contributions on participant statements.

See the *VantageCare RHS Employer Manual* for directions on how to report your contribution detail properly via EZ Link.

- VII. Vesting – Mandatory unused leave, mandatory employee compensation, irrevocably elected employee compensation and accrued leave, future leave accrual and employee voluntary after-tax contributions are always 100% vested. In addition, the RHS Plan default is 100% vesting for direct employer contributions.

However, if you desire, you may specify a vesting schedule for your direct employer contributions in this section.

Note that a participant's RHS account will automatically become 100% vested upon the death, disability, retirement (as you define it in Section VII.C.) and attainment of benefit eligibility by the participant.

Note also that the "years of service completed" for a participant that separates from service and is then rehired will start over for vesting purposes upon rehire.

- VIII. Forfeiture Provisions - If you establish a vesting schedule for direct employer contributions in Section VII, you must also designate a forfeiture provision in this section. There are four choices:

- ☐ Forfeited account balances will be used to offset your direct employer contributions for the next and succeeding contribution cycles.
- ☐ Forfeited account balances are reallocated on an equal dollar basis among remaining plan participants.
- ☐ Forfeited account balances are reallocated among remaining plan participants based on account balances.
- ☐ Forfeited account balances revert to the employer. (It is anticipated that few employers will choose this option, in order for RHS funds to continue to be used for medical benefits for retirees.)

Regardless of which option you choose, you must inform ICMA-RC at the time you wish to use the forfeited funds.

IX. Eligibility Requirements to Receive Medical Benefit Payments from the VantageCare Retirement Health Savings Plan - This section defines your benefit eligibility provisions. You may select:

- ☐ Retirement, as defined in Section VII.C.
- ☐ Separation from service, with criteria defined by the employer, if desired
- ☐ Attainment of a certain age
- ☐ A combination of retirement and a certain age.

If you designate retirement as a portion of your eligibility criteria, you must define "retirement" in Section VII.C. even if you did not specify a vesting schedule in Section VII.B.

It is important to note that the designated eligibility event(s) will determine eligibility for terminated employees in the situation where the employer has not opted to include the severance feature in its plan (see Section XII). For example, an employee that separates from service prior to reaching an eligibility event will become eligible at a future date, when that eligibility milestone is reached.

Note that employees will automatically become eligible for medical benefits if they are disabled. In addition, upon the death of the employee, the surviving spouse and dependents will automatically become eligible for benefits, provided the employer has selected Account Transfer for its plan. See Section XI.

X. Permissible Medical Benefit Payments - This section is used to designate the medical expenses that will qualify for reimbursement under your RHS Plan. You may offer reimbursement for all qualifying medical expenses as defined in Internal Revenue Code Section 213 (i.e. medical costs that would otherwise be deductible to the employee on his or her individual income tax return). Alternatively, you may pick and choose the benefits that will be provided. For example, reimbursements may be made available only for health insurance premiums, COBRA premiums, Medicare supplemental insurance premiums, dental insurance premiums, out-of-pocket medical costs, qualified long-term care insurance, etc. The employer may allow reimbursement for only one benefit, or for any combination of qualifying medical costs. Information about what constitutes a qualifying medical expense can be found in IRS Publication 502, Medical and Dental Expenses (available on the IRS Web site at <http://www.irs.gov/>).

XI. Death Benefit - This section is used to designate the treatment of the participant's account balance at death. The Plan default is an Account Transfer: upon the death of the participant, the surviving spouse and/or surviving eligible dependents are immediately eligible to maintain the account and utilize it to fund eligible medical benefits.

However, if you do not desire to allow this, you may select Account Distribution: upon the death of the participant, the remaining account balance will be paid to the participant's designated beneficiary(ies).

You must also designate the timing of the Account Distribution. Unless you select otherwise, death benefits will be paid on the first business day of the year following the year of death of the participant. This timing simplifies the tax reporting and withholding consequences of the distribution - no FICA tax withholding or reporting will be required. For this reason, it is recommended that you choose this option. However, if you determine that it is not in the best interest of your employees, you may designate that death benefits should be paid in the year of death of the participant.

Note that a timing designation must be made even if you choose Account Transfer - in the event that there are no surviving spouse or dependents, an Account Distribution will be made.

Upon notification of the death of the participant, ICMA-RC will create a new account in the transferee's or beneficiary's name and move all funds into the Vantagepoint Money Market Fund*. The beneficiary or transferee may move the money into other investments once the new account has been established.

* Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.

XII. Severance Benefit - The RHS Plan is primarily intended to provide retiree health benefits. As such, there is normally no severance benefit provided under the RHS Plan.

However, you may wish to provide your employees with a means of receiving funds from the RHS Plan upon termination of service under certain circumstances (e.g. in case of a reduction in force). In order to accomplish this, your RHS Plan may provide for a severance benefit payment upon termination of employment prior to the RHS Plan's designated retirement age (as defined in Section VII) or prior to the participant meeting other eligibility criteria you have established. Section XII.B. defines the events that the employer has designated as qualifying for severance payments.

You will be responsible for notifying ICMA-RC via EZ Link when a participant has met the requirements set out in the Adoption Agreement, and is eligible for a severance benefit.

Upon notification by the employer, ICMA-RC will initiate payment of the participant's vested account value as a taxable lump sum payment to the participant.

XIII. Other Provisions - This section defines other provisions of the RHS Plan, including:

- ☐ RHS Plan administration must be accomplished via ICMA-RC's EZ Link System.
- ☐ RHS Plan fee payment.
- ☐ De Minimis benefit - An employee that separates from service prior to eligibility for health benefits with a vested account balance of \$5,000 or less is considered to have a "de minimis" account balance. ICMA-RC will automatically pay the participant the vested account balance in a lump sum. If the employee is already eligible for health benefits through the RHS Plan, his/her account will not be considered de minimis regardless of the size of the balance. Likewise, if the employee dies or becomes disabled, no de minimis payment will be made.
- ☐ Employer responsibilities for tax reporting and remitting.

After you have completed the Adoption Agreement, it should be signed (and executed, if required by your state or local law), and returned to ICMA-RC with the other documents in this booklet.

Questions regarding completion of the Adoption Agreement can be directed to your ICMA-RC Retirement Plan Specialist.

**EMPLOYER VANTAGECARE RETIREMENT HEALTH
SAVINGS (RHS) PLAN
ADOPTION AGREEMENT**

Plan Number: 8 00263

Employer Retirement Health Savings Plan Name: City of University Place Retirement Health Savings Plan

I. Employer Name: City of University Place

II. The Employer hereby attests that it is a unit of a state or local government or an agency or instrumentality of one or more units of a state or local government.

III. The Effective Date of the Plan: January 1, 2002

IV. The Employer intends to utilize the Trust to fund only welfare benefits pursuant to the following welfare benefit plan(s) established by the Employer: attached.

V. Eligible Groups and Participant Eligibility Requirements

A. The following group or groups of Employees are eligible to participate in the VantageCare Retirement Health Savings Plan:

<u> </u>	All Employees
<u> X </u>	All Full-Time Employees
<u> </u>	Non-Union Employees
<u> </u>	Public Safety Employees -- Police
<u> </u>	Public Safety Employees -- Firefighters
<u> </u>	General Employees
<u> </u>	Collectively-Bargained Employees (Specify unit) _____
<u> X </u>	Other (specify below)
<u> </u>	<u>Permanent Part-Time</u>

The group specified must correspond to a group of the same designation that is defined in the statutes, ordinances, rules, regulations, personnel manuals or other material in effect in the state or locality of the Employer.

☒ If this box is checked, in lieu of mandatory participation, the Employer provides for a one-time irrevocable election by eligible Employees to participate in RHS. Until such time as the election is made, the Employee shall not participate in the Plan or receive contributions pursuant to Section VI.

Newly eligible Employees shall be provided an election window of 60 days (no more than 60) from the date of initial eligibility during which they may make the election to participate. Participation may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to participate may be made in a later year. An annual election window of 60 days (no more than 60) shall be provided during which the election may be made. The election window shall run from Oct 15 to Dec 15 (insert your annual time frame for the election window, e.g. October 1 to November 29). Participation may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

If the Employer's underlying welfare benefit plan or funding under this VantageCare Retirement Health Savings Plan is in whole or part a non-collectively bargained, self-insured plan, the nondiscrimination requirements of Internal Revenue Code (IRC) Section 105(h) will apply. These rules may impose taxation on the benefits received by highly compensated Employees if the Plan discriminates in favor of highly compensated Employees in terms of eligibility or benefits. The Employer should discuss these rules with appropriate counsel.

B. Participant Eligibility

1. Minimum period of service required for participation is N/A (write N/A if an Employee is eligible to participate or to elect to participate immediately upon employment).
2. Minimum age required for eligibility to participate is N/A (write N/A if no minimum age is required).

VI. Contribution Sources and Amounts

A. Mandatory Contributions

1. Direct Employer Contributions

The Employer shall contribute on behalf of each Participant 0 % of earnings or \$ 0 for the Plan Year.

Definition of earnings:

wages alone.

2. Employee Mandatory Annual Leave Contributions

The Employer will make mandatory contributions of annual leave as follows:

Accrued Sick Leave* ☐ Yes ☒ No

Accrued Vacation* ☐ Yes ☒ No

Other* (describe) _____ ☐ Yes ☒ No

* Please provide the formula for determining the Accrued Leave contribution:

N/A

An Employee shall not have the right to discontinue or vary the rate of annual leave contributions.

3. Employee Mandatory Compensation Contributions N/A

The Employer will make mandatory contributions of Employee compensation as follows:

☐ Reduction in Salary - _____ % of earnings (as defined in VI.A.1.) or \$ _____ will be contributed for the Plan Year.

- ☐ Decreased Merit or Pay Plan Adjustment - All or a portion of the Employees' annual merit or pay plan adjustment will be contributed as follows:

An Employee shall not have the right to discontinue or vary the rate of mandatory contributions of Employee compensation.

B. Elective Contributions

1. Voluntary After-Tax Contributions

Each Employee may contribute up to 33 ^{pre-tax} % of earnings (as defined in VI.A.1.) or \$ _____ for the Plan Year on a voluntary after-tax basis. In no event may aggregate Employee voluntary after-tax contributions exceed 25% of total contributions in any Plan Year.

An Employee shall have the right to discontinue or vary the rate of elective after-tax contributions of Employee earnings.

By adopting this section, the Employer acknowledges that the Internal Revenue Service has declined to rule on Employee after tax contributions in an integral part trust. ICMA-RC has obtained the advice of counsel that such contributions are allowable in an insubstantial amount (i.e. no more than 25% of total contributions in any Plan Year). The Employer should discuss this issue with appropriate counsel.

2. Elective Pre-Tax Contributions

The Employer will permit each Employee to make the following elections to make pre-tax contributions to the Plan:

- a. Irrevocable Election for Pre-Tax Contributions from Compensation: A one-time, irrevocable election of the amount of Employer contributions of compensation made on his or her behalf.

☒ Yes ☐ No

The Employer limits the amount elected to either a fixed percentage or a range of percentages of an Employee's earnings (as shown below):

1 % of earnings (as defined in VI.A.1.) or up to 100 % of earnings (as defined in VI.A.1) for the Plan Year.

Newly eligible Employees shall be provided an election window of 60 days (no more than 60) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 60 days (no more than 60) shall be provided during which the election may be made. The election window shall run from 10/15 to 12/15 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

- b. Irrevocable Election for Pre-Tax Contributions of Accrued Leave: A one-time, irrevocable election of the amount of employer contributions of Employee accrued
- ☐ sick ☐ vacation ☐ other _____ (describe) leave made on his or her behalf.

☐ Yes ☒ No

The Employer limits the amount elected as shown below:

Newly eligible Employees shall be provided an election window of _____ days (no more than 60) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of _____ days (no more than 60) shall be provided during which the election may be made. The election window shall run from _____ to _____ (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

- c. Annual Prospective Election for Pre-Tax Contributions of Leave: An annual, irrevocable election to have his or her ☐ sick ☐ vacation ☐ other _____ (describe) leave to be accrued in the next calendar year contributed to the Plan on his or her behalf.

☐ Yes ☒ No

The Employer limits the amount elected as shown below:

Contributions of future leave accruals will be remitted to the Plan

☐ as earned ☐ at the end of the calendar year.

The election to contribute must be made in the calendar year before the year in which contributions are to begin. Once made, the election shall apply to succeeding calendar years unless otherwise revised or revoked by the Employee on an annual basis.

An annual election window of _____ days (no more than 60) is provided during which eligible Employees may make the election to contribute. The election window shall run from _____ to _____ (insert your annual time frame for the election window).

By adopting section a, b, and/or c, the Employer acknowledges that the Internal Revenue Service has not ruled on irrevocable election contributions in an integral part trust. ICMA-RC has obtained the advice of counsel that such contributions are allowable under the conditions outlined in this Adoption Agreement. The Employer should discuss this issue with appropriate counsel.

C. Limits on Total Contributions

The total contribution on behalf each Participant (including both Mandatory and Elective Contributions) for each Plan Year shall not exceed the following limit(s):

☐ _____% of earnings (as defined in VI.A.1.).

☐ \$_____.

☒ There is no Plan-defined limit on the percentage or dollar amount of earnings that may be contributed.

Limits on individual contribution types are defined within the appropriate section above.

See Section V.A. for a discussion of nondiscrimination rules that may apply to non-collectively bargained self-insured Plans.

VII. Vesting Schedule

☒ A The account is 100% vested at all times, unless specified otherwise in B. below.

B. The following vesting schedule applies to Direct Employer Contributions outlined in VI.A.1:

<u>Years of Service Completed</u>	<u>Specified Percent Vesting</u>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

C. The account will become 100% vested upon the death, disability, retirement, or attainment of benefit eligibility by a Participant.

Definition of retirement: _____

D. Any period of service by a Participant prior to a rehire of the Participant by the Employer shall not count toward the vesting schedule outlined in B. above.

VIII. Forfeiture Provisions *NA*

Please complete this Section if a vesting schedule is indicated in Section VII. B.

Upon separation from the service of the Employer, a Participant's non-vested funds shall:

☐ Remain in the Trust to be reallocated among all Plan Participants as Direct Employer Contributions for the next and succeeding contribution cycle(s).

☐ Remain in the Trust to be reallocated on an equal dollar basis among all Plan Participants.

☐ Remain in the Trust to be reallocated among all Plan Participants based upon Participant account balances.

☐ Revert to the Employer.

IX. Eligibility Requirements to Receive Medical Benefit Payments from the VantageCare Retirement Health Savings Plan

A. A Participant is eligible to receive benefits:

_____ At retirement only (as defined in Section VII.C.)
☒ At separation from service with the following restrictions
_____ No restrictions.
_____ At age _____ only
_____ At retirement and age _____
_____ At retirement or age _____

B. A Participant who dies or becomes totally and permanently disabled (as defined by the Social Security Administration) will become immediately eligible to receive medical benefit payments from his/her VantageCare Retirement Health Savings Plan account.

X. Permissible Medical Benefit Payments

Benefits eligible for payment consist of:

A. ☒ All Medical Expenses eligible under IRC Section 213*

OR

B. The following Medical Expenses (select only the expenses you wish to cover under the VantageCare Retirement Health Savings Plan):

_____ Medical Insurance Premiums
_____ Medical Out-of-Pocket Expenses*
_____ Medicare Part B Insurance Premiums
_____ Medicare Supplement Insurance Premiums
_____ COBRA Premiums
_____ Dental Insurance Premiums
_____ Dental Out-of-Pocket Expenses*
_____ Long Term Care Insurance Premiums
_____ Long Term Care Benefits*
_____ Other (Must be eligible under IRC Section 213)*

* See Section V.A. for a discussion of nondiscrimination rules which may apply to non-collectively bargained, self-insured Plans.

XI. Death Benefit

A. In the event of a Participant's death, the following shall apply:

Account Transfer: The surviving spouse and/or surviving eligible dependents (as defined in Section XIII.F.) of the deceased Participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits specified in Section X above.

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund*. The account balance may be reallocated by the surviving spouse or dependents.

* Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.

In the event of an Account Transfer, if a Participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits of eligible dependents who have not reached the age of 19 (or 24 for full-time students). If no eligible dependents survive the spouse, the remaining account balance will be paid to the eligible spouse's estate as soon as practical. After the death of the spouse, upon the attainment of age 19 (or 24 for full-time students) by all eligible dependents, any remaining account balance will be paid to such dependent(s). Upon the death of all eligible dependents, the balance will be paid to the estate of the last dependent to die as soon as practical. The age limit for eligible dependents may be waived if the individual is incapable of self-sustaining employment by reason of mental or physical handicap and the incapacitation occurred prior to the Participant's death. The account balance may continue to be utilized to pay benefits of the individual if he or she qualified as a dependent of the Participant during the Participant's life, and the Plan has received due proof of incapacity within 31 days of when the individual's coverage under the Plan would otherwise terminate. The individual's coverage may be continued as long as the individual remains incapacitated. The Plan may request proof of the continued existence of such incapacity from time to time.

There will be no elective withholding of federal, state, or local taxes for death benefit lump sum account payments to the Participant's spouse's estate, dependent(s), or dependent's estates.

If there are no living spouse or dependents at the time of death of the Participant, the account will be paid to the designated beneficiary(ies) as an Account Distribution in the year of payout as elected in B. below. If there are no living beneficiary(ies), the account will be paid to the Participant's estate in the year of payout as elected in B. below.

There will be no elective withholding of federal, state, or local taxes for death benefit lump sum account payments to beneficiary(ies) or the Participant's estate.

☐ If this box is checked, in lieu of an Account Transfer, the following shall apply in the case of the death of the Participant.

Account Distribution: The Employee's account balance will be paid to the Participant's designated beneficiary(ies).

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund*. The account balance may be reallocated by the designated beneficiary(ies).

* Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.

If there are no living beneficiary(ies), the account will be paid to the Participant's estate. There will be no elective withholding of federal, state, or local taxes for death benefit lump sum account payments to beneficiary(ies) or the Participant's estate.

B. In the event of an Account Distribution due to the Participant's death, the death benefits will be paid in the calendar year following the calendar year of the Participant's death.

☐ If this box is checked, in lieu of the above paragraph, death benefits will be paid in the calendar year of the Participant's death. The Employer is responsible for reporting and remitting any applicable taxes, as outlined in the *VantageCare Retirement Health Savings Plan Employer Manual*.

XII. Severance Benefit

A. No severance benefit shall be provided under this VantageCare Retirement Health Savings Plan unless otherwise provided in B. below.

B. ☐ If this box is checked, the Employer's VantageCare Retirement Health Savings Plan provides for the payment of the Participant's account balance to the Participant upon termination of employment in advance of retirement (as defined in Section VII.C.) or prior to becoming eligible for medical benefits under the Plan.

The following termination events qualify the Participant for severance benefits:

If the Plan provides severance benefits, the vested value of the Participant's account will be paid as a lump sum to the Participant upon notification from the Employer that the Participant has terminated employment and is eligible to receive a severance benefit.

All severance benefits will be paid as a lump sum. The Employer will be responsible for reporting and remitting any applicable taxes, as outlined in the *VantageCare Retirement Health Savings Plan Employer Manual*.

XIII. The Plan will operate according to the following provisions:

A. Employer Responsibilities

1. The Employer will submit all VantageCare Retirement Health Savings Plan contribution data via electronic submission.
2. Participant status updates and/or changes or personal information updates and/or changes (Participants' termination dates, Participants' benefit eligibility dates, etc.) will be provided via electronic submission.

B. Participant account administration fees will be paid through the redemption of Participant account shares, unless agreed upon otherwise in the Administrative Services Agreement.

C. Employer plan fees will be paid by the Employer as outlined in the Administrative Services Agreement.

D. Assignment of benefits is not permitted.

E. Payments to an alternate payee (payee other than a Participant) are not permitted with the exception of reimbursement of health insurance premiums to the Employer.

F. An eligible dependent is the Participant's lawful spouse and any other individual who is a person described in IRC Section 152(a).

G. Upon termination of employment prior to a Participant becoming eligible for medical benefits from a VantageCare Retirement Health Savings Plan account, Participant accounts that are \$5,000 or less will be considered De Minimis, and will be paid to the Participant.

H. The Employer will be responsible for withholding, reporting and remitting any applicable taxes, as outlined in the *VantageCare Retirement Health Savings Plan Employer Manual*.

XIV. The Employer hereby acknowledges it understands that failure to properly fill out this Employer VantageCare Retirement Health Savings Plan Adoption Agreement may result in the loss of tax exemption of the Trust and/or loss of tax-deferred status for Employer contributions.

EMPLOYER

By: _____

Title: _____

Attest: _____

Accepted: Vantagepoint Transfer Agents, LLC

Paula A. Brant

Corporate Treasurer

Instructions for Completing the VantageCare Retirement Health Savings Plan Implementation Data Form

Please ensure that each section of this form is completed before returning it to ICMA-RC along with the other RHS Plan adoption materials. You may contact Employer Services at 1-800-326-7272 if you have questions.

The following list of designations should help you while completing the Implementation Data Form:

5. Primary Contact/Plan Coordinator

This person is responsible for the day-to-day administration and processing of RHS transactions. This is the person we call if general questions arise concerning your RHS Plan. ICMA-RC will also call this person regarding all EZ Link transmission questions with the exception of questions regarding contributions.

16. Payroll Contact

This person(s) will be responsible for coordinating with Zenith Administrators, Inc.

19. Contribution Contact

This person is responsible for sending contributions to ICMA-RC. If there are discrepancies in the actual EFT, check or wire amounts and the corresponding detail transmitted via EZ Link, this is the person we will contact to resolve the issue. This person should have access to all payroll/contribution information to ensure efficient processing of contributions.

20. Trustee

The title of this person is designated in the resolution, if required by state or local law. If a different person obtains the same title, you may use this form to update the name change. If your state or local law requires a resolution, you must have your legislative body pass a new resolution to update the title of the person designated as Trustee. This person will receive all quarterly statements as well as confirmations for each contribution received and confirmations for all reinvested dividends.

21. Billing (Fees)

If ICMA-RC charges any employer paid fees to your account, this person will receive the invoices.

VantageCare Retirement Health Savings Plan Implementation Data Form - Page 1



ICMA RETIREMENT CORPORATION

Instructions to Employer: Provide necessary information to establish your plan properly.
Please contact your New Business Analyst at 1-800-326-7272, if you have any questions.

ICMA-RC Use Only:

1. Employer Number _____

General Information	2. (902) Employer's Full Name: <u>City of University Place</u> 3. (924) Street Address: <u>3715 Bridgeport Way West</u> (925) _____ 4. (918) City: <u>University Place</u> (919) State: <u>WA</u> (920) Zip Code: <u>98466-1816</u> 5. (633) Primary Contact/Plan Coordinator Name: <u>Rob Karlinsky</u> 6. (634) Primary Contact Title: <u>Assistant City Manager</u> 7. (631) Primary Contact Telephone #: <u>(253) 460-2516</u> 8. (632) Fax #: <u>(253) 566-5658</u> 9. (PT00) E-mail Address: <u>rKarlinsky@cityofup.com</u> 10. (882) Employer's Federal Tax Identification Number: <u>91-1684517</u> 11. # of Employees: _____ 12. # of Employees Eligible for Plan Participation: _____ 13. # of Employees Eligible to Receive Medical Benefits: _____															
Plan Implementation Information	14. Plan Level Quarterly Statements: (Note: * = default) a. Sort Order: (629) ☐ S=SSN* ☒ N=Name b. Output Media: (627) ☒ P=Paper* ☐ M=Microfiche ☐ B=Bound c. Type: (626) ☐ S=Summary* ☒ D=Detail 15. (611) Contribution Information: (Note: * = default) a. Frequency: (check one): <table border="0"> <tr> <td>☐ (0) Bi-weekly*</td> <td>☐ (4) Monthly</td> <td>☐ (8) Semi-quarterly</td> </tr> <tr> <td>☐ (1) Weekly</td> <td>☒ (5) Semi-Monthly</td> <td>☐ (9) Bi-annually</td> </tr> <tr> <td>☐ (2) Semi-weekly</td> <td>☐ (6) Bi-quarterly</td> <td>☐ (10) Annually</td> </tr> <tr> <td>☐ (3) Bi-monthly</td> <td>☐ (7) Quarterly</td> <td>☐ (11) Semi-annually</td> </tr> <tr> <td colspan="3">☐ () Other: _____</td> </tr> </table> b. Deposit Medium: (624) ☒ Check* ☐ Wire ☐ EFT c. Data Medium: EZ Link Required to participate in RHS Plan d. First Contribution Date Following Implementation: <u>March 5, 2003</u>	☐ (0) Bi-weekly*	☐ (4) Monthly	☐ (8) Semi-quarterly	☐ (1) Weekly	☒ (5) Semi-Monthly	☐ (9) Bi-annually	☐ (2) Semi-weekly	☐ (6) Bi-quarterly	☐ (10) Annually	☐ (3) Bi-monthly	☐ (7) Quarterly	☐ (11) Semi-annually	☐ () Other: _____		
☐ (0) Bi-weekly*	☐ (4) Monthly	☐ (8) Semi-quarterly														
☐ (1) Weekly	☒ (5) Semi-Monthly	☐ (9) Bi-annually														
☐ (2) Semi-weekly	☐ (6) Bi-quarterly	☐ (10) Annually														
☐ (3) Bi-monthly	☐ (7) Quarterly	☐ (11) Semi-annually														
☐ () Other: _____																

VantageCare Retirement Health Savings Plan Implementation Data Form - Page 2



ICMA RETIREMENT CORPORATION

Plan Contacts

(If any item #16-21 is left blank, the Primary Contact in Q. #5 will receive mailings)

ICMA-RC Use Only:

1. Employer Number _____

Payroll Contact Information Please indicate alternate addresses in Comments Section	16. PT01 Contact Signature: _____ (200) Contact Name: <u>Lisa Hands</u> (200) Contact Title: <u>Finance Specialist</u> (420) Telephone: <u>(253) 460-2513</u> Fax: <u>(253)</u> 17. PT08 Contact Signature: <u>Lisa Hands</u> (200) Contact Name: <u>Leslie Blaisdell</u> (200) Contact Title: <u>Finance Operations Manager</u> (420) Telephone: <u>(253) 460-2517</u> Fax: <u>(253) 566-5658</u> 18. PT09 Contact Signature: <u>Leslie Blaisdell</u> (200) Contact Name: _____ (200) Contact Title: _____ (420) Telephone: () _____ Fax: () _____
Contribution Contact Information	19. PT02 (200) Contact Name: <u>Rob Hartmsry</u> (200) Contact Title: <u>Assistant City Manager</u> (420) Telephone: <u>(253) 460-2516</u> Fax: <u>(253) 566-5658</u>
Trustee Contact Information	20. PT05 (200) Trustee Name: <u>same as 19 above</u> (200) Trustee Title: _____ (200) Trustee Address: _____ Street _____ City _____ State _____ Zip _____ (420) Telephone: () _____ Fax: () _____
Billing (Fees) Contact Information	21. PT06 (200) Contact Name: <u>same as 16 above</u> (200) Contact Title: _____ (421) Telephone: () _____ Fax: () _____
Comments: (Alternate Addresses for #16-20)	_____ _____ _____

**Attachment to
City of University Place
Vantage Care Retirement Health Savings Plan Adoption Document**

Insert under VI.B.2.C (Elective Contributions)

Contributions of future leave accruals will be remitted to the plan on the first payroll in July.

Insert under IX.A

Current City of University Place Employees age 50 or older may begin using their Retirement Health Savings Account in accordance with all applicable eligible expenses under IRC section 213.

Replacement for Section XI.A Death Benefits

XI. Death Benefits

In the event of a participant's death, the following shall apply:

Account Transfer: The surviving spouse and /or surviving eligible dependents (as defined in section XIII.F.) of the deceased Participant are immediately eligible to maintain the account and use it to fund eligible medical benefits specified in Section X above.

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund*. The account balance may be reallocated by the surviving spouse or dependents.

* Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.

In the event of an Account Transfer, if a Participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits of eligible dependents. If no eligible dependents survive the spouse, the remaining account balance may continue to be utilized to pay benefits of the designated beneficiary of the spouse. Upon the death of all eligible dependents, the balance may continue to be utilized to pay benefits of the designated beneficiary of the last dependent to die. Benefits paid to the designated beneficiary(ies) of the spouse or dependents may be subject to federal and state income taxes. In the event that there are

no surviving designated beneficiaries of the spouse or dependents, any remaining assets in the Participant's account shall be paid to the estate of the spouse or the last dependent to die as soon as practical.

There will be no elective withholding of federal, state, or local income taxes for benefit payments to the designated beneficiary(ies) of the spouse, designated beneficiary(ies) of the dependent(s), or a spouse or dependent's estate.

If there are no living spouse or dependents at the time of the death of the Participant, the designated beneficiary(ies) of the deceased Participant is immediately eligible to maintain that account and use it to fund eligible medical benefits specified in Section X above. If there is no living beneficiary(ies), the account will be paid to the Participant's estate in the year of payout as elected in B. below. Benefits paid to the Participant's designated beneficiary(ies) may be subject to federal and state income taxes.

There will be no elective withholding of federal, state, or local income taxes for benefit payments to the Participant's designated beneficiary(ies) or the Participant's estate.

October 24, 2002

Robert Karlinsey
City of University Place
3715 Bridgeport Way, West
University Place, Washington 98466

Dear Mr. Karlinsey:

This letter agreement will serve to amend the existing Agreement between City of University Place (the "Employer") and the ICMA Retirement Corporation ("ICMA-RC") to provide the City of University Place VantageCare Retirement Health Savings (RHS) Plan for Employer's eligible employees ("Accountholders").

The existing Agreement between Employer and ICMA-RC is hereby amended as follows:

1. Employer desires to make the RHS plan administered by ICMA-RC available to its employees. The details of the RHS plan shall be as mutually agreed between Employer and ICMA-RC, but in general shall be as set forth in the RHS plan materials developed by ICMA-RC and provided to Employer.
2. Absent an explicit agreement to the contrary between ICMA-RC and Employer, Accountholder fees and expenses shall be payable from RHS assets, in accordance with the requirements of the RHS plan as set forth in paragraph 8 below. Employer plan fees, as set forth in paragraph 10 below, shall be payable from the Employer's assets.
3. Each Accountholder will receive a consolidated quarterly statement providing information for any deferred compensation plan, qualified plan or RHS account maintained by each Accountholder and administered by ICMA-RC.
4. Tax withholding and reporting will be provided by ICMA-RC and its agents in conjunction with the Employer for each RHS Account administered by ICMA-RC.
5. The Employer shall be responsible for maintaining Accountholder primary and contingent beneficiary designations, and shall be required to provide the most recent designations upon the request of ICMA-RC. Information required to be retained by the employer shall be set forth in the RHS plan materials developed by ICMA-RC and provided to Employer.
6. The details of ICMA-RC's administration of the RHS plan, as well as other features of the RHS plan, shall be as set forth in RHS plan materials. The RHS plan materials are hereby incorporated by reference and made a part of this Agreement, except that Employer and ICMA-RC may from time to time mutually agree in writing to terms that vary from the RHS plan materials.
7. The Employer understands that, as a general matter, the Internal Revenue Service ("IRS") may decline to rule on certain design features or provisions that the Employer may request to have added to the RHS plan materials. The Employer agrees to hold ICMA-RC harmless in connection with the addition and administration of any RHS

plan feature or provision requested by the Employer for which the IRS will not provide express interpretive guidance.

8. Accountholder's account administration fees will be paid from RHS assets according to the following schedule:

- a. An annualized fee of .90% will be applied to the first \$7,000 of an Accountholder's account balance. (There will be a minimum annual charge of \$35).
- b. An annualized fee of .55% will be applied to assets between \$7,001 and \$23,000.
- c. For accounts greater than \$23,000, a maximum annual fee of \$150 will apply.

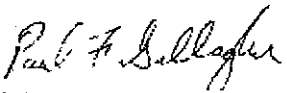
Account administration fees will be calculated each quarter based on the balance on the last day of the previous quarter, and will be charged against the account on a quarterly basis.

For De Minimis (as defined in the RHS plan materials) and severance payouts, there will be a fee of \$25 collected at the time of disbursement.

9. ICMA-RC reserves the right to introduce an adviser class of its funds at a higher expense ratio. If ICMA-RC's break even levels have been achieved, ICMA-RC agrees to make corresponding reductions of fees in Section 8.
10. Employer plan fees will be based on the Employer's total \$401 and \$457 plan assets and average participant \$401 and \$457 plan account balances administered by ICMA-RC. Employers with less than \$5 million in combined assets or average participant balances below \$25,000 will be charged the greater of (a) \$200 or (b) \$25 per Accountholder.

If City of University Place finds these terms agreeable, please so indicate by having the appropriate person sign and date this letter agreement in the space indicated below.

Very truly yours,



Paul Gallagher
Corporate Secretary

Agreed:

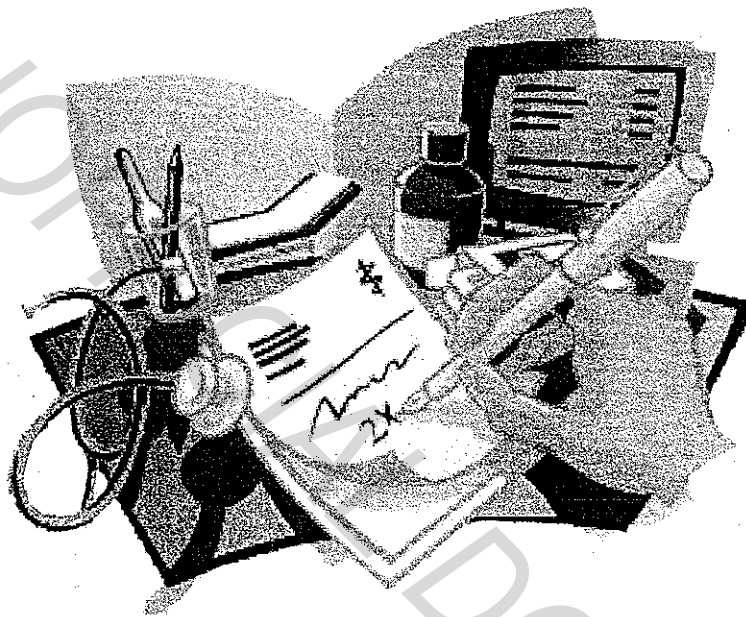
Authorized Official

Date

VANTAGECARE

RETIREMENT HEALTH SAVINGS PLAN

Retain Booklet



This booklet contains the following documents:

- *Model Integral Part Trust Document*
- *Private Letter Ruling*
- *Sample Welfare Benefit Plan*



ICMA RETIREMENT CORPORATION
The Public Sector Expert

USING THE VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN RETAIN BOOKLET

This is one of two booklets containing information to establish your VantageCare Retirement Health Savings (RHS) Plan with the ICMA Retirement Corporation. For detailed information about plan adoption, please see your *VantageCare Retirement Health Savings Plan Employer Manual*.

This booklet includes:

- Model Integral Part Trust Document
- Private Letter Ruling
- Sample Welfare Benefit Plan

Please read the information and retain it for your files.

MODEL INTEGRAL PART TRUST DOCUMENT

You will need to execute a trust document; you may execute the model trust document in this retain booklet by inserting your information on pages 3, 4, 6, and 12. If you do not use the ICMA-RC model trust document, your individually designed document must be reviewed and approved by ICMA-RC prior to your joining the RHS program. This will ensure that ICMA-RC can administer all provisions of your plan.

PRIVATE LETTER RULING

ICMA-RC has obtained a private letter ruling from the IRS approving one employer's RHS Plan trust. Your use of ICMA-RC's model trust document will provide you with comfort that the trust for your Plan is also within the IRS' requirements. (This is similar to the comfort provided when you use ICMA-RC's model 457 plan document.) Of course, you may want to talk to your legal counsel about whether or not you should obtain a private letter ruling on your own RHS trust document if you choose not to use the ICMA-RC model document.

Note that the plan upon which the IRS private letter ruling was based did not include certain features that have subsequently been added to the RHS program. These features include

- the irrevocable election to participate in the program,
- the irrevocable election to contribute compensation or accrued leave*,
- the irrevocable prospective election to contribute leave to be earned in the coming year*, and
- voluntary employee after-tax contributions (Article 7.2 of the Trust).

*These contribution types are treated as Employer contributions under Article 7.1 and 7.3 of the Trust.

However, ICMA-RC has obtained the opinion of counsel that these features should be allowed as long as the requirements outlined in the Trust and Adoption Agreement are met. Any questions regarding these features of the RHS program can be directed to your ICMA-RC Retirement Plan Specialist.

SAMPLE WELFARE BENEFIT PLAN

You will need to execute a welfare benefit plan if you do not already have one in place. You may execute the sample welfare benefit plan provided herein or you may execute your own welfare benefit plan. It can be a simple document, but it must be in writing in order for your employees to enjoy tax-free treatment of the benefits they receive from this plan or any other welfare benefit plan you provide.

VANTAGECARE RETIREMENT HEALTH SAVINGS PLAN

FOR ASSISTANCE

Please contact your VantageCare Retirement Health Savings Plan New Business Analyst at 1-800-326-7272.

Please note that the information in this booklet and the documents herein take into account only the federal tax rules related to ICMA-RC's VantageCare Retirement Health Savings Plan. Prior to implementing an RHS plan, the employer is responsible for determining that there are no state or local laws that would prohibit it from offering the plan to its employees. The employer must also determine that the options it selects in the VantageCare Retirement Health Savings Plan Adoption Agreement fall within state/local requirements.

UNOFFICIAL DOCUMENT

DECLARATION OF TRUST OF THE

City of University Place
NAME OF EMPLOYER

INTEGRAL PART TRUST

DECLARATION OF TRUST OF THE

City of University Place

NAME OF EMPLOYER

INTEGRAL PART TRUST

Declaration of Trust made as of the 22nd day of January, 2003.

by and between the City of University Place, Washington a municipal corporation
Name of Employer State Type of Entity
 (hereinafter referred to as the "Employer") and ICMA-RC or its designee (hereinafter
Name of Trustee
 referred to as the "Trustee").

RECITALS

WHEREAS, the Employer is a political subdivision of the State of Washington
 exempt from federal income tax under the Internal Revenue Code of 1986; and
State

WHEREAS, the Employer provides for the security and welfare of its eligible employees (hereinafter referred to as "Participants"), their Spouses, Dependents and Beneficiaries by the maintenance of one or more post-retirement welfare benefit plans, programs or arrangements which provide for life, sickness, medical, disability, severance and other similar benefits through insurance and self-funded reimbursement plans (collectively the "Plan"); and

WHEREAS, it is an essential function and integral part of the exempt activities of the Employer to assist Participants, their Spouses, Dependents and Beneficiaries by making contributions to and accumulating assets in the trust, a segregated fund, for post-retirement welfare benefits under the Plan; and

WHEREAS, the authority to conduct the general operation and administration of the Plan is vested in the Employer or its designee, who has the authority and shall be subject to the duties with respect to the trust specified in this Declaration of Trust; and

WHEREAS, the Employer wishes to establish this trust to hold assets and income of the Plan for the exclusive benefit of Plan Participants, their Spouses, Dependents and Beneficiaries; and

NOW, THEREFORE, the parties hereto do hereby establish this trust, to be known as the Declaration of Trust of the City of University Place Integral Part Trust
Name of Employer
 (hereinafter referred to as the "Trust"), and agree that the following constitute the Declaration of Trust (hereinafter referred to as the "Declaration"):

ARTICLE I

Definitions

1.1 *Definitions.* For the purposes of this Declaration, the following terms shall have the respective meanings set forth below unless otherwise expressly provided.

- (a) **"Account"** means the individual recordkeeping account maintained under the Plan to record the interest of a Participant in the Plan in accordance with Section 7.4.
- (b) **"Account Transfer"** means a transfer of the Participant's Account upon his or her death to be used for the payment of benefits for the Participant's Spouse and Dependents.
- (c) **"Administrator"** means the Employer or the entity designated by the Employer to carry out administrative services as are necessary to implement the Plan.
- (d) **"Beneficiary"** means the person or persons designated by the Participant pursuant to the terms of the Plan, or, if the Plan provides otherwise, the Spouse and Dependents, who will receive any benefits payable hereunder in the event of the Participant's death.
- (e) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time.
- (f) **"Dependent"** means an individual who is a person described in Code Section 152(a).
- (g) **"Investment Fund"** means any separate investment option or vehicle selected by the Employer in which all or a portion of the Trust assets may be separately invested as herein provided. The Trustee shall not be required to select any Investment Fund.
- (h) **"Nonforfeitable Interest"** means the interest of the Participant or the Participant's Spouse, Dependent or Beneficiary (whichever is applicable) in the percentage of Participant's Employer's contribution which has vested pursuant to the vesting schedule specified in the Employer's Plan. A Participant shall, at all times, have a one hundred percent (100%) Nonforfeitable Interest in the Participant's own contributions.
- (i) **"Spouse"** means the Participant's lawful spouse as determined under the laws of the state in which the Participant has his primary place of residence.
- (j) **"Trust"** means the trust established by this Declaration.
- (k) **"Trustee"** means the person or persons appointed by the Employer to serve in that capacity.

ARTICLE II

Establishment of Trust

2.1 The Trust is hereby established as of the date set forth above for the exclusive benefit of Participants, their Spouses, Dependents and Beneficiaries.

ARTICLE III

Construction

3.1 This Trust and its validity, construction and effect shall be governed by the laws of the State of Washington State.

3.2 Pronouns and other similar words used herein in the masculine gender shall be read as the feminine gender where appropriate, and the singular form of words shall be read as the plural where appropriate.

3.3 If any provision of this Trust shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions, and such provisions shall be construed to effectuate the purpose of this Trust.

ARTICLE IV

Benefits

4.1 *Benefits.* This Trust may provide benefits to the Participant, the Participant's Spouse and Dependents. Death benefits may be provided to a Beneficiary pursuant to the terms of the Plan.

4.2 *Form of Benefits.* This Trust may provide benefits by cash payment. This Trust may reimburse the Participant, his Spouse or Dependents for insurance premiums or other payments expended for permissible benefits described under the Plan. This trust may reimburse the Employer, or the Administrator for insurance premiums.

ARTICLE V

General Duties

5.1 It shall be the duty of the Trustee to hold title to assets held in respect of the Plan in the Trustee's name as directed by the Employer or its designees in writing. The Trustee shall not be under any duty to compute the amount of contributions to be paid by the Employer or to take any steps to collect such amounts as may be due to be held in trust under the Plan. The Trustee shall not be responsible for the custody, investment, safekeeping or disposition of any assets comprising the Trust, to the extent such functions are performed by the Employer or the Administrator, or both.

5.2 It shall be the duty of the Employer, subject to the provisions of the Plan, to pay over to the Administrator or other person designated hereunder from time to time the Employer's contributions and Participants' contributions under the Plan and to inform the Trustee in writing as to the identity and value of the assets titled in the Trustee's name hereunder and to keep accurate books and records with respect to the Participants of the Plan.

ARTICLE VI

Investments

6.1 The Employer may appoint one or more investment managers to manage and control all or part of the assets of the Trust and the Employer shall notify the Trustee in writing of any such appointment.

6.2 The Trustee shall not have any discretion or authority with regard to the investment of the Trust and shall act solely as a directed Trustee of the assets of which it holds title. To the extent directed by the Employer (or Participants, their Spouses and Dependents, or Beneficiaries to the extent provided herein) the Trustee is authorized and empowered with the following powers, rights and duties, each of which the Trustee shall exercise in a nondiscretionary manner:

- (a) To cause stocks, bonds, securities, or other investments to be registered in its name as Trustee or in the name of a nominee, or to take and keep the same unregistered;
- (b) To employ such agents and legal counsel as it deems advisable or proper in connection with its duties and to pay such agents and legal counsel a reasonable fee. The Trustee shall not be liable for the acts of such agents and counsel or for the acts done in good faith and in reliance upon the advice of such agents and legal counsel, provided it has used reasonable care in selecting such agents and legal counsel;
- (c) To exercise where applicable and appropriate any rights of ownership in any contracts of insurance in which any part of the Trust may be invested and to pay the premiums thereon; and
- (d) At the direction of the Employer (or Participants, their Spouses, their Dependents, their Beneficiaries, or the investment manager, as the case may be) to sell, write options on, convey or transfer, invest and reinvest any part thereof in each and every kind of property, whether real, personal or mixed, tangible or intangible, whether income or non-income producing and wherever situated, including but not limited to, time deposits (including time deposits in the Trustee or its affiliates, or any successor thereto, if the deposits bear a reasonable rate of interest), shares of common and preferred stock, mortgages, bonds, leases, notes, debentures, equipment or collateral trust certificates, rights, warrants, convertible or exchangeable securities and other corporate, individual or government securities or obligations, annuity, retirement or other insurance contracts, mutual funds (including funds for which the Trustee or its affiliates serve as investment advisor, custodian or in a similar or related capacity), or in units of any other common, collective or commingled trust fund.

6.3 Notwithstanding anything to the contrary herein, the assets of the Plan shall be held by the Trustee as title holder only. Persons holding custody or possession of assets titled to the Trust shall include the Employer, the Administrator, the investment manager, and any agents and subagents, but not the Trustee. The Trustee shall not be responsible or liable for any loss or expense which may arise from or result from compliance with any direction from the Employer, the Administrator, the investment manager, or such agents to take title to any assets nor shall the Trustee be responsible or liable for any loss or expense which may result from the Trustee's refusal or failure to comply with any direction to hold title, except if the same shall involve or result from the Trustee's negligence or intentional misconduct. The Trustee may refuse to comply with any direction from the Employer, the Administrator, the investment manager, or such agents in the event that the Trustee, in its sole and absolute discretion, deems such direction illegal.

6.4 The Employer hereby indemnifies and holds the Trustee harmless from any and all actions, claims, demands, liabilities, losses, damages or reasonable expenses of whatsoever kind and nature in connection with or arising out of (i) any action taken or omitted in good faith by the Trustee in accordance with the directions of the Employer or its agents and subagents hereunder, or (ii) any disbursements of any part of the Trust made by the Trustee in accordance with the directions of the Employer, or (iii) any action taken by or omitted in good faith by the Trustee with respect to an investment managed by an investment manager in accordance with any direction of the investment manager or any inaction with respect to any

such investment in the absence of directions from the investment manager. Notwithstanding anything to the contrary herein, the Employer shall have no responsibility to the Trustee under the foregoing indemnification if the Trustee fails negligently, intentionally or recklessly to perform any of the duties undertaken by it under the provisions of this Trust.

6.5 Notwithstanding anything to the contrary herein, the Employer or, if so designated by the Employer, the Administrator and the investment manager or another agent of the Employer, will be responsible for valuing all assets so acquired for all purposes of the Trust and of holding, investing, trading and disposing of the same. The Employer will indemnify and hold the Trustee harmless against any and all claims, actions, demands, liabilities, losses, damages, or expenses of whatsoever kind and nature, which arise from or are related to any use of such valuation by the Trustee or holding, trading, or disposition of such assets.

6.6 The Trustee shall and hereby does indemnify and hold harmless the Employer from any and all actions, claims, demands, liabilities, losses, damages and reasonable expenses of whatsoever kind and nature in connection with or arising out of (a) the Trustee's failure to follow the directions of the Employer, the Administrator, the investment manager, or agents thereof, except as permitted by the last sentence of Section 6.3 above; (b) any disbursements made without the direction of the Employer, the Administrator, the investment manager or agents thereof; and (c) the Trustee's negligence, willful misconduct, or recklessness with respect to the Trustee's duties under this Declaration.

ARTICLE VII

Contributions

7.1 *Employer Contributions.* The Employer shall contribute to the Trust such amounts as specified in the Plan or by resolution.

7.2 *Participant Contributions.* If specified in the Plan, each Participant may make voluntary after-tax contributions. Under no circumstances shall Participant Contributions exceed an insubstantial amount. These contributions shall be collected by the Employer and remitted to the Trust for deposit at such time or times as required under the terms of the Plan.

7.3 *Accrued Leave.* Contributions up to an amount equal to the value of accrued sick leave, vacation leave, or other type of accrued leave, as permitted under the Plan. The Employer's Plan must provide a formula for determining the value of the Participant's contribution of accrued leave. The Employer's Plan must contain a forfeiture provision that will prevent Participants from receiving the accrued leave in cash in lieu of a contribution to the Trust.

7.4 *Accounts.* Employer contributions, Participant contributions, and contributions of accrued leave, all investment income and realized and unrealized gains and losses, and forfeitures allocable thereto will be deposited into an Account in the name of the Participant for the exclusive benefit of the Participant, his Spouse, Dependents and Beneficiaries. The assets in each Participant's Account may be invested in Investment Funds as directed by the Participant (or, after the Participant's death, by the Spouse, Dependents or Beneficiaries) from among the Investment Funds selected by the Employer.

7.5 *Receipt of Contributions.* The Employer or, if so designated by the Employer, the Administrator or investment manager or another agent of the Employer, shall receive all contributions paid or delivered to it hereunder and shall hold, invest, reinvest and administer such contributions pursuant to this Declaration, without distinction between principal and income. The Trustee shall not be responsible for the calculation or collection of any contribution under the Plan, but shall hold title to property received in respect of the Plan in the Trustee's name as directed by the Employer or its designee pursuant to this Declaration.

7.6 No amount in any Account maintained under this Trust shall be subject to transfer, assignment, or alienation, whether voluntary or involuntary, in favor of any creditor, transferee, or assignee of the Employer, the Trustee, any Participant, his Spouse, Dependent, or Beneficiaries.

7.7 Upon the satisfaction of all liabilities under the Plan to provide such benefits, any amount of Employer contributions, plus accrued earnings thereon, remaining in such separate Accounts must, under the terms of the Plan, be returned to the Employer.

ARTICLE VIII

Other Plans

If the Employer hereafter adopts one or more other plans providing life, sickness, accident, medical, disability, severance, or other benefits and designates the Trust hereby created as part of such other plan, the Employer or, if so designated by the Employer, the Administrator or an investment manager or another agent of the Employer shall, subject to the terms of this Declaration, accept and hold hereunder contributions to such other plans. In that event (a) the Employer or, if so designated by the Employer, the Administrator or an investment manager or another agent of the Employer, may commingle for investment purposes the contributions received under such other plan or plans with the contributions previously received by the Trust, but the books and records of the Employer or, if so designated by the Employer, the Administrator or an investment manager or another agent of the Employer, shall at all times show the portion of the Trust Fund allocable to each plan; (b) the term "Plan" as used herein shall be deemed to refer separately to each other plan; and (c) the term "Employer" as used herein shall be deemed to refer to the person or group of persons which have been designated by the terms of such other plans as having the authority to control and manage the operation and administration of such other plan.

ARTICLE IX

Disbursements and Expenses

9.1 The Employer or its designee shall make such payments from the Trust at such time to such persons and in such amounts as shall be authorized by the provisions of the Plan provided, however, that no payment shall be made, either during the existence of or upon the discontinuance of the Plan (subject to Section 7.7), which would cause any part of the Trust to be used for or diverted to purposes other than the exclusive benefit of the Participants and their Beneficiaries pursuant to the provisions of the Plan.

9.2 All payments of benefits under the Plan shall be made exclusively from the assets of the Accounts of the Participants to whom or to whose Spouse, Dependents, or Beneficiaries such payments are to be made, and no person shall be entitled to look to any other source for such payments.

9.3 The Employer, Trustee and Administrator may be reimbursed for expenses reasonably incurred by them in the administration of the Trust. All such expenses, including, without limitation, reasonable fees of accountants and legal counsel to the extent not otherwise reimbursed, shall constitute a charge against and shall be paid from the Trust upon the direction of the Employer.

ARTICLE X

Accounting

10.1 The Trustee shall not be required to keep accounts of the investments, receipts, disbursements, and other transactions of the Trust, except as necessary to perform its title-holding function hereunder. All accounts, books, and records relating thereto shall be maintained by the Employer or its designee.

10.2 As promptly as possible following the close of each year, the Trustee shall file with the Employer a written account setting forth assets titled to the Trust as reported to the Trustee by the Employer or its designee.

ARTICLE XI

Miscellaneous Provisions

11.1 Neither the Trustee nor any affiliate thereof shall be required to give any bond or to qualify before, be appointed by, or account to any court of law in the exercise of its powers hereunder.

11.2 No person transferring title or receiving a transfer of title from the Trustee shall be obligated to look to the propriety of the acts of the Trustee in connection therewith.

11.3 The Employer may engage the Trustee as its agent in the performance of any duties required of the Employer under the Plan, but such agency shall not be deemed to increase the responsibility or liability of the Trustee under this Declaration.

11.4 The Employer shall have the right at all reasonable times during the term of this Declaration and for three (3) years after the termination of this Declaration to examine, audit, inspect, review, extract information from, and copy all books, records, accounts, and other documents of the Trustee relating to this Declaration and the Trustees' performance hereunder.

ARTICLE XII

Amendment and Termination

12.1 The Employer reserves the right to alter, amend, or (subject to Section 9.1) terminate this Declaration at any time for any reason without the consent of the Trustee or any other person, provided that no amendment affecting the rights, duties, or responsibilities of the Trustee shall be adopted without the execution of the Trustee to the amendment. Any such amendment shall become effective as of the date provided in the amendment, if requiring the Trustee's execution, or on delivery of the amendment to the Trustee, if the Trustee's execution is not required.

12.2 Upon termination of this Declaration and upon the satisfaction of all liabilities under the Plan to provide such benefits, any amount of Employer contributions, plus accrued earnings thereon, remaining in such separate Accounts must, under the terms of the Plan, be returned to the Employer.

ARTICLE XIII

Successor Trustees

13.1 The Employer reserves the right to discharge the Trustee for any or no reason, at any time by giving ninety (90) days' advance written notice.

13.2 The Trustee reserves the right to resign at any time by giving ninety (90) days' advance written notice to the Employer.

13.3 In the event of discharge or resignation of the Trustee, the Employer may appoint a successor Trustee who shall succeed to all rights, duties, and responsibilities of the former Trustee under this Declaration, and the terminated Trustee shall be deemed discharged of all duties under this Declaration and responsibilities for the Trust.

ARTICLE XIV

Limited Effect of Plan and Trust

Neither the establishment of the Plan and the Trust or any modification thereof, the creation of any fund or account, nor the payment of any benefits, shall be construed as giving to any person covered under the Plan or other person any legal or equitable right against the Trustee, the Administrator, the Employer or any officer or employee thereof, except as may otherwise be expressly provided in the Plan or in this Declaration.

ARTICLE XV

Protective Clause

Neither the Administrator, the Employer, nor the Trustee shall be responsible for the validity of any contract of insurance or other arrangement maintained in connection with the Plan, or for the failure on the part of the insurer or provider to make payments provided by such contract, or for the action of any person which may delay payment or render a contract void or unenforceable in whole or in part.

IN WITNESS WHEREOF, the Employer and the Trustee have executed this Declaration by their respective duly authorized officers, as of the date first hereinabove mentioned.

EMPLOYER:

By: _____

Title: _____

TRUSTEES:

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

Internal Revenue Service

Department of the Treasury

Index Number: 115.02-00

Washington, DC 20224

Contact Person:

Telephone Number:

In Reference to:
CC:DOM:FI&P:2 PLR-116685-99

Date:
December 28, 1999

City = *University Place*

Trust =

State = *Washington*

Dear :

This is in response to a letter dated October 12, 1999, and prior correspondence, requesting a private letter ruling that Trust is an integral part of City.

FACTS

City is a political subdivision of State. City currently maintains one or more post-retirement welfare benefit plans (collectively, the "Plan") that provide its eligible employees ("Participants") and their beneficiaries ("Beneficiaries") with life, sickness, medical, disability, severance and other similar benefits through insurance and self-funded reimbursement plans.

City intends to establish Trust to hold assets and income of the Plan for the exclusive benefit of Participants and their Beneficiaries.

Trust's Declaration defines "Beneficiaries" to include a Participant's spouse, any child of the Participant or the Participant's spouse who is a minor or a student within the meaning of section 151(c)(4) of the Internal Revenue Code, any other minor child residing with the Participant, and any other individual who is a person described in section 152(a) of the Code. Death benefits may be provided to any Beneficiary designated by a Participant under the terms of a death benefit program or an insurance contract forming part of the Plan. Trust

may provide benefits by cash payment, and may reimburse a Participant, City, or Trust's Administrator for insurance premiums or other payments expended for permissible benefits under the Plan.

Under Trust's Declaration, City will be the Administrator of Trust. City may appoint one or more investment managers to manage and control all or part of the assets of Trust. Under Trust's Declaration, the Trustee will hold assets only as titleholder. Persons having custody or possession of assets may include City, the Administrator of Trust, the investment manager, and their agents and subagents, but not the Trustee. The Trustee will have no discretion or authority with regard to the investments of Trust and will act solely as a directed Trustee with respect to the assets to which it holds title.

The Trustee will not be responsible or liable for any loss or expense that may arise or result from complying with any direction from the City, the Administrator, the investment manager, or such agents to take title to any assets, or from the Trustee's refusal or failure to comply with any direction to hold title, unless it involves or results from the Trustee's negligence or intentional misconduct. The Trustee may refuse to comply with any direction if it deems such direction illegal.

City indemnifies and holds the Trustee harmless from any actions, claims, demands, liabilities, losses, damages or reasonable expenses of any kind in connection with or arising out of (i) any action taken or omitted in good faith in accordance with its directions, (ii) any disbursements made in accordance with directions, or (iii) any action taken by or omitted by the Trustee with respect to an investment managed by an investment manager in accordance with any direction of the investment manager or any inaction regarding any investment in the absence of directions from the investment manager. City, however, has no responsibility to the Trustee under the indemnification if the Trustee fails negligently, intentionally, or recklessly to perform its duties.

City will contribute to Trust such amounts as specified in the Plan or by resolution. No other person or persons will be permitted to make any contributions.

The Plan must provide a formula for determining the value of a Participant's accrued vacation leave, sick leave, or both, in excess of a threshold number of hours of such leave. City may contribute amounts so determined to Trust. The Plan will contain a forfeiture provision that will prevent Participants and their Beneficiaries from receiving cash in lieu of a contribution to Trust in their behalf. Contributions, investment income, realized and unrealized gains and losses, and forfeitures will be deposited into an account in Trust in the name of the Participant

for the exclusive benefit of the Participant and his or her Beneficiaries. A Participant may direct the investment of amounts in her or his account among investments selected by City. No amount in any account will be subject to transfer, assignment, or alienation, whether voluntary or involuntary, in favor of any creditor, transferee, or assignee of City, the Trustee, Participant or Beneficiary.

City or the Administrator, investment manager, or other agent designated by City will receive contributions and will hold, invest, and administer contributions without distinction between principal and income. The Trustee will not be responsible for the calculation or collection of contributions, but will hold title to property received as directed by City or its designee. The Trustee will not be required to keep accounts of the investments, receipts, disbursements, and other transaction of Trust except as necessary to perform its title-holding function. City or its designee will maintain all books and records.

City reserves the right to alter, amend, or terminate Trust at any time for any reason without the consent of any person. No amendment affecting the Trustee is effective without the Trustee's consent, and no termination can result in any part of Trust's assets being used for or diverted to purposes other than the exclusive benefit of Participants and Beneficiaries.

If City adopts other plans providing life, sickness, accident, medical, disability, severance, or other benefits and designates Trust as part of such plan, City or its agent will hold contributions to such plan in Trust. The contributions may be commingled for investment purposes, but the books and record of Trust must show the portion of Trust allocable to each plan.

Upon the satisfaction of all liabilities under the Plan to provide benefits, any amounts remaining in any account must be returned to City.

LAW & ANALYSIS

Income of an integral part of a state or political subdivision of a state is not taxable absent specific statutory authorization. See Rev. Rul. 87-2, 1987-1 C.B. 18; section 511(a)(2)(B) of the Code, GCM 14407, C.B. XIV-1, 103 (1935), superseded by Rev. Rul. 71-131, 1971-1 C.B. 28. Whether an enterprise is an integral part depends on facts and circumstances such as the state's degree of control over the enterprise and its financial commitment to the enterprise. If an enterprise is an integral part of a state or political subdivision of a state, it will not be treated as a separate entity for federal tax purposes, though it may have been formed as a separate entity

PLR-116685-99

4

under state law. Section 301.7701-1(a)(3) of the Procedural and Administrative Regulations.

City has made a substantial financial commitment to Trust by providing all of its funding. City retains complete control over Trust because it may amend or terminate Trust at any time. City retains control over the daily operation of Trust by its power to appoint or remove agents who manage daily operation. The Trustee is merely a title holder with no power to manage Trust.

CONCLUSION

Provided that City is the only person that makes contributions to Trust, and Trust accepts or holds only amounts of money contributed by City, Trust will be an integral part of City, and any income earned on amounts in Trust will not be subject to federal income tax.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Except as specifically provided otherwise, no opinion is expressed on the federal income tax consequences of the transaction described above.

In accordance with the terms of a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Assistant Chief Counsel
(Financial Institutions & Products)

By: William Coppersmith
William E. Coppersmith
Chief, Branch 2

SAMPLE

RETIREE MEDICAL AND DENTAL EXPENSE REIMBURSEMENT PLAN

UNOFFICIAL DOCUMENT

SAMPLE

RETIREE MEDICAL AND DENTAL EXPENSE REIMBURSEMENT PLAN

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UNOFFICIAL DOCUMENT

ARTICLE I**Preamble**

THIS INSTRUMENT made and published by the City of University Place (hereinafter called "Employer") on the 22nd day of January, 2003, creates the City of University Place Retiree Medical and Dental Expense Reimbursement Plan, as follows:

1.01 Establishment of Plan

The Employer named above hereby establishes a Retiree Medical and Dental Expense Reimbursement Plan as of the 1st day of January, 2003.

1.02 Purpose of Plan

This Plan has been established to reimburse the eligible Retirees of the Employer for medical and dental expenses incurred by them, their Spouses and Dependents, pursuant to the Employer's VantageCare Retirement Health Savings (RHS) Plan.

ARTICLE II**Definitions**

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context:

2.01 "Benefits" means any amounts paid to a Participant in the Plan as reimbursement for Eligible Medical and Dental Expenses incurred by the Participant during a Plan Year by him, his Spouse, or his Dependents.

2.02 "Code" means the Internal Revenue Code of 1986, as amended.

2.03 "Dependent" means any individual who is a dependent of the Participant within the meaning of Code Sec. 152.

2.04 "Eligible Medical or Dental Expenses" means those expenses designated by the Employer as eligible for reimbursement in the VantageCare Retirement Health Savings Plan Adoption Agreement.

2.05 "Employer" means the unit of state or local government creating this Plan, or any affiliate or successor thereof that likewise adopts this Plan.

2.06 "Entry Date" means the first day the Participant meets the eligibility requirements of Article III as of such Date.

2.07 "Participant" means any Retiree who has met the eligibility requirements set forth in Article III.

2.08 "Plan Administrator" means the Employer or other person appointed by the Employer who has the authority and responsibility to manage and direct the operation and administration of the Plan.

2.09 "Plan Year" means the annual accounting period of the Plan, which begins on the 1st day of January, 2003, and ends on the 31st day of December, 2003, with respect to the first Plan Year, and thereafter as long as this Plan remains in effect, the period that begins on January 1st and ends on December 31st.

2.10 "Retiree" means any individual who, while in the service of the Employer, was considered to be in a legal employer-employee relationship with the Employer for federal withholding tax purposes, and who was part of the classification of employees designated as covered by the Employer's VantageCare Retirement Health Savings Plan.

2.11 "Spouse" means the Participant's lawful spouse as determined under the laws of the state in which the Participant has his primary place of residence.

All other defined terms in this Plan shall have the meanings specified in the various Articles of the Plan in which they appear.

ARTICLE III

Eligibility

3.01 General Requirements

Each Retiree who meets the eligibility requirements outlined in the Employer's VantageCare Retirement Health Savings Plan shall be eligible to participate in this Plan.

3.02. Termination of Coverage of an Eligible Dependent

An Eligible Dependent's coverage shall terminate –

- (a) after the death of the Retiree, upon the attainment of age 19 (or 24 for a full time student);
- (b) Notwithstanding (a) above, an Eligible Dependent's coverage shall not cease if the individual is incapable of self-sustaining employment by reason of mental or physical handicap and he or she became handicapped while an Eligible Dependent of the Participant. The account balance may continue to be utilized to pay Benefits of the individual if he or she qualified as a Dependent of the Participant during the Participant's life, and the Plan has received due proof of incapacity within 31 days of when the individual's coverage under the Plan would otherwise terminate. The individual's coverage may be continued as long as the individual remains incapacitated. The Plan may request proof of the continued existence of such incapacity from time to time.

ARTICLE IV

Amount of Benefits

4.01 Annual Benefits Provided by the Plan

Each Participant shall be entitled to reimbursement for his documented, Eligible Medical or Dental Expenses incurred during the Plan Year in an annual amount not to exceed the account balance of the Participant in the Employer's VantageCare Retirement Health Savings Plan.

4.02 Cost of Coverage

The expense of providing the benefits set out in Section 4.01 shall be contributed as outlined in the Employer's VantageCare Retirement Health Savings Plan.

ARTICLE V

Payment of Benefits

5.01 Eligibility for Benefits

- (a) Each Participant in the Plan shall be entitled to a benefit hereunder for all Eligible Medical and Dental Expenses incurred by the Participant on or after the Entry Date of his or her participation, (and after the effective date of the Plan) subject to the limitations contained in Article V, below, regardless whether the mental or physical condition for which the Participant makes application for benefits under this Plan was detected, diagnosed, or treated before the Participant became covered by the Plan.
- (b) In order to be eligible for benefits, the Participant must meet the benefit eligibility criteria outlined in the Employer's VantageCare Retirement Health Savings Plan Adoption Agreement.
- (c) A Participant who becomes totally and permanently disabled (as defined by the Social Security Administration) will become immediately eligible to receive medical benefit payments from the Plan. Pursuant to Section 9.02 and Employer's VantageCare Retirement Health Savings Plan Adoption Agreement, the surviving Spouse and Eligible Dependents shall become immediately eligible to receive or to continue receiving medical benefit payments from the Plan upon the death of the Participant.

5.02 Claims for Benefits

No benefit shall be paid hereunder unless a Participant has first submitted a written claim for benefits to the Plan Administrator on a form specified by the Plan Administrator, and pursuant to the procedures set out in Article VI, below. Upon receipt of a properly documented claim, the Plan Administrator shall pay the Participant the benefits provided under this Plan as soon as is administratively feasible.

ARTICLE VI

Plan Administration

6.01 Allocation of Authority

The Employer shall control and manage the operation and Administration of the Plan. The Employer shall have the exclusive right to interpret the Plan and to decide all matters arising thereunder, including the right to remedy possible ambiguities, inconsistencies, or omissions. All determinations of the Employer with respect to any matter hereunder shall be conclusive and binding on all persons.

Without limiting the generality of the foregoing, the Employer shall have the following powers and duties:

- (a) To decide on questions concerning the Plan and the eligibility of any Employee to participate in the Plan, in accordance with the provisions of the Plan;
- (b) To determine the amount of benefits that shall be payable to any person in accordance with the provisions of the Plan; to inform the Plan Administrator, as appropriate, of the amount of such Benefits; and to provide a full and fair review to any Participant whose claim for benefits has been denied in whole or in part; and
- (c) To designate other persons to carry out any duty or power which would otherwise be a fiduciary responsibility of the Plan Administrator, under the terms of the Plan.

- (d) To require any person to furnish such reasonable information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (e) To make and enforce such rules and regulations and prescribe the use of such forms as he shall deem necessary for the efficient administration of the Plan.

6.02 Provision for Third-Party Plan Service Providers

The Plan Administrator, subject to approval of the Employer, may employ the services of such persons as it may deem necessary or desirable in connection operation of the Plan. The Plan Administrator, the Employer (and any person to whom it may delegate any duty or power in connection with the administration of the Plan), and all persons connected therewith may rely upon all tables, valuations, certificates, reports and opinions furnished by any duly appointed actuary, accountant, (including Employees who are actuaries or accountants), consultant, third party administration service provider, legal counsel, or other specialist, and they shall be fully protected in respect to any action taken or permitted in good faith in reliance thereon. All actions so taken or permitted shall be conclusive and binding as to all persons.

6.03 Several Fiduciary Liability

To the extent permitted by law, neither the Plan Administrator nor any other person shall incur any liability for any acts or for failure to act except for his own willful misconduct or willful breach of this Plan.

6.04 Compensation of Plan Administrator

Unless otherwise agreed to by the Employer, the Plan Administrator shall serve without compensation for services rendered in such capacity, but all reasonable expenses incurred in the performance of his duties shall be paid by the Employer.

6.05 Bonding

Unless otherwise determined by the Employer, or unless required by any Federal or State law, the Plan Administrator shall not be required to give any bond or other security in any jurisdiction in connection with the administration of this Plan.

6.06 Payment of Administrative Expenses

All reasonable expenses incurred in administering the Plan, including but not limited to administrative fees and expenses owing to any third party administrative service provider, actuary, consultant, accountant, attorney, specialist, or other person or organization that may be employed by the Plan Administrator in connection with the administration thereof, shall be paid by the Employer, provided, however that each Participant shall bear the monthly cost (if any) charged by a third party administrator for maintenance of his Benefit Account unless otherwise paid by the Employer.

6.07 Timeliness of Payments

Payments shall be made as soon as administratively feasible after the required forms and documentation have been received by the Plan Administrator.

6.08 Annual Statements

The Plan Administrator shall furnish each Participant with an annual statement of his medical and dental expense reimbursement account within ninety (90) days after the close of each Plan Year.

ARTICLE VII

Claims Procedure

7.01 Procedure if Benefits are Denied Under the Plan

Any Participant, Spouse or Eligible Dependent, or his duly authorized representative may file a claim for a plan benefit to which the claimant believes that he is entitled. Such a claim must be in writing on a form provided by the Plan Administrator and delivered to the Plan Administrator, in person or by mail, postage paid. Within thirty (30) days after receipt of such claim, the Plan Administrator shall send to the claimant, by mail, postage prepaid, notice of the granting or denying, in whole or in 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 such extension is necessary, the claimant will be given a written notice to this effect prior to the expiration of the initial 30-day period. The Plan Administrator shall have full discretion to deny or grant a claim in whole or in part. If notice of the denial of a claim is not furnished in accordance with this Section, the claim shall be deemed denied and the claimant shall be permitted to exercise his right to review pursuant to Sections 7.03 and 7.04.

7.02 Requirement for Written Notice of Claim Denial

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 the denial;
- (b) Specific reference to pertinent Plan provisions on which the denial is based;
- (c) A description of any additional material of information necessary for the claimant to perfect the claim and an explanation of why such material is necessary, and
- (d) An explanation of the Plan's claim review procedure.

7.03 Right to Request Hearing on Benefit Denial

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 written application to the Plan Administrator, in person or by certified mail, postage prepaid, may request a review of such denial, may review pertinent documents, and may submit issues and comments in writing.

7.04 Disposition of Disputed Claims

Upon its receipt of notice of a request for review, the Plan Administrator shall make a prompt decision on the review. The decision on review shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision and specific references to the pertinent plan provisions on which the decision is based. The decision on review shall be made not later than sixty (60) days after the Plan Administrator's receipt of a request for a review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered not later than one hundred-twenty (120) days after receipt of a request for review. If an extension is necessary, the claimant shall be given written notice of the extension prior to the expiration of the initial sixty (60) day period. If notice of the decision on the review is not furnished in accordance with this Section, the claim shall be deemed denied and the claimant shall be permitted to exercise his right to legal remedy pursuant to Section 7.05.

7.05 Preservation of Other Remedies

After exhaustion of the claims procedures provided under this Plan, nothing shall prevent any person from pursuing any other legal or equitable remedy otherwise available.

ARTICLE VIII

Amendment or Termination of Plan

8.01 Permanency

While the Employer fully expects that this Plan will continue indefinitely, due to unforeseen, future business contingencies, permanency of the Plan will be subject to the Employer's right to amend or terminate the Plan, as provided in Sections 8.02 and 8.03, below.

8.02 Employer's Right to Amend

The Employer reserves the right to amend the Plan at any time and from time-to-time, and retroactively if deemed necessary or appropriate to meet the requirements of the Code, or any similar provisions of subsequent revenue or other laws, or the rules and regulations in effect under any of such laws or to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan.

8.03 Employer's Right to Terminate

The Employer reserves the right to discontinue or terminate the Plan at any time without prejudice.

ARTICLE IX

General Provisions

9.01 No Employment Rights Conferred

Neither this Plan nor any action taken with respect to it shall confer upon any person the right to be continued in the employment of the Employer.

9.02 Payments to Beneficiary

Any benefits otherwise payable to a Participant following the date of death of such Participant shall be paid as outlined in the Employer's VantageCare Retirement Health Savings Plan Adoption Agreement.

9.03 Nonalienation of Benefits

No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No benefit under the Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person. If any person entitled to benefits under the Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under the Plan, or if any attempt is made to subject any such benefit to the debts, contracts, liabilities, engagements or torts of the person entitled to any such benefit, except as specifically provided in the Plan, then such benefit shall cease and terminate in the discretion of the Plan Administrator, and he may hold or apply the same or any part thereof to the benefit of any dependent or beneficiary of such person, in such manner and proportion as he may deem proper.

9.04 Mental or Physical Incompetency

If the Plan Administrator determines that any person entitled to payments under the Plan is incompetent by reason of physical or mental disability, he may cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow the application of amounts so paid. Payments made pursuant to this Section shall completely discharge the Plan Administrator and the Employer.

9.05 Inability to Locate Payee

If the Plan Administrator is unable to make payment to any Participant or other person to whom a payment is due under the Plan because he cannot ascertain the identity or whereabouts of such Participant or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of such Participant or other person as shown on the records of the Employer), such payment and all subsequent payments otherwise due to such Participant or other person shall be escheated under the laws of the State of the last known address of the Participant or other persons eligible for benefits.

9.06 Requirement of Proper Forms

All communications in connection with the Plan made by a Participant shall become effective only when duly executed on forms provided by and filed with the Plan Administrator.

9.07 Source of Payments

The Employer shall be the sole source of benefits under the Plan. No Employee or beneficiary shall have any right to, or interest in, any assets of the Employer upon termination of employment or otherwise, except as provided from time to time under the Plan, and then only to the extent of the benefits payable under the Plan to such Employee or beneficiary.

9.08 Tax Effects

Neither the Employer nor the Plan Administrator makes any warranty or other representation as to whether any payments received by a Participant hereunder will be treated as includible in gross income for federal or state income tax purposes.

9.09 Multiple Functions

Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

9.10 Gender and Number

Masculine pronouns include the feminine as well as the neuter gender, and the singular shall include the plural, unless indicated otherwise by the context.

9.11 Headings

The Article and Section headings contained herein are for convenience of reference only, and shall not be construed as defining or limiting the matter contained thereunder.

9.12 Applicable Laws

The provisions of the Plan shall be construed, administered and enforced according to the laws of the State of Washington.

9.13 Severability

Should any part of this Plan subsequently be invalidated by a court of competent jurisdiction, the remainder thereof shall be given effect to the maximum extent possible.

IN WITNESS WHEREOF, we have executed this Plan Agreement the date and year first written above.

(Employer)

By: _____

ATTEST _____
Secretary

UNOFFICIAL DOCUMENT