MEBT

MUNICIPAL EMPLOYEES' BENEFIT TRUST

SUMMARY PLAN DESCRIPTION

City of Redmond
WASHINGTON

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Introduction

The Municipal Employees' Benefit Trust (MEBT) was formed by the City of Bellevue under a federal law that allowed governmental organizations to opt out of the Social Security program. The City of Redmond (the City) joined in 1975 when a majority of City employees voted to participate in the MEBT as an alternative to Social Security. Today, a number of other cities participate in the program, including Woodinville, Mill Creek, Kirkland, Federal Way, and Edmonds.

The employee benefit plans offered by cities within the Trust are similar, but each plan offers somewhat different retirement and other benefit programs. The formal name is the City of Redmond Employees' Benefit Plan (MEBT), but it will be referred to in this booklet as the MEBT Plan.

The MEBT Plan is similar to Social Security because, like Social Security, it also provides retirement and disability benefits for you, and in case of death, benefits for your family. The MEBT Plan has three parts:

- ***The* MEBT *Retirement Savings Plan*** - to help you save for retirement;

- ***The Long-Term Disability* (LTD) *Plan*** - to provide monthly income in case of a disability that prevents you from working; and

- ***The Survivor Income Plan*** - to provide monthly income to your eligible survivors if you should die while covered under the Plan.

Additionally, the MEBT Retirement Savings Plan has two different types of retirement savings options: tax-deferred and after-tax savings accounts. To participate, you must enroll and contribute at least the minimum required contribution. You also have the opportunity to receive a substantial contribution to your account from the City. The details of these contributions are described inside this booklet.

As part of the MEBT Plan, you are automatically covered under the LTD Plan and the Survivor Income Plan (even if you don't enroll in the MEBT Retirement Savings Plan), and the City pays the entire cost.

The City provides the MEBT Retirement Savings Plan to you in addition to the state-required retirement plans, PERS (Public Employees' Retirement System) and LEOFF (Law Enforcement Officers' and Fire Fighters' Retirement System). PERS & LEOFF are mandatory plans that you are required to participate in and make contributions to when you work for an organization that falls under PERS and LEOFF.

In addition to the MEBT, the City offers you a tax-deferred 457 Plan, currently available through MetLife Resources.

We will refer to the PERS, LEOFF, and 457 plans in this booklet, but will not describe them in detail. These other plans are mentioned in this booklet only when they affect the MEBT Retirement Savings Plan. Detailed written information about the PERS, LEOFF, and 457 plans is available from the benefits administrator in Human Resources.

To expand your understanding of the City's MEBT Plan, please turn the page. We have prepared a brief summary of the MEBT Plan.

MEBT Summary Guide

You can participate in these programs right away if you meet the eligibility requirements

<table>
<tr><th>ACCOUNTS</th><th>YOUR CONTRIBUTION OPTIONS</th><th>MATCHING EMPLOYER CONTRIBUTION</th></tr>
<tr><td>MEBT RETIREMENT SAVINGS PLAN REQUIRED MINIMUM CONTRIBUTION
TAX-DEFERRED
AND
AFTER-TAX</td><td>If you choose to participate, you must make a required minimum contribution equal to the current Social Security tax:
• If you were hired before April 1, 1986, you will contribute 7.65% of your pay (up to the current Social Security Taxable Wage Base of $102,000*).
• If you were hired on or after April 1, 1986, you will contribute 6.2% of pay (up to the current Social Security Taxable Wage Base of $102,000*).
You may choose to make your contributions either tax-deferred or after-tax.</td><td>The City will make a tax-deferred contribution to your MEBT Retirement Savings Account if you enroll and make the required minimum contribution.
The City's matching tax-deferred employer contribution has historically been $0.80 for every $1.00 that you contribute.
However, the 80% rate is not guaranteed and may vary from year to year, depending on administrative expenses and the cost of the Long-Term Disability and Survivor Income Plans. Additionally, if there is extra money in the unallocated account at the end of the year, the Plan must contribute any money left in the unallocated accounts to eligible participants.
The City of Redmond's matching employer contribution will be the same dollar amount regardless of whether you save tax-deferred or after-tax.</td></tr>
<tr><td>EXTRA EMPLOYEE CONTRIBUTION ACCOUNT
TAX-DEFERRED
AND
AFTER-TAX</td><td>If you make the required minimum contribution, you may contribute up to 100% of your pay, minus your required minimum contribution amount as an extra employee contribution.</td><td>There is no matching employer contribution when you make an extra employee contribution.</td></tr>
<tr><td>LONG-TERM DISABILITY (LTD) PLAN AND SURVIVOR INCOME PLAN</td><td>The City of Redmond pays for your insurance coverage. You do not contribute.</td><td>The City of Redmond pays the entire cost for you. You are automatically covered under these programs on your first day of City employment.</td></tr>
</table>

The Social Security Taxable Wage Base for 2008 is $102,000. This amount is indexed and is likely to change each year. All Social Security rates and corresponding limitations are subject to change by the federal government.
*****For 2008, the IRS tax-deferred contribution limit is $15,500. For current IRS contribution limits, contact Human Resources.***
Please note: This chart is for summary purposes only. Further details are included in this booklet and in the Plan Document. Should there be any discrepancies, the Plan Document will govern.

TAX STATUS OF YOUR CONTRIBUTIONS	VESTING PROVISIONS OF THE MATCHING EMPLOYER CONTRIBUTION	ADVANTAGES	LIMITATIONS
Your required minimum contribution can be deducted from your pay check either tax-deferred, after-tax, or you can split your contribution and do both. • Your tax-deferred contributions are deducted from your paycheck before income taxes are calculated. You don't pay taxes on this money until you take it from the Plan. • Your after-tax contributions are deducted from you paycheck after income taxes are calculated.	• Your contributions are always 100% vested (owned by you). • After 12 months of participation, you are 20%vested in your matching employer contribution and your vesting increases at 1.666% per month. After five years, you become 100% vested in your matching employer contribution.	• You choose how much to allocate between tax-deferred or after-tax savings. • You will receive the matching employer contributions. • You can stop your contributions at any time. • Your contributions are invested in the professionally-managed MEBT trust fund. • You can take a loan from your contribution savings (following certain guidelines). • You may take a withdrawal under certain conditions.	• You can withdraw after-tax savings twice in a 12-month period. • You can withdraw tax-deferred savings once in a 12-month period for designated emergency situations.
Your extra employee contributions can be deducted from your paycheck either tax-deferred, after-tax, or you can split your contribution and do both.	• Your extra employee contributions are always 100% vested. • There is no employer matching contribution on extra employee contributions.	• Your contributions are invested in the professionally-managed MEBT trust fund. • You can take a loan from your extra employee contribution savings (following certain guidelines). • You may take a withdrawal under certain conditions.	• You can withdraw after-tax savings twice in a 12-month period. • You can withdraw tax-deferred savings once in a 12-month period for designated emergency situations. • The IRS limits the amount you can save in extra employee contributions (tax-deferred and total). Please see the section on the Retirement Savings Plan for details.
Not applicable.	Not applicable.	• Under the LTD Plan, if you are disabled for 180 days, you may qualify to receive 60% of monthly pay. • If you die, your survivors receive 30% or 60% of your former pay. The amount they receive is based on whether they are your spouse, dependent parent(s), or child(ren).	

Questions & Answers About MEBT

This is a quick and easy explanation of your MEBT Retirement Savings Plan benefits; it provides only a very brief explanation of your plan benefits. If you want a more detailed answer, check the body of this booklet.

What is MEBT?

MEBT is the Municipal Employees' Benefit Trust. It was formed by the City of Bellevue under a federal law that allowed governmental organizations to opt out of the Social Security program. The City of Redmond joined in 1975 when a majority of City employees voted to participate in the MEBT as a replacement for Social Security.

How does the Plan work?

The MEBT Retirement Savings Plan is a voluntary savings plan intended to replace Social Security retirement income. If you choose to participate, you must make a required minimum contribution, which is equal to:

- 7.65% of monthly pay,* if you were hired before April 1, 1986; or

- 6.2% of monthly pay,* if you were hired on or after April 1, 1986.

You can have the required minimum contribution deducted from your paycheck either tax-deferred or after-tax.

If you wish to save more than your required minimum contribution, you may make an extra employee contribution. Your extra employee contribution can equal up to 100% of your monthly pay, minus your required minimum contribution. You can have your extra employee contribution deducted from your paycheck either tax-deferred or after-tax.

**Pay up to the annual Social Security Taxable Wage Base ($102,000 during 2008).*

Why save in the MEBT Plan?

1. To receive the matching employer contributions.

2. To save for retirement. You do not receive Social Security credits when you are employed at the City of Redmond.

3. To reduce current taxes by saving tax-deferred.

ELIGIBILITY

Who is eligible to Participate?

Regular full-time and part-time employees can participate in the MEBT Plan. Temporary and supplemental employees are covered under the MEBT II Plan (which is not covered in this summary). If you have questions about your eligibility to participate, contact Human Resources.

When am I eligible to participate?

You are eligible as soon as you are hired. You may sign up any time after, as well. If you sign up for the Plan between the 1st and 15th of the month, your payroll deductions will start on the 25th of the month. If you sign up for the Plan between the 16th and the last day of the month, your payroll deductions will start on the 10th of the following month.

How do I sign up?

Contact Human Resources. You will need to fill out a few forms to begin participating.

CONTRIBUTIONS

What are the benefits of making tax-deferred contributions?

You pay taxes on a smaller portion of income because your contributions are deducted from your paycheck and placed in the tax-deferred MEBT before your federal income taxes are calculated. As long as the money remains in the MEBT fund, the money (and its investment earnings) will be tax-deferred.

How much can I save tax-deferred?

The IRS limits the amount of money you can save in tax-deferred accounts each year. The limits depend upon the plans in which you participate.

- If you participate in the MEBT Plan, the maximum you can contribute tax-deferred is $15,500 in 2008 (not to exceed 100% of annual pay including all employer contributions). This limit may increase annually. For the current limit, please contact Human Resources.

- If you contribute to the 457 Plan (MetLife), the maximum amount you can contribute tax-deferred is $15,500 in 2008*, in addition to the $15,500 limit in MEBT.

  **These dollar amounts are set by the IRS and may change in the future.*

- Employees age 50 and older within a Plan year have a higher limit for tax-deferred contributions known as "catch-up contributions". The catch-up contribution amount for 2008 is $5,000, and may increase annually. For the current limit please contact Human Resources.

What are the benefits of making after-tax contributions?

You have greater access to your money. You can withdraw your after-tax savings twice in a 12-month period. In comparison, withdrawals from the tax-deferred savings are allowed once in a 12-month period and for specified emergency situations only. Additionally, any investment earnings on your after-tax contributions will accumulate tax-deferred until you take your money out of the Plan.

What is a matching employer contribution?

This is tax-deferred money the City of Redmond contributes to your account on your behalf. For each $1.00 required minimum contribution you make, the City of Redmond historically has contributed $0.80. This match is not guaranteed. Should the MEBT Plan expenses be higher or lower than expected, the City's match could be more or less. The Plan must contribute any money left in the unallocated account to eligible participants at the end of the year.

Can I choose to stop contributing to the Plan?

You can stop contributing to the MEBT Retirement Savings Plan at any time. You will need to fill out a few forms to do so. Please note that if you stop, you must wait one year before you can participate again and while you are not participating, you will not earn additional vesting credit or receive the matching employer contribution. Contact Human Resources for the proper forms.

VESTING

What does “vested” mean?

“Vested” is a word for ownership. The portion of your benefit that you are “vested” in is the portion you can take with you if you leave City of Redmond employment.

When do I become vested?

You are always 100% vested in your own contributions to the MEBT Retirement Savings Plan. It takes five years to become fully vested in the matching employer contributions. However, you will become 100% vested before you have five years of service if, while employed by the City, you die, become disabled or get laid off. You also become 100% vested when you retire from the City of Redmond under any of the state retirement plans (such as PERS or LEOFF).

What is the vesting schedule?

The longer you participate in the Plan, the more of your matching employer contributions balance you own. After 12 months of participation, you are 20% vested in your matching employer contribution and your vesting increases at 1.666% per month. After five years you become 100% vested in your matching employer contribution. You earn vesting credit only during the time you are making the required minimum contribution. The following chart shows how vesting works under the City of Redmond MEBT Plan, year by year.

CITY OF REDMOND VESTING SCHEDULE FOR MATCHING CONTRIBUTIONS						
YEARS OF PARTICIPATION	Less than 1	1, but less than 2	2, but less than 3	3, but less than 4	4, but less than 5	5
VESTING PERCENTAGE	0%	20%	40%	60%	80%	100%

After 12 months of participation your vesting increases at 1.666% per month.

INVESTMENTS

How are the MEBT Retirement Savings Plan investment decisions handled?

Investment decisions are made by the MEBT Trust Committee using the recommendations of the Investment Advisory Committee and a professional investment advisor. The fund pursues a fairly conservative investment philosophy.

RETIREMENT

When can I retire?

The retirement age under the MEBT Retirement Savings Plan is 65 or when you are eligible to retire under LEOFF (Law Enforcement Officers' and Fire Fighters' Retirement System) or PERS (Public Employees' Retirement System).

The following chart shows retirement dates under PERS and LEOFF:

Can I retire later or leave my money in the Plan until a later date?

Yes. You can retire when you are first eligible or later. If you retire from the City of Redmond, you can leave your money in the Plan until age 70½, at which time you must start receiving (at least) the minimum benefit payment.

If you continue working for the City of Redmond past age 70½, you can leave your money in the Plan until the April 1st following your retirement. At that time you must receive at least the minimum payment.

What happens to my money if I leave City employment before retirement?

This benefit is portable. If you leave City employment for any reason, other than death, disability or retirement, you have three options: 1) You may have the money paid to you in a lump sum (less required income tax withholding), 2) Roll over your money to another employer's plan or an individual retirement account, 3) Leave your money in the plan if your vested account balance exceeds $1,000 (a quarterly administrative fee will apply).

If you are leaving City employment, be sure to complete the proper forms before you leave to direct the Plan on how to administer your account. If you do not complete the forms within 30 days, the Plan will automatically administer your account as shown below based on the balance of your account.

- Account balance is $1,000 or less: the plan will pay your account directly to you, less required 20% withholding. If you are under age 59½, you may owe a 10% tax penalty, in addition to ordinary income taxes, on your tax-deferred money.

- Account balance that exceeds $1,000 and is $5,000 or less: your account will be transferred to the Plan's Money Market Account. A quarterly administrative fee will apply.

- Account balance that exceeds $5000: your account will remain invested in the MEBT fund. A quarterly administrative fee will apply.

The quarterly administrative fee pays for the administrative costs of maintaining your account. The amount is based on a rolling average calculation of annual plan administrative expenses. For current fee, contact Human Resources.

RETIREMENT DATES UNDER PERS AND LEOFF

	EARLY RETIREMENT	NORMAL RETIREMENT
PERS 1	Not available	You can retire from **Active** status at:: • Age 60 with 5 or more years of service, or • Age 55 with 25 or more years of service, or • Any age with 30 or more years of service. You can retire from **Inactive** status at:: • Age 65 with 5 or more years of service, or • Age 60 or older with 5 or more years of service, with a reduced benefit, or • Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service at separation, or • Any age with 30 or more years of service.
PERS 2	• Age 55 with 20 or more years of service. Prior to age 65, the benefit will be reduced, or • Age 55 with 30 or more years of service. The benefit reduction is considerably less.	• Age 65 with 5 or more years of service.
PERS 3	• Age 55 with 10 years of service. Prior to age 65, the benefit will be reduced.	Age 65 with: • 10 years of service; or • 5 years of service, including 12 months of service earned after age 44; or • 5 years of service earned under PERS 2 and transferred to PERS 3 before June 1, 2003
PSERS 2	• Age 53 with 20 or more years of service. Prior to age 60, the benefit will be reduced.	• Age 60 with 10 years of service. • Age 65 with 5 or more years of service.
LEOFF 1	Not available	• Age 50 with 5 years of service.
LEOFF 2	• Age 50 with at least 20 years of service. Prior to age 53, the benefit will be reduced.	• Age 53 with at least 5 years of service.

DISABILITY

What if I become disabled?

Should you become disabled and eligible for Long Term Disability Plan benefits, your account will become 100% vested (if not already) and you may take a lump-sum payout of your MEBT account. If you meet additional requirements, you may be eligible for a pension continuation benefit, provided you leave your funds in the Plan. The details are described in the "Disability" section of this booklet.

DEATH

What happens to my money if I die?

Your account will become 100% vested (if not already) and paid to your beneficiary(ies). For more information, see the section on "Death" in this booklet.

ACCESSING MONEY

When is the earliest date I can take all of my money from the Plan?

You can take all of your money from the Plan after any of the following events:

- You retire;
- You become disabled;
- You are laid off; or
- You leave City of Redmond employment for any other reason.

This is described in more detail later in this booklet.

Can I take a loan from the Plan?

Yes. You can take a loan from the money you have contributed yourself. Matching employer contributions are not available for loans. You may borrow up to 50% of your vested account balance and you must repay the loan within five years. For information on applying for a loan and other rules and restrictions, see the "Loans" section in this booklet.

Can I withdraw my money from the Plan while employed?

Yes. The Plan has two types of withdrawals: non-hardship withdrawals and hardship withdrawals. Each has different rules.

- ***You can take a non-hardship withdrawal***:
  - From after-tax money only;
  - For any reason; and
  - Twice per 12-month period.
- ***You can take a hardship withdrawal***:
  - From your contributions of tax-deferred money, rollovers, or after-tax money;
  - For specified reasons only; and
  - Once per 12-month period.

This summary only highlights the differences between the two types of withdrawals. For information on applying for a withdrawal and other rules and restrictions, see the "Withdrawals While Employed" section.

TAXES

How do the Social Security Tax Rates and Taxable Wage Base Affect My MEBT Contributions?

There are different Social Security provisions that affect the MEBT Plan: the Social Security Tax Rate, the Medicare Tax Rate, as well as the Social Security Taxable Wage Base.

- ***Social Security Tax Rate.*** This is the percentage of pay on which Social Security taxes are based and therefore, the percentage of pay upon which your required minimum contribution is based:

- If you were hired before April 1, 1986, you contribute 7.65% of monthly pay.*

- If you were hired on or after April 1, 1986, you contribute 6.2% of monthly pay.*

**Up to the Annual Social Security Taxable Wage Base.*

The federal government determines the Social Security Tax Rate. Should this percentage change in the future, the amount you contribute to the MEBT Plan will increase (or decrease, if the tax is reduced).

- ***Mandatory Medicare Contribution (Tax)*** - The reason there is a difference between the two contribution rates, depending on your date of hire, is that employees hired on or after April 1, 1986 must make mandatory contributions to Medicare (and the City must make a matching Medicare contribution) and the employees hired before April 1, 1986 do not.

  The current (2008) Medicare contribution rate is 1.45% of pay, which is the difference in the contribution amounts (7.65% - 6.2%). There is no cap on Medicare wages. The Medicare tax rate is determined by the federal government and may change in the future.

- ***Social Security Taxable Wage Base*** - This is the maximum amount of pay upon which Social Security taxes are based. Since the MEBT Plan is designed to replace Social Security, it is the maximum amount of pay used to calculate the required minimum contribution. During 2008, the Social Security Taxable Wage Base is $102,000. This amount is determined by the federal government and changes every year.

What are the tax consequences of taking money from the Plan?

This is a brief summary of the taxes you could pay when taking money from the Plan in the following ways.

- ***Loans*** - Loans are not taxable if they are repaid while you are working for the City.

- ***Non-Hardship Withdrawals*** - Non-hardship withdrawals can be taken from after-tax money only. Since after-tax savings are taxed before you put them in the Plan, the principal is not taxable, but the investment earnings are taxable.

- ***Hardship Withdrawals*** - You will owe ordinary federal income taxes on tax-deferred savings and investment earnings withdrawn from the Plan.

  In addition to ordinary income taxes, if you withdraw tax-deferred savings from the Plan before age 59½, you may be required to pay the IRS a 10% tax penalty on the tax-deferred amount. There are some special circumstances when the penalty tax will not apply, described in the "Penalty Tax" section.

  There is no mandatory withholding on hardship withdrawals from the employee's tax-deferred accounts. However, hardship withdrawals from after-tax accounts are subject to a 20% mandatory withholding on interest earnings. You may elect to have a portion of your withdrawal withheld for income taxes and the 10% tax penalty, if necessary.

- ***Distributions (payouts of account when leaving City employment for any reason, including retirement)*** - Tax-deferred money is subject to federal income taxes when you take it from the Plan. Tax-deferred money in the Plan includes: your tax-deferred contribution, matching employer contributions, rollovers and investment earnings on all of your contributions (including after-tax contributions).

  The IRS requires that the City withhold 20% of your tax-deferred money for federal income tax purposes. Keep in mind, this withholding is just a prepayment of potential taxes: your actual tax liability for the year could result in a tax rate that is actually higher or lower than 20%.

In addition to ordinary income taxes, when you receive tax-deferred money from the Plan before age 59½, you may be required to pay the IRS a 10% tax penalty on the untaxed money. There are some special circumstances when the tax penalty will not apply, described in the "Penalty Tax" section in this booklet.

When you leave City of Redmond employment, you can defer paying taxes on your money and avoid the 10% tax penalty by rolling over the tax-deferred portion of your account to an IRA or to another employer's retirement plan, or by leaving your money in the plan.

Summary of Tax Consequences

	LOANS	NON-HARDSHIP WITHDRAWALS	HARDSHIP WITHDRAWALS	DISTRIBUTIONS
TAXABLE AS ORDINARY INCOME?	**No** Unless not paid while employed by the City	**No** Taken from after-tax contributions (the principal is not taxable, earnings are taxable)	**Yes** The tax-deferred portion only	**Yes** The tax-deferred portion only
SUBJECT TO MANDATORY 20% WITHHOLDING?	**N/A**	**Yes** Only on interest earnings	**Yes** Only interest earnings from after-tax accounts	**No** If paid in installments over at least 10 years
SUBJECT TO 10% PENALTY TAX BEFORE AGE 59½?	**No** Unless not repaid while employed by the City	**Yes** Only on interest earnings	**Yes** The tax-deferred portion only	**Yes** If paid directly to you in a lump sum or in installments over a period less than life expectancy

This is general information and may not apply to your personal situation. Please see a tax advisor for information about how taking money from the Plan will affect your personal financial situation.

Questions & Answers About Long-Term Disability (LTD)

This is a quick and easy explanation of your LTD Plan benefits. If you want a more detailed explanation, read the body of the MEBT Plan booklet.

ELIGIBILITY

How do I sign up for this Plan?

You do not need to sign up for the LTD Plan. You are automatically covered when you are hired as a regular employee for the City of Redmond.

Can I participate in this LTD Plan, if I don't make contributions to MEBT?

Yes. The LTD Plan is provided to all regular City of Redmond employees.

COST

What does the Plan cost?

There is no cost to you. The City of Redmond pays the entire cost of the benefits.

DEFINITION

How is disability defined?

For purposes of this Plan, you must be completely unable to work at an occupation because of sickness, accidental bodily injury, or pregnancy.

- During the first 24 months, you are considered disabled if you are unable to perform each of the essential duties of your job.
- After benefits have been paid for 24 months, the definition is different. See "Disability" section for more details.

To be disabled, you also must be under the regular care of a physician. See "Physician Involvement" section for further information.

BENEFITS

What are my benefits under this Plan?

The purpose of the LTD Plan is to provide you with income in the event you become disabled. If you meet the LTD Plan's definition of disability, your benefit will be 60% of your covered basic monthly earnings. This is your rate of earnings, up to $13,000 per month, just before your disability begins.

The maximum monthly benefit is $7,800 (60% of $13,000). The minimum monthly benefit payable from the LTD Plan is the greater of $100 or 10% of the monthly benefit before deductions for other disability income.

Should you be eligible for disability benefits from other sources (such as workers' compensation), the amount of those other disability benefits is used in calculating your total LTD Plan benefit. The LTD Plan requires that you apply for any other disability benefits for which you are eligible (for example, Social Security).

For example, if you are eligible for a $1,200 disability benefit from the LTD Plan and a $600 workers' compensation benefit, your workers' compensation benefit will be deducted from your disability payment under the LTD Plan. You will receive $600 from the LTD Plan and $600 from workers' compensation.

When do LTD benefit payments begin?

Benefits start after you have been continually disabled for 180 days. This is called the elimination period. You may return to work for 30 days during this time without having to satisfy a new elimination period. However, you cannot include the days you worked toward the 180 days.

How long are LTD benefits paid?

The duration of benefits depends on your age at the time the disability begins. Remember, you must meet the definition of disability in the Plan in order to continue to receive benefits.

- If you are less than 60 years of age when your disability begins, benefits are paid until age 65 or for a minimum of 60 months, whichever is greater.
- If you are between age 60 and age 69 when your disability begins, your benefits are paid between 12 and 60 months, depending on your age when the disability began.
- If you are age 69 or more, benefits will be paid for up to 12 months.

For complete information, see the chart in the "Benefit Duration" section.

When do LTD benefits end?

LTD benefit payments will end:

- If you no longer meet the definition of disability; or
- If you reach the maximum length of time benefits are paid; or
- If your current earnings exceed 80% of the indexed monthly disability benefits; or
- If you die.

RETURN TO WORK

What if I return to work during the elimination period?

If you return to work for 30 days (or less) and continue to be disabled, you will not have to satisfy another 180-day elimination period. However, you will not be able to count the days you worked as part of the 180 days.

What if I go back to work for a long time and then become disabled again?

If you return to work for six months or more, you will have to complete another 180-day elimination period before you can receive benefits again.

Are there any incentives to return to work as soon as possible?

Yes. The Plan provides financial incentives to assist you in returning to employment as soon as possible. For further information and examples, see the "Return to Work Incentive" section in this booklet.

Questions & Answers About Survivor Income Plan

This is a quick and easy explanation of your Survivor Income Plan benefits. If you want a more detailed answer, check the body of the MEBT Plan booklet. We have noted the page numbers for reference.

ELIGIBILITY

How do I sign up for this Plan?

You do not need to sign up for the Survivor Income Plan. You are automatically covered when you are hired as a regular employee for the City of Redmond.

Can I participate in this Plan, if I don't make contributions to MEBT?

Yes. The Survivor Income Plan is provided to all regular City of Redmond employees.

COST

What does the Plan cost?

There is no cost to you. The City of Redmond pays the entire cost of the Survivor Income Plan.

BENEFITS

(See the chart on the next page for the list of details.)

When do benefits end?

For your spouse, benefits end when your spouse dies or remarries.

For children, benefits end when the child marries, dies or reaches age 19 (or 26 if the child continues to qualify as a dependent under the Internal Revenue Code), unless disabled.

For dependent parents, benefits end when the parent dies or ceases to qualify as a dependent under the IRC.

How does the Survivor Income Plan coordinate with Social Security?

The benefits provided by the Survivor Income Plan will be reduced by any Social Security Survivor's Benefits received. If the income from Social Security is more than the benefits payable from the Survivor Income Plan, the payment from this Plan will be $150 per month. Social Security cost-of-living increases will not change the benefit amount paid from the Plan.

For example, if your surviving spouse's benefit from this Plan was $1,200 and he or she was also eligible for a Social Security benefit of $400, the Survivor Income Plan would pay $800, for a total benefit of $1,200.

How do my survivors apply for the benefit?

Your survivors should contact the benefits administrator in Human Resources. Proof of death will be required.

What are my benefits under this Plan?

The purpose of the Plan is to provide your eligible dependents with monthly income if you should die while you are employed by the City of Redmond and covered under this Plan. The benefit amount depends, in part, on the type of eligible dependents, as shown below.

FOR THIS TYPE OF DEPENDENT:	THE MONTHLY BENEFIT IS:
A surviving eligible spouse and one or more eligible surviving children or parents	**To the eligible spouse**: 30% of insured earnings, less Social Security Survivor's Benefits (Maximum $3,900 per month) **Divided equally among the other eligible survivors**: 30% of insured earnings, less Social Security Survivor's Benefits (Maximum $3,900 per month)
A surviving eligible spouse only	30% of insured earnings, less Social Security Survivor's Benefits (Maximum $3,900 per month)
Eligible dependent children only	**Divided equally among eligible children**: 60% of insured earnings, less Social Security Survivor's Benefits (Maximum $7,800 per month)
Eligible dependent parents only	**Divided equally among the eligible dependent parents**: 30% of insured earnings, less Social Security Survivor's Benefits (Maximum $3,900 per month)
Eligible dependent children and eligible dependent parents, without a surviving eligible spouse	**Divided equally among the eligible children**: 30% of insured earnings, less Social Security Survivor's Benefits (Maximum $3,900 per month) **Divided equally among the eligible dependent parents**: 30% of insured earnings, less Social Security Survivor's Benefits (Maximum $3,900 per month)

Insured Earnings

Insured earnings include gross monthly income up to $13,000 per month; it includes the amounts you contribute to the Tax-Deferred 401(k) Account and the 457 Plan. Insured earnings do not include income over $13,000 per month, overtime, bonuses and other types of compensation.

MEBT Retirement Savings Plan

What is MEBT?

MEBT is the Municipal Employees' Benefit Trust. It was formed by the City of Bellevue under a federal law that allowed governmental organizations to opt out of the Social Security program. The City of Redmond joined in 1975 when a majority of City employees voted to participate in the MEBT as a replacement for Social Security.

The City of Redmond sponsors the MEBT Retirement Savings 401(a) Plan as a replacement for Social Security retirement income. Your participation is voluntary. If you choose to participate, you must make a required minimum contribution, which is an amount equal to the Social Security tax you would pay if the City of Redmond participated in Social Security.

How does the Plan work?

The MEBT Retirement Savings Plan is a voluntary savings plan intended to replace Social Security retirement income. If you choose to participate, you must make a required minimum contribution, which is equal to:

- 7.65% of monthly pay,* if you were hired before April 1, 1986; or

- 6.2% of monthly pay,* if you were hired on or after April 1, 1986.

You can have the required minimum contribution deducted from your paycheck either tax-deferred or after-tax.

If you wish to save more than your required minimum contribution, you may make an extra employee contribution. Your extra employee contribution can equal up to 100% of your monthly pay, minus your required minimum contribution. You can have your extra employee contribution deducted from your paycheck either tax-deferred or after-tax.

Why participate in the Plan?

- ***To Earn Tax-Deferred Matching Contributions from the City*** - When you make the required minimum contribution, the City will make a tax-deferred matching contribution to your account. Historically the contribution has been $0.80 for every $1.00 required minimum contribution you make.

- ***To Save for Retirement*** - On average, people today are living about 20 years past retirement. That means that if you plan to retire at about 65, you will need approximately 20 years of income saved. For those who participate in the Social Security program, Social Security is designed to replace one-third of an average-earner's income. For City of Redmond employees, the MEBT Retirement Savings Plan provides that function.

- ***To Attain Tax Advantages*** - This Plan allows you to save money tax-deferred, reducing your current federal income tax. You do not pay taxes on your tax-deferred contributions and your investment earnings until you take the money from the Plan; ideally, when you retire and are in a lower tax bracket.

  This Plan also allows you to save money after taxes have been withheld. That way, if you want to maximize your tax-deferred savings in other plans (such as the City's 457 Plan), you can still save for retirement in the MEBT Plan and receive the matching employer contribution. (Although your contributions are made on an after-tax basis, the investment earnings on your after-tax contributions will accumulate tax-deferred.)

  When you save in the MEBT Retirement Savings Plan, you can still access your money in the following ways:

- **Loans** - You can borrow from your contributions and earnings up to 50% of your total vested account balance.

- **Non-hardship Withdrawals** - You can take up to two withdrawals of after-tax savings each 12-month period for any reason.

- **Hardship Withdrawals** - You can take one withdrawal in a 12-month period of your after-tax and/or tax-deferred savings under certain hardship situations.

ELIGIBILITY

Who is eligible?

The MEBT Retirement Savings Plan is for regular full-time and part-time employees of the City of Redmond who are currently enrolled in the Washington State Public Employees' Retirement System (PERS) or Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). Supplemental and temporary employees are covered under the MEBT II Plan (which is not covered in this summary).

When am I eligible?

You are eligible to participate in the MEBT Retirement Savings Plan as soon as you start working for the City of Redmond as a regular employee. If you sign up for the Plan between the 1st and 15th of the month, your payroll deductions will start on the 25th of the month. If you sign up for the Plan between the 16th and the last day of the month, your payroll deductions will start on the 10th of the following month.

How do I enroll?

To participate in the Plan, you must enroll and make the required minimum contribution.

To enroll, you will need to complete the appropriate MEBT Retirement Savings Plan enrollment forms, which are available from the Human Resources Department.

When you enroll, your contributions will be deducted from your paycheck. If you sign up for the Plan between the 1st and 15th of the month, your payroll deductions will start on the 25th of the month. If you sign up for the Plan between the 16th and the last day of the month, your payroll deductions will start on the 10th of the following month.

CONTRIBUTIONS

This is a voluntary plan. If you decide to participate, you must contribute the required minimum contribution. If you want to contribute more, you can then make extra employee contributions. For any calendar year, you may contribute up to the Salary Deferral Limits and the Annual Additions Limit set by the Internal Revenue Code.

Required Minimum Contributions

- **If you were hired before April 1, 1986**, you contribute 7.65% of monthly pay (not to exceed the Social Security Taxable Wage Base*).

- **If you were hired on or after April 1, 1986,** you contribute 6.2% of monthly pay (not to exceed the Social Security Taxable Wage Base*).

* During 2007, the Social Security Taxable Wage Base is $97,500.

Example, Required Minimum Contributions

Three employees are participating in the MEBT Plan. To determine their required minimum contribution, take their annual pay (up to the Social Security Taxable Wage Base of $102,000) and multiply it times the tax rate that corresponds to their hire date (either 7.65% or 6.2%). This example assumes the employees were hired before April 1, 1986.

SAMPLE ANNUAL PAY AMOUNTS**		CALCULATION (TAX RATE X PAY)	ANNUAL REQUIRED MINIMUM CONTRIBUTION
Employee 1	$30,000	7.65% of $30,000 =	$2,295
Employee 2	$50,000	7.65% of $50,000 =	$3,825
Employee 3	$100,000	7.65% of $102,000 =	$7,803

Since this person earns more than the current Social Security Taxable Wage Base, his/her pay for determining the required minimum MEBT contribution is capped at the current Social Security Taxable Wage Base.

***In these examples, we have used annual sample pay amounts. However, in actual practice your contributions will be based on a percentage of your monthly pay.*

Extra Employee Contributions

As long as you are making the required minimum contribution, you can make an extra employee contribution. The maximum amount you and the City may contribute to the MEBT annually is 100% of compensation, or $46,000 in 2008, whichever is less. In addition, you may not contribute more than 100% of your monthly compensation less other deductions such as your required minimum contribution to MEBT, employee contributions to PERS, LEOFF, the 457 deferred compensation plan and all other applicable payroll deductions. It is your responsibility to monitor that you are within these limits required by the Internal Revenue Code.

For additional information on maximizing your contributions to MEBT, please contact Human Resources.

Tax-Deferred vs. After-Tax

You can have your required minimum and/or extra employee contributions deducted from your paycheck either tax-deferred or after-tax or split between the two in any percentage.

Advantages of Tax-Deferred Contributions

You pay taxes on a smaller portion of income because your contributions are deducted from your paycheck and placed in the tax-deferred MEBT before your federal income taxes are calculated. As long as the money remains in the MEBT fund, the money (and its investment earnings) will be tax-deferred.

Limits on Tax-Deferred Contributions

Internal Revenue Service rules limit the amount of tax-deferred money you can contribute to employer-sponsored savings plans, such as the MEBT Retirement Savings Plan, each year. The limits depend upon the plans in which you participate.

If you participate in the MEBT Plan, the maximum you can contribute tax-deferred is $15,500 in 2008 (not to exceed 100% of annual pay including all employer contributions). This limit may increase annually.

- If you contribute to the 457 Plan (MetLife), the maximum amount you can contribute tax-deferred is $15,500 in 2008*, in addition to the $15,500 limit in MEBT.

**These dollar amounts are set by the IRS and may change in the future.*

- Employees age 50 and older within a Plan year have a higher limit for tax-deferred contributions known as "catch-up contributions". The catch-up contribution amount for 2008 is $5,000, and may increase annually.

Please note that the City of Redmond matching employer contributions are not considered part of the IRS tax-deferred contribution limit.

Example, Tax-Deferred Advantages

Zoe Schmidt has worked for the City of Redmond for five years but has never participated in the MEBT Retirement Savings Plan. She recently began to consider participating. The following example shows what she can gain by contributing the highest possible amount tax-deferred and making no after-tax contribution.

Zoe's pay is $25,000 per year. If she were to make the minimum required contribution of 6.2% to the MEBT Retirement Savings Plan, this chart shows how Zoe's contribution would reduce her current income taxes.

	NOT PARTICIPATING IN MEBT	TAX-DEFERRED CONTRIBUTION
Zoe's Pay	$25,000	$25,000
6.2% Contribution	- 0	- 1,550
Taxable Pay	$25,000	$23,450
Federal Tax	$4,127	$3,693
Difference	$4,127 - $3,693 =	$434

Result: By participating and making tax-deferred contributions, Zoe reduces her current taxes by $434.

After-Tax Contribution Advantages

If you can get such extraordinary current tax savings by making tax-deferred contributions, why would you contribute after-tax?

1. The IRS limits the amount of money you can save tax-deferred. Many employees hit this limit before contributing 100% (or $46,000 in 2008) of pay. Therefore, if they want to contribute an amount above the IRS tax-deferred contribution limit, a portion of their contribution must be made after-tax. Additionally, any investment earnings on your after-tax contributions will accumulate tax-deferred until you take your money out of the Plan.

2. It is relatively easy to withdraw after-tax contributions. You can take up to two withdrawals per 12-month period of after-tax contributions for any reason. Comparatively, you can take only one withdrawal from your tax-deferred contributions within a 12-month period for a designated hardship.

Changing Your Contribution Allocation

You can change the percentage of your contributions allocated between tax-deferred and after-tax at any time. To do so, complete the MEBT Retirement Savings Plan *Enrollment/Change* form, available from Human Resources. Your change will be effective the next pay period, following receipt of your form.

Stopping Contributions

You may stop your required minimum contributions and extra employee contributions at any time by completing the MEBT *Enrollment/Change* form, available from Human Resources. Your change will be effective the next pay period, following receipt of your form.

Effects of Stopping Contributions

If you choose to stop making the required minimum contribution, there will be a one-year waiting period before you can start contributing again. Keep in mind that while you are not making the required minimum contribution, you are not earning the matching employer contribution, receiving vesting credit, and you are prohibited from making extra employee contributions.

There is no penalty for stopping your extra employee contribution only.

"Catch-Up" Contributions

Starting in 2002, employees age 50 or older can make special "catch-up" contributions to the MEBT. An employee who is age 50 or older can make this special contribution if he/she reaches the regular limit on tax-deferred contributions. The catch-up contribution limit is $5,000 in 2008, which means an employee age 50 or older could contribute a total of $20,500 to the MEBT on a tax-deferred basis. Further increases after 2008 will be indexed to inflation. The catch-up limit is not subject to any other federal or plan limits. Consequently, at age 50 or older an employee can contribute more than the regular limit of $46,000 in 2008 to the MEBT in both tax-deferred and after-tax contributions.

MATCHING CONTRIBUTIONS

Matching Employer Contributions

This is tax-deferred money the City of Redmond contributes to your account on your behalf. For each $1.00 required minimum contribution you make, the City of Redmond historically has contributed $0.80. This match is not guaranteed. The Plan must contribute any money left in the unallocated account to eligible participants at the end of the year.

Allocation of Matching Employer Contributions

The City's matching employer contribution is allocated in the following manner:

1. ***Matching Employer Contributions*** - The City makes monthly matching employer contributions if you have made the required minimum contribution. Generally, the match has been $0.80 for each $1.00 you contribute. However, if Plan expenses or insurance premiums are unexpectedly high, the amount of the match could be less.

2. ***Medicare Contributions*** - The City makes payments of 1.45% of pay toward Medicare coverage for employees hired on or after April 1, 1986.

3. ***Insurance Premiums*** - The City pays insurance premiums for the Long-Term Disability and Survivor Income insurance plans, which are described later in this booklet.

4. ***Administrative Expenses*** - The City pays its share (along with the other participating cities) of administrative expenses for the MEBT Trust.

5. ***Contributions for Pension Continuation Benefits*** - When an employee qualifies for pension continuation benefits because of a long-term disability, the City contributes the employee's required minimum contributions and matching employer contributions to the employee's account.

6. ***Other Contributions*** - Any remaining moneys, after expenses are paid, are allocated to the accounts of active MEBT Retirement Savings Plan participants who are employed as of December 31 or retired during the year. The amount of a participant's allocated share is determined based on the amount of the city's matching contribution on his/her behalf.

Example, Matching Employer Contributions

Sally Saver earns $30,000 per year and makes the required minimum contribution. This example shows how the City's matching employer contribution adds to Sally's account during one year:

Sally's required minimum contribution:	$30,000
	x 7.65%
	$2,295
The City of Redmond's matching employer contribution:	x 80%
	$1,836
Total contribution to Sally's account:	$2,295
	+ $1,836
	$4,131

Result: Sally's contribution of $2,295 grows to a $4,131 contribution with the City of Redmond's matching contribution. If she did not participate, Sally would give up $1,836 in income from the City.

FORFEITURES

Matching Contributions

If you leave employment with the City of Redmond before you are 100% vested in your matching employer contributions, the portion of your account that is not vested will be forfeited. If you return to City of Redmond employment, that money will not be returned to your account.

Additionally, in the unlikely event you are convicted of an offense against the City or another City employee, you will forfeit your vested matching employer contributions.

Forfeitures are put into an unallocated matching employer contribution account. If there is remaining money in the account at the end of the year, that money is allocated to the accounts of eligible MEBT Retirement

Savings Plan participants who are employed as of December 31 or retired during the year. The amount of a participant's allocated share is based on the amount of the City's matching contribution on his/her behalf.

Unclaimed Accounts

If you have an unclaimed MEBT account, the Plan will send a notice to the most recent address it has for you. If you (or your beneficiary) have not replied, in writing, within three months of the date the notice is sent, the Plan Committee will attempt to locate you through listed beneficiaries, the Social Security Administration or Internal Revenue Service letter forwarding procedure, or any other available methods.

If you (or your beneficiary) have not claimed the benefit or made your whereabouts known, in writing, to the Plan Committee within 18 months of the date the Plan Committee submitted the letter forwarding request to the SSA or IRS, the Plan Committee will treat your account as forfeited. If, after the forfeiture, you claim your benefit, the Plan will restore your account balance to the amount forfeited. There will be no payment for investment gains or losses after the date of the forfeiture.

VESTING

What does "vested" mean?

"Vested" is a word for ownership. The portion of your benefit that you are "vested" in is the portion you can take with you if you leave City of Redmond employment.

How do I become vested?

You are always 100% vested in your own contributions to the MEBT Retirement Savings Plan.

You become 100% vested in the matching employer contributions, when you:

- Participate in the Plan for five years (making the required minimum contribution); you receive vesting credit only while you are making contributions to the Plan. After 12 full months of participation, your vesting grows at 1.666% per month (20% per year);
- Reach the age of 65 or normal retirement under PERS or LEOFF;
- Are laid-off;
- Are totally and permanently disabled; or
- Die (paid to your beneficiary(ies)).

What is the vesting schedule?

The longer you participate in the Plan, the more of your matching employer contributions balance you own. After 12 months of participation, you are 20% vested in your matching employer contribution and your vesting increases at 1.666% per month. After five years you become 100% vested in your matching employer contribution. You earn vesting credit only during the time you are making the required minimum contribution. The following chart shows how vesting works under the City of Redmond MEBT Plan, year by year.

CITY OF REDMOND VESTING SCHEDULE FOR MATCHING CONTRIBUTIONS						
YEARS OF PARTICIPATION	Less than 1	1, but less than 2	2, but less than 3	3, but less than 4	4, but less than 5	5
VESTING PERCENTAGE	0%	20%	40%	60%	80%	100%
After 12 months of participation your vesting increases at 1.666% per month.						

Example, Vesting

Roberta Owen has been a manager for the City of Redmond and actively participating for three years and eight months. According to the chart below, she is at least 60% vested in her account, plus she has earned additional vesting credit for eight additional months. Her total vesting credit is 73.33%. It is calculated as follows:

3 years = 60.00%
8 months x 1.666% = +13.33%
Total = 73.33%

Transferring to Another MEBT Employer

Many of the cities participating in the MEBT have different vesting schedules. If you leave City of Redmond employment to work at another MEBT city, your contributions to your new MEBT city's plan will reflect the new employer's vesting schedule. Although most MEBT cities' plans recognize service with other MEBT city employers, some do not. Contact the Human Resources Department if you have questions.

Vesting Credit for Prior Service

If you previously worked for another MEBT city or for the City of Redmond and wish to receive vesting credit for that prior service, it is especially important to sign up immediately upon hire or rehire. You will receive vesting credit for your service with Redmond or another MEBT city, if you:

- Enroll in the MEBT Retirement Savings Plan as soon as you are eligible by completing the *Enrollment/Change* and *Notice of Addition* forms available from the Human Resources Department,
- Make the required minimum contribution, and
- Continue to participate for the following 12-month period.

Additionally, if you worked for another MEBT city, you must also rollover or directly transfer your current MEBT account to the City of Redmond Plan. Contact the Human Resources Department for the *Rollover/Transfer* form.

Although you can receive prior vesting credit, the MEBT Plan does not restore prior forfeited matching employer contributions upon rehire.

ROLLOVER

Rollover Payments into the MEBT

You may "rollover" distributions you have received from a former employer's eligible employer retirement plan into your MEBT Retirement Savings Plan account. To be eligible for a rollover, your payment must meet the following criteria:

- The amount must be an "eligible distribution". An eligible distribution comes from another qualified employer-sponsored retirement plan or certain individual retirement accounts (IRAs). Qualified plans must meet certain federal requirements in order to provide tax advantages for employers and employees, under section 401(a) of the Internal Revenue Code. These plans include 401(k) plans and distributions from pension plans, among other plans. Please note that MEBT does not currently accept rollovers from 457 plans or after-tax dollars from any non-MEBT plans. If you have a question regarding "qualified" rollover contributions, contact the Human Resources Department.

- You must deposit the rollover with the MEBT Trust within 60 days of receipt or via direct rollover from your account with your former employer.

If you are coming from another MEBT city, the Trustees can directly transfer your account for you. To do so, request a form from the Human Resources Department.

As a result of the rollover, your savings remain tax-deferred and are eligible for hardship withdrawals or loans according to the MEBT Plan rules. You should contact your personal tax advisor to determine whether you want to use the Plan's rollover feature. Rollover contributions are not eligible for matching employer contributions.

STATEMENTS

Each quarter you will receive a MEBT Retirement Savings Plan Statement showing your account activity: contributions, investment returns, loans, and withdrawals.

Your savings contributions are tracked in separate accounts:

1. ***Required Minimum Contribution – Tax-Deferred Account***
   Your tax-deferred contributions are deducted from your paycheck before income taxes are calculated, deferring your taxes on that money until you take it from the Plan. This includes the required minimum contribution and any extra tax-deferred contributions.

2. ***Required Minimum Contribution – After-Tax Account***
   Your contributions are deducted from your paycheck after income taxes are calculated.

3. ***The Matching Employer Contribution***
   The City's contributions to match your required minimum contributions. Matching contributions are tax-deferred.

4. ***Extra Employee Contribution – After-Tax Account***
   An account for after-tax savings above the required minimum contribution.

5. ***Rollover Account***
   Money you have transferred from a previous employer's retirement savings plan into this Plan. Rollover contributions are tax-deferred.

6. ***Loan Account***
   Loans and repayments.

INVESTMENTS

How Are the MEBT Retirement Savings Plan Investment Decisions Handled?

Investment decisions are made by the MEBT Trust Committee using the recommendations of the Investment Advisory Committee and a professional investment advisor. The fund pursues a fairly conservative investment philosophy.

How Are Investments Valued?

The trust's accounts are reconciled each day. Interest, dividends, capital appreciation or depreciation, realized and unrealized gains or losses are included in this valuation.

Investment returns (gains or losses) are credited to accounts on a proportional basis. For example, if the value of the trust increases (or decreases) by 10%, your account would receive its proportional share of that 10%. You will receive an annual statement showing the value of your account.

How the MEBT Investment Trust Helps Your Investment Grow

When you save in the MEBT Retirement Savings Plan, your contributions are invested in the MEBT Investment Trust. The Trust has the following guidelines:

- ***Financial Oversight*** -
  Contributions that are invested in the MEBT Retirement Savings Plan by you and the employees of the other participating cities are overseen by three committees: the MEBT Trust Committee, Investment Advisory Committee (IAC), and each individual city's MEBT committee. All participating cities have representation on the Investment Advisory Committee (IAC).

- ***Financial Management*** -
  The IAC works with a professional investment advisor to manage the trust fund. The exact investments may change from time to time, based on their performance.

- ***Financial Philosophy*** -
  The trust fund is invested in equities, bonds and stable value funds. Since the trust is a replacement for Social Security, it employs a conservative investment philosophy.

Another factor in your investment growth is your savings contributions. The sooner you start investing and the more you invest, the more rapidly your savings can grow.

Example, Contributions Grow

Dan Planna makes the required minimum contribution and receives the matching employer contribution. Assuming the MEBT's investment return is 7% per year, the following chart shows Dan's account growth over five years.

YEAR	DAN'S REQUIRED MINIMUM CONTRIBUTIONS	MATCHING EMPLOYER CONTRIBUTIONS	TOTAL ANNUAL CONTRIBUTIONS	TOTAL CONTRIBUTIONS TO DATE	INTEREST EARNED TO DATE	DAN'S ACCOUNT TO DATE
1	$1,674	$1,339	$3,013	$3,013	$211	$3,224
2	$1,674	$1,339	$3,013	$6,026	$648	$6,674
3	$1,674	$1,339	$3,013	$9,039	$1,326	$10,365
4	$1,674	$1,339	$3,013	$12,052	$2,262	$14,314
5	$1,674	$1,339	$3,013	$15,067	$3,475	$18,540
TOTAL	$8,370	$6,695	$15,065	-	-	-

Actual rates of return have been higher; however, rates of return are not guaranteed

Result: Dan's personal contributions of $8,370 have grown to $18,840 because of the City's matching employer contributions and his investment earnings.

TAKING MONEY FROM THE PLAN

You can take your vested account balance under the following circumstances:

- Termination due to layoff or cause,
- Termination of employment before retirement,
- Retirement, or
- Disability.

LEAVING EMPLOYMENT

Due to a Layoff or for Cause

- ***Termination Due to layoff***
  If you are laid off, you may take your money directly and/or roll it over. Additionally, you will be able to receive 100% of your matching employer contribution account, including the non-vested portion.

- ***Termination for "Cause"***
  If your employment with the City is terminated for "cause," you will forfeit all of your matching employer contributions, including the vested portion. You may take only the contributions you personally have made to the Plan.

In this case, "cause" means that you have been terminated from City of Redmond employment for any of the following proof, confession, or court conviction for theft or embezzlement from the City or a fellow employee; willful and malicious destruction of the City's or a fellow employee's property; or criminal assault on a fellow employee at work or in connection with your employment duties.

Before Retirement

This benefit is portable. If you leave City employment for any reason, other than death, disability or retirement, you have three options:

- Have your vested account balance paid directly to you as a single lump-sum payment (less required income tax withholding);
- Transfer the distribution in a direct rollover to an IRA or eligible retirement plan that will accept the rollover. Note: Any amount that is distributed on account of hardship is not eligible to be rolled over;
- Do a combination of both; or
- Leave your money in the plan if your vested account balance exceeds $1,000 (a quarterly administrative fee will apply)

If you are leaving City employment, be sure to complete the proper forms before you leave to direct the Plan on how to administer your account. If you do not complete the forms within 30 days, the Plan will automatically administer your account as shown below based on the balance of your account.

- For account balances $1000 or less, the plan will pay your account directly to you, less the 20% mandatory withholding on the tax-deferred money (tax-deferred contributions, rollovers, and investment earnings). If you are under age 59½, you may owe a 10% tax penalty, in addition to ordinary income taxes, on your tax-deferred money.
- For account balances that exceed $1,000 and are $5,000 or less, your account will be transferred to the Plan's Money Market Account. A quarterly administrative fee will apply.
- For account balances that exceed $5,000, your account will remain invested in the MEBT fund. A quarterly administrative fee will apply.

The quarterly administrative fee pays for the administrative costs of maintaining your account. The amount is based on a rolling average calculation of annual plan administrative expenses. For the current quarterly administrative fee, contact Human Resources.

At any point in time you may elect to directly rollover your money to another employer's plan or an individual retirement account, or receive a lump distribution less required 20% withholding. If you are under age 59½ you may owe a 10% tax penalty, in addition to ordinary income taxes, on your tax-deferred money.

If you are not fully vested when your employment ends, you will lose (forfeit) the non-vested portion of your matching employer contributions.

RETIREMENT

When can I retire?

The retirement age under the MEBT Retirement Savings Plan is 65 or when you are eligible to retire under LEOFF (Law Enforcement Officers' and Fire Fighters' Retirement System) or PERS (Public Employees' Retirement System).

Can I retire later or leave my money in the Plan until a later date?

Yes. You can retire when you are first eligible or later. If you retire from the City of Redmond, you can leave your money in the Plan until age 70½, at which time you must start receiving (at least) the minimum benefit payment.

If you continue working for the City of Redmond past age 70½, you can leave your money in the Plan until the April 1st following your retirement. At that time you must receive at least the minimum payment.

Approaching Retirement Age

If you are within three years of retirement, you may transfer your funds into the Plan's Money Market Fund. To do this, contact the Human Resources Department and complete the form, *3-Year Pre-Retirement Transfer Election*.

Although the rate of return may be more secure, it may also be lower when compared with the regular investment funds in which the MEBT invests.

Normal Retirement Date

Your normal retirement date is the earlier of:

- Your 65th birthday; or
- Your earliest retirement date under PERS or LEOFF. For more information about your PERS/LEOFF benefit, contact Human Resources.

If you retire from the City of Redmond, you can leave your money in the Plan until age 70½, at which time you must start receiving (at least) the minimum benefit payment.

Please note that you can work for the City beyond your retirement date. During that time, you will still be able to save through this Plan, and the City will continue to make its matching employer contribution to your account.

If you continue working for the City of Redmond past age 70½, you can leave your money in the Plan until the April 1st following your retirement. At that time you must receive at least the minimum payment.

The following chart shows retirement dates under PERS and LEOFF:

RETIREMENT DATES UNDER PERS AND LEOFF		
	EARLY RETIREMENT	NORMAL RETIREMENT
PERS 1	Not available	You can retire from **Active** status at:: • Age 60 with 5 or more years of service, or • Age 55 with 25 or more years of service, or • Any age with 30 or more years of service. You can retire from **Inactive** status at:: • Age 65 with 5 or more years of service, or • Age 60 or older with 5 or more years of service, with a reduced benefit, or • Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service at separation, or • Any age with 30 or more years of service.
PERS 2	• Age 55 with 20 or more years of service. Prior to age 65, the benefit will be reduced, or • Age 55 with 30 or more years of service. The benefit reduction is considerably less.	• Age 65 with 5 or more years of service.
PERS 3	• Age 55 with 10 years of service. Prior to age 65, the benefit will be reduced.	Age 65 with: • 10 years of service; or • 5 years of service, including 12 months of service earned after age 44; or • 5 years of service earned under PERS 2 and transferred to PERS 3 before June 1, 2003
PSERS 2	• Age 53 with 20 or more years of service. Prior to age 60, the benefit will be reduced.	• Age 60 with 10 years of service. • Age 65 with 5 or more years of service.
LEOFF 1	Not available	• Age 50 with 5 years of service.
LEOFF 2	• Age 50 with at least 20 years of service. Prior to age 53, the benefit will be reduced.	• Age 53 with at least 5 years of service.

BENEFICIARY DESIGNATION

Be sure to designate a beneficiary (or beneficiaries) for your money when you enroll in the MEBT Plan. This will tell the Plan Committee to whom you want your account paid in the event of your death. If you fail to designate a beneficiary(ies), your account balance may not be paid to the person you want to receive it. To designate a beneficiary(ies), complete the *Beneficiary Designation* form, which is available from the Human Resources Department.

If you are married or have a state registered domestic partner (RDP), you must designate your spouse or RDP as your beneficiary. If you want to designate someone other than your spouse or RDP, your spouse or RDP must sign the consent section of the *Beneficiary Designation* form and his/her signature must be notarized. If you marry or register after you have completed the form, you must fill out a new form.

If you have a family change or want to change your beneficiary designation, you can submit a new form any time.

DISABILITY

What if I become disabled?

Should you become disabled and are eligible for Long Term Disability Plan benefits, your account will become 100% vested (if not already). In addition, you can take a lump-sum payout of your MEBT account or you can elect to keep your money in the Plan and receive a pension contribution benefit (provided the additional requirements are met).

Pension Continuation Benefit (PCB)

If, in addition to being eligible for LTD Plan benefits, your disability fits the following definition, you have the option of leaving your money in the Plan and receiving a pension continuation benefit instead of an account payout.

PCB Defined

You cannot engage in any substantial gainful activity because of a medically determinable physical or mental impairment that has lasted or can be expected to last for a continuous period of 12 months or longer, or can be expected to result in death.

The purpose of the pension continuation is to allow you to continue to accumulate retirement savings in the MEBT Retirement Savings Plan, while you are not working, because of your disability. Under this option, you keep your money in the MEBT Retirement Savings Plan and each month the City contributes an amount equal to your required minimum contribution and the matching employer contribution. Currently, the pension contribution benefit is:

- 13.77% of your pre-disability monthly pay if you were hired before April 1, 1986; or
- 11.16% of your pre-disability monthly pay if you were hired on or after April 1, 1986.

These contributions are automatically 100% vested.

To qualify for this benefit, you must have been actively making the required minimum contribution immediately before your disability and you must keep your money in the Plan until you are eligible to retire.

The contribution to your accounts will continue until the earlier of:

- Your 65th birthday;
- The earliest retirement date for you under any other retirement benefit program (PERS or LEOFF) where you are entitled to receive full benefits (that is, not reduced for early retirement);
- The date on which you receive any form of distribution (not including in-service withdrawals under Article VI, such as hardship and from the Basic and Extra accounts); or

- The date on which you are no longer disabled.

For more information on Disability, please see the Long Term Disability section in this booklet.

DEATH

What happens to my money if I die?

If you die while employed by the City of Redmond, your matching employer contributions will become 100% vested (if not already) and all of your accounts will become payable to the beneficiary(ies) named on your *Beneficiary Designation* form. Your beneficiary should contact the Human Resources Department for help applying for benefits.

Payment to a beneficiary can be made in the following ways:

- Lump sum;
- Over a period that does not exceed five years following the employee's death; or
- Over the designated beneficiary's lifetime, as long as payments begin no later than December 31 of the year following the year of the participant's death. However, if the beneficiary is the employee's spouse, the spouse may defer receiving benefits until a later date, but no later than the April 1 following the year the employee would have become age 70½.

If you fail to designate a beneficiary, your benefit will be paid, in the following order, to:

- Your spouse;
- If no spouse, your children equally;
- If no spouse or children, your parents equally;
- If no spouse, children or parents, your brothers and sisters equally;
- If none of the above, your estate.

Please see the Survivor Income section in this booklet for more information.

BENEFIT PAYMENT

Applying for Benefit Payment

To apply for your account balance, you (or your beneficiary) will need to complete a few forms, which you can get from the Human Resources Department. You must make your benefit election no more than 90 days before you start receiving benefits. Your application will generally be processed within 30 days.

At the time you apply, you will also receive a *Special Tax Notice Regarding Plan Benefits*. This notice contains important information about the various payment options available to you and the affect your payment choice will have on your income taxes. These payment options are described briefly on the following pages. You may also want to note the section on *Tax Consequences of Taking Money from the Plan*.

Benefit Payment Methods

The Plan has several different payment methods. At the time you or your beneficiaries become eligible to take the money from the Plan, you may choose from your available payment options. Your payment options are determined by the reason you left City of Redmond employment.

- ***A Single, Lump-Sum Payment***
  Your account balance is paid in one lump sum. You can have your account:
  - **Paid directly to you**
    The tax-deferred portion of your account (tax-deferred contributions, the matching employer contributions, rollover contributions, and investment earnings on all the account contributions) will be taxable as ordinary income. If you are under age 59½, you may owe an additional 10% tax penalty to the IRS on any tax-deferred savings. Federal law requires that the taxable portion of your

account must be reduced by 20% for federal tax withholding.

- **Rolled over**
  You may directly roll over your tax-deferred money to certain Individual Retirement Accounts (IRAs) or to the eligible employer retirement plan of a new employer. By rolling over your account, you will continue to defer taxes on your money and avoid the 10% tax penalty owed to the IRS.

• ***Monthly, Quarterly, or Annual Installment***
If you leave the City of Redmond, because of retirement or disability, you may choose to receive monthly, quarterly, or annual installments as nearly equal as possible. You may make one change of election per calendar year.

• ***Annuity Contract***
You may purchase an annuity of your choice from a specific list of insurance companies that have been selected by the Plan Trustee. With this option, the insurance company takes on the contractual obligation to provide you income for a fixed period.

• ***Payment Deferral***
If you leave City of Redmond, because of retirement or disability and you do not want to take your money out of the Plan right away, you may make a one-time election to defer payment of your account balance until a later date.

If you wish to defer payment, you are required to:

- Complete the *Participant Distribution Election* form;

- File a written election with the Plan Committee (you can give your election form to the benefits administrator, who will forward your election to the Plan Committee); and

- File it at least 30 days, but no more than 90 days, before your actual retirement date, or the date you become eligible for an account payment.

If, at a later time, you wish to receive your benefits earlier than the date you deferred your payments, you are required to:

- Complete a new *Participant Distribution Election* form;

- Take your money from the Plan, or start receiving the minimum benefit payment by the earliest of the following dates:

- April 1, immediately following the calendar year after you attain age 70½; or

- If still employed at age 70½, the April 1 immediately following the calendar year in which your City of Redmond employment ends.

For all benefit-payment options, your account balance will be subject to the gains and losses in the Trust unless you elect and are eligible to move your account balance in the Plan's Money Market Fund.

There will be a quarterly administrative fee to pay for the administrative costs of maintaining your account. The amount is based on a rolling average calculation of annual plan administration expenses. For the current quarterly administrative fee, please contact Human Resources.

Retirement benefit payments are taxable as ordinary income. See the summary of tax consequences section.

The following chart shows how benefits can be paid under the following circumstances:

	RETIREMENT	DISABILITY	LEAVE CITY EMPLOYMENT BEFORE RETIREMENT	DEATH (PAYMENT TO BENEFICIARY)
SINGLE LUMP-SUM PAYMENT	X	X	X	X
ROLLOVER OF TAX-DEFERRED AMOUNTS	X	X	X	X *(spouse only)*
MONTHLY, QUARTERLY, OR ANNUAL INSTALLMENTS	X	X		X
ANNUITY CONTRACT	X	X		
DEFER PAYMENT	X	X	X *(if vested account exceeds $1,000)*	X *(spouse only)*

Request for Payment of Account Denied

If your (or your beneficiary's) request for payment of your account balance is denied, in whole or in part, you will receive:

- A specific, written explanation of why your benefit payment request was denied and the pertinent provisions of the Plan supporting the decision;
- Details about additional information that may be required in order to receive your account balance; and
- Details about how the Plan's appeal procedures work. These procedures are described in the following Appeal Procedure section.

Appeal Procedure
If you wish to appeal a Plan Committee decision, you or your authorized representative must make a written request for benefits to the Plan Committee within 90 days of receiving your denial. Your request must present all of the grounds on which your appeal is based, including all relevant facts.

The Plan Committee will then:

- Give you access to review pertinent documents;
- Possibly require you to submit additional materials necessary for the Plan Committee to make its decision; and
- Review your case and give you its decision within 60 days - unless special circumstances require additional time.

If your claim is again denied, in whole or in part, you will be told specifically why and the Plan provisions that support the decision.

LOANS

Can I take a loan from the Plan?

Yes. One way you can access your MEBT savings while you are employed by the City of Redmond is to take a loan. When you borrow from your account, you repay yourself, with interest. There are several rules for taking MEBT Plan loans:

- The duration of your loan may be no more than five years;
- You must repay the loan through payroll deductions;
- You can take only one loan per 12-month period;
- You can have only one outstanding loan at a time;
- You must wait at least 30 days between the payoff of one loan and the start of another loan; and
- You can take no more than a total of three loans during employment with the City of Redmond.

Loan Amount

The following specifications are used to determine how much you can borrow from your MEBT Retirement Savings Plan accounts:

- The loan may not exceed 50% of your vested account balance. The minimum amount is $1,000. The maximum is $50,000;
- The loan may not exceed 100% of the amounts you have contributed to the Plan. Matching employer contributions are not available for loans, except to determine the loan amount described in the previous bullet; and
- 50% of the vested portion of your account balance will serve as security for the loan.

In addition to the requirements and limitations described previously, the Plan Committee must find that you are credit-worthy. This means that you can repay the loan within five years and can afford the payroll deductions each pay period.

Cost of the Loan

The set-up fee is $150.00 per loan. This fee is subject to change. The interest rate will be the prime rate of interest as published in the *Wall Street Journal* plus 1%. Loans may be prepaid without penalty. A $150 fee will be assessed if the loan has to be recalculated, because of no payments being made during a leave of absence.

Interest and principal on the loan will be credited to your account. Your account will be charged expenses related to the organization, maintenance, and collection of the loan.

Leave of Absence with a Loan

Loan payments may be suspended during an approved, unpaid leave of absence. However, interest will continue to accrue. If you are on leave, you are encouraged to continue your payments during your leave. Otherwise, your loan payment will be recalculated when you return to work, with the unpaid, accrued interest added to your payroll deduction.

Termination with an Outstanding Loan

The Plan Committee has discretion to accelerate repayment of the loan, should your employment with the City of Redmond end. Your loan will be due and payable in full:

- Within 30 days after your employment ends; or
- Upon distribution of your account balance, if earlier.

Applying for a Loan

If you want to take a loan, you can do so by applying in person or online.

In Person:
Contact the Human Resources Department to set up an appointment. Information will be available to help determine your available balances, and anticipated payment amounts.

Online:
Through 401Save.com. If you need help logging in or applying for a loan online contact the MEBT Secretary.

The City's *Application for Loan* form will need to be reviewed and approved by the Plan Secretary. In addition to the requirements and limitations described previously, the Plan Secretary must find that you are credit-worthy. This means that you can repay the loan within five years and can afford the payroll deductions each pay period.

Example: Calculating a Loan Amount

Ima Broke has a vested balance in the MEBT Retirement Savings Plan of $18,415. Ima contributed $11,058 herself; the City contributed the remainder. Her total potential loan amount is calculated as follows:

ITEM	FACTORS USED TO CALCULATE A LOAN AMOUNT	IMA'S RESULTING AMOUNT
A	Vested account balance (all accounts)	$18,415
B	Employee account balance (Ima's contributions to the Plan)	$11,058
C	Maximum outstanding loan balance during the preceding 12 months	$0
D	Maximum legal loan amount (*lesser of: $50,000 minus C or 50% of A*)	$9,207
E	Maximum plan loan (*100% of B*)	$11,058
F	Maximum permissible loan (*lesser of D or E*)	$9,207

Loan Default

Defaulting on your loan is defined as:

- Any scheduled payment that remains unpaid beyond the last day of the calendar quarter, following the calendar quarter in which the participant missed the scheduled payment; or

- Bankruptcy or insolvency proceedings against you.

If you receive notice that you have defaulted on your loan, you will have 10 business days to:

- Repay the loan;

- Pay any missed payments plus interest; or

- Request distribution, if that option is available to you under the Plan.

If the loan remains unpaid, the Plan Committee will:

- Offset your vested account balance by the outstanding balance of the loan (to the extent a distribution to you is permitted by the Plan);

- Pending final disposition of the loan, the Plan will hold you obligated for any unpaid and accrued interest;

- Foreclose on (take away) your account balance, if necessary.

The Plan Committee will administer the loan program to ensure other participants are not at risk. To do this, the Plan Committee will administer any loan as if that portion of your account is a participant-directed investment.

WITHDRAWALS

Can I withdraw my money from the Plan while employed?

Yes. The Plan has two types of withdrawals: non-hardship withdrawals and hardship withdrawals. Each type of withdrawal has different rules concerning the circumstances under which you can take the withdrawal.

Applying for a Withdrawal

To apply for a hardship or non-hardship withdrawal, you must contact the Human Resources Department for the appropriate forms:

- For non-hardship withdrawals: *Application for Non-hardship Withdrawal of Contributions*.

- For hardship withdrawals: *Application for Hardship Withdrawals* and *Affidavit Regarding Hardship Withdrawal*.

You need to allow approximately four weeks for the processing of your withdrawal request.

General Rules on Withdrawals

- The qualifications for a hardship withdrawal from tax-deferred contributions differ from a withdrawal from after-tax contributions. This is because of Internal Revenue Service (IRS) restrictions on tax-deferred savings.

  - You can withdraw your after-tax contributions for any reason. You may take either a non-hardship withdrawal or hardship withdrawal of after-tax funds.

  - You can withdraw your tax-deferred contributions for hardship reasons only (taking only hardship withdrawals).

- The Plan does not permit you to withdraw matching employer contributions while employed.

- There are tax consequences for taking withdrawals from your tax-deferred savings.

The City will provide you with a 1099-R. You are responsible for reporting the withdrawal on your federal income taxes. In addition to ordinary income taxes, if you are under age 59½ when you take the withdrawal, you will owe an additional 10% tax penalty to the IRS. (Under limited circumstances you may qualify for an exemption from the tax penalty. The exceptions are listed later in this guide.) For further details, see the section Tax Consequences of Taking Money From the Plan. You should also consult a qualified tax advisor, such as a Certified Public Accountant. Regulations change periodically and individual circumstances vary.

- You may not repay any money withdrawn.
- The number of withdrawals you may take are limited.
- There also may be a waiting period before you can begin participating again.
- Any amount that is distributed as a hardship withdrawal is not eligible for a rollover.

Non-hardship Withdrawals

You may take non-hardship withdrawals from after-tax contributions only.

After-Tax Required Minimum Contributions

- You may withdraw 100% of your after-tax required minimum contributions (any associated pretax earnings will be included with the withdrawal).
- You are limited to two withdrawals within a 12-month period.
- You will be charged a $100 administrative fee for your first withdrawal, and you can continue contributing to the Plan.
- If you take a subsequent non-hardship withdrawal from your after-tax required minimum contribution, you cannot contribute to the Plan for the following 12 months. During this time, you will not receive any matching employer contributions or additional vesting credit. You must contact the Human Resources Department if you wish to enroll after the 12th month has expired.

After-tax Extra Employee Contributions

- You may withdraw 100% of your after-tax extra employee contributions (any associated pretax earnings will be included with the withdrawal).
- You may take up to two withdrawals in a 12-month period.
- There is no administrative fee or suspension of contributions for any withdrawals.

Hardship Withdrawals

You may take a hardship withdrawal from any of your tax-deferred or after-tax contributions. You may not withdraw your employer matching contributions. The following rules apply to hardship withdrawals:

- You may take only one hardship withdrawal in any 12-month period.
- You may withdraw only the amount necessary to meet the qualifying financial hardship and any applicable taxes.
- The Plan Committee must approve all hardship withdrawals.

The criteria and process for taking a hardship withdrawal of your tax-deferred funds is a little more difficult and complex than taking a hardship withdrawal of your after-tax funds, as outlined in the next section.

Hardship Withdrawals of Tax-Deferred Funds

There are restrictions on hardship withdrawals of tax-deferred money. The financial hardship must be for one of the following immediate and heavy financial needs:

- To pay medical expenses for yourself, your spouse or any of your dependent children;
- To purchase your principal residence, excluding mortgage payments (limited to once per lifetime);
- To pay tuition and related educational fees, including room and board, for 12 months of post-secondary education for yourself, your spouse or your dependent children; or
- To prevent the eviction from or the foreclosure of the mortgage on your principal residence.

Additionally, you must also submit in writing that the financial need cannot be met by any other means, including the following:

- Reimbursement or compensation by insurance;
- Reasonable liquidation of your assets (to the extent such liquidation would not itself cause an immediate financial hardship);
- Stopping your contributions to the Plan;
- Other distributions or nontaxable loans (at the time of the loan) from plans maintained by the City of Redmond or any other employer; or
- By borrowing from commercial sources on reasonable commercial terms.

Hardship Withdrawals of After-Tax Funds

The hardship must be an immediate, heavy financial need for one of the following reasons:

- To pay medical expenses for yourself, your spouse or any of your dependent children;
- You may take only one hardship withdrawal per lifetime for the purchase, substantial improvement, alteration or reconstruction of your principal residence;
- To pay tuition and related educational fees, including room and board, for 12 months of post-secondary education for yourself, your spouse or your dependent children; or
- To prevent the eviction from or the foreclosure of the mortgage on your principal residence.

TAXES

How do the Social Security Tax Rates and Taxable Wage Base Affect My MEBT Contributions?

There are different Social Security provisions that affect the MEBT Plan: the Social Security Tax Rate, the Medicare Tax Rate, as well as the Social Security Taxable Wage Base.

- ***Social Security Tax Rate.*** This is the percentage of pay on which Social Security taxes are based and therefore, the percentage of pay upon which your required minimum contribution is based:

  - If you were hired before April 1, 1986, you contribute 7.65% of monthly pay.*
  - If you were hired on or after April 1, 1986, you contribute 6.2% of monthly pay.*

  **Up to the Annual Social Security Taxable Wage Base.*

  The federal government determines the Social Security Tax Rate. Should this percentage change in the future, the amount you contribute to the MEBT Plan will increase (or decrease, if the tax is reduced).

- ***Mandatory Medicare Contribution (Tax)*** - The reason there is a difference between the two contribution rates, depending on your date of hire, is that employees hired on or after April 1, 1986 must make mandatory contributions to Medicare (and the City must make a matching Medicare contribution) and the employees hired before April 1, 1986 do not.

The current (2008) Medicare contribution rate is 1.45% of pay, which is the difference in the contribution amounts (7.65% - 6.2%). There is no cap on Medicare wages. The Medicare tax rate is determined by the federal government and may change in the future.

- ***Social Security Taxable Wage Base*** - This is the maximum amount of pay upon which Social Security taxes are based. Since the MEBT Plan is designed to replace Social Security, it is the maximum amount of pay used to calculate the required minimum contribution. During 2008, the Social Security Taxable Wage Base is $102,000. This amount is determined by the federal government and changes every year.

What are the tax consequences of taking money from the Plan?

This is a brief summary of the taxes you could pay when taking money from the Plan in the following ways.

- ***Loans*** - Loans are not taxable if they are repaid while you are working for the City.

- ***Non-Hardship Withdrawals*** - Non-hardship withdrawals can be taken from after-tax money only. Since after-tax savings are taxed before you put them in the Plan, the principal is not taxable, but the investment earnings are taxable.

- ***Hardship Withdrawals*** - You will owe ordinary federal income taxes on tax-deferred savings and investment earnings withdrawn from the Plan.

  In addition to ordinary income taxes, if you withdraw tax-deferred savings from the Plan before age 59½, you may be required to pay the IRS a 10% tax penalty on the tax-deferred amount. There are some special circumstances when the penalty tax will not apply, described in the "Penalty Tax" section.

  There is no mandatory withholding on hardship withdrawals from the employee's tax-deferred accounts. However, hardship withdrawals from after-tax accounts are subject to a 20% mandatory withholding on interest earnings. You may elect to have a portion of your withdrawal withheld for income taxes and the 10% tax penalty, if necessary.

- ***Distributions (payouts of account when leaving City employment for any reason, including retirement)*** - Tax-deferred money is subject to federal income taxes when you take it from the Plan. Tax-deferred money in the Plan includes: your tax-deferred contribution, matching employer contributions, rollovers and investment earnings on all of your contributions (including after-tax contributions).

  The IRS requires that the City withhold 20% of your tax-deferred money for federal income tax purposes. Keep in mind, this withholding is just a prepayment of potential taxes: your actual tax liability for the year could result in a tax rate that is actually higher or lower than 20%.

  In addition to ordinary income taxes, when you receive tax-deferred money from the Plan before age 59½, you may be required to pay the IRS a 10% tax penalty on the untaxed money. There are some special circumstances when the tax penalty will not apply, described in the "Penalty Tax" section in this booklet.

  When you leave City of Redmond employment, you can defer paying taxes on your money and avoid the 10% tax penalty by rolling over the tax-deferred portion of your account to an IRA or to another employer's retirement plan, or by leaving your money in the plan.

SUMMARY OF TAX CONSEQUENCES

Whether or not you owe taxes on your savings depends on the reason you take the money from the Plan. This is illustrated in the following table and described in more detail below.

	LOANS	NON-HARDSHIP WITHDRAWALS	HARDSHIP WITHDRAWALS	DISTRIBUTIONS
TAXABLE AS ORDINARY INCOME?	**No** Unless not paid while employed by the City	**No** Taken from after-tax contributions (the principal is not taxable, earnings are taxable)	**Yes** The tax-deferred portion only	**Yes** The tax-deferred portion only
SUBJECT TO MANDATORY 20% WITHHOLDING?	**N/A**	**Yes** Only on interest earnings	**Yes** Only interest earnings from after-tax accounts	**No** If paid in installments over at least 10 years
SUBJECT TO 10% PENALTY TAX BEFORE AGE 59½?	**No** Unless not repaid while employed by the City	**Yes** Only on interest earnings	**Yes** The tax-deferred portion only	**Yes** If paid directly to you in a lump sum or in installments over a period less than life expectancy

This is general information and may not apply to your personal situation. Please see a tax advisor for information about how taking money from the Plan will affect your personal financial situation.

Ways to Avoid the 10% Tax Penalty on Withdrawals and Distributions

Payments (including withdrawals) of the tax-deferred portion of your account prior to age 59½ may be subject to a 10% early distribution tax penalty. However, you may qualify for an exception from this penalty under the following circumstances:

- If your account is used to pay deductible medical expenses;
- If you roll over the distribution in a timely manner as explained in the Rollover section;
- If you are age 55 or more at the time your City of Redmond employment ends and you take a distribution after you leave employment;
- If the account is paid out because of death or disability;
- If the money is distributed under a Qualified Domestic Relations Order (QDRO);
- If your account is paid in substantially equal installments to last over your (or your and your joint annuitant's) expected lifetime.

Rollovers

To avoid the mandatory 20% withholding on your distribution and 10% tax penalty, you may directly roll over the tax-deferred or after-tax portion of your account. The tax-deferred portion of your account may be rolled over to a qualified individual retirement account (IRA), a Section 403(b) annuity contract, Section 457(b) Plan or another eligible employer's retirement plan that accepts rollover contributions. After-tax contributions can only be transferred to an IRA or another eligible employer's retirement plan that is not a 457 plan.

If you have your account paid to you, but you change your mind and decide you want to roll over the tax-deferred portion of your payment, you have 60 days from the date the check is dated to do so. Any taxable portion of your payment you roll over will remain tax-deferred.

Since the tax-deferred portion of your payment was reduced by 20% for federal tax withholding, you will owe income taxes on that 20%. However, you have the right to roll over the entire tax-deferred balance, including the 20%. Therefore, to roll over the entire tax-deferred balance, you must supply your own money to the rollover to make up the 20% withheld, then apply for a rebate on the 20% withholding when you file your taxes. Be sure to ask your tax advisor for guidance on issues of this nature.

Distributions

If you retire before you reach age 59½, you can avoid the 10% tax penalty by electing the "substantially equal installments to last over a lifetime" option. Once you have reached age 59½ and have received "substantially equal installments" you can change your payment option (e.g. from installment to a lump sum) and continue to avoid the tax penalty.

***Note**: If you change your payment option before reaching age 59½ and receiving "substantially equal installments" you will owe the 10% tax penalty on any amounts received before age 59½.*

Example, Retiring Early and Avoiding the 10% Penalty Tax

Bennie Fite retires at age 51 under LEOFF. At the time he retires he elects the substantially equal installment option and avoids the 10% tax penalty. When Bennie reaches age 59½, he can change his payment option and continue to avoid the tax penalty. If he changes his payment option before age 59½, he will owe the 10% tax penalty on any money he received before age 59½. However, if Bennie began installments at age 57, he would need to continue them until age 62.

The City of Redmond and its employees cannot give you income tax advice. You should contact your personal tax advisor to help you determine the payment option that is best for you and to find the proper method for reporting any payment you receive from the Plan.

ASSIGNMENT OF BENEFITS

Retirement savings accounts provided under this Plan are for you and your beneficiaries alone. You cannot assign your MEBT Retirement Savings Plan account to someone else in order to settle a debt, nor can you use your Plan account as collateral to secure a loan (other than a Plan loan). The only exception is in the case of a Qualified Domestic Relations Order, described below.

QUALIFIED DOMESTIC RELATIONS ORDERS

The Plan specifically permits an "alternate payee" to request an immediate distribution of retirement benefits. The alternate payee may make the request although you remain employed by the City. This request must comply with state domestic relations and federal laws.

An alternate payee is a spouse, former spouse, child or other dependent of a participant who is recognized by a domestic relations order as having the right to receive all, or a portion of, your benefits under this Plan.

In the event of a domestic relations order, contact Human Resources for more information on how to proceed. The Plan Committee and its counsel will work with your legal counsel to pre-approve the order and minimize costs. The following is the procedure that must be followed:

- A copy of the domestic relations order must be submitted to the Plan Committee for determination of its qualified status.

- The committee will obtain an opinion from legal counsel as to whether the order is "qualified" under Internal Revenue Code section 414(p) and will notify you and the alternate payee of its decision.

- If the order is qualified, a separate account will be set up for the alternate payee and any distributions will be processed, in a manner that is consistent with the order.

- Recordkeeping fees to process the order will be borne by you and/or your alternate payee. The same applies to the legal fees to review the order.

The order should include the following information:

- The dollar amount or percentage of the participant's benefit the Plan must pay the alternate payee;

- A description of the form of benefit payment and timing. This must be consistent with the Plan rules;

- The date the separate account will be effective, and whether the account will receive earnings or losses after this date. The date must coincide with the Plan's monthly valuation dates; and

- The order must request how the administrative and legal fees are to be allocated to the participant and/or alternate payee.

TRUSTEE

All contributions to the Plan are deposited in the Municipal Employees' Benefit Trust. The Trustees of this trust are responsible for asset investment according to the terms of the Trust Agreement and payment of accounts. Trustees are also required by law to act in good faith for the exclusive benefits of the participants and their beneficiaries.

The Trustee is:
American Stock Transfer & Trust Company
2390 E. Camelback Road, Suite 240
Phoenix, AZ 85016

If you have questions about your Plan accounts, contact Human Resources.

PLAN COMMITTEE

The Plan Committee maintains records and interprets and enforces Plan provisions, including eligibility and claims for benefits. The Committee is also responsible for arranging the necessary services to operate the Plan, including legal, accounting, consulting and investment advice. The Committee has discretionary authority to interpret Plan provisions and determine benefit eligibility. It must perform its duties legally and prudently, for the exclusive benefit of participants and their beneficiaries.

Plan Committee Members

Chris Gianini – Interim Chair
Finance

Shannon McCoy - Secretary
Finance
425-556-2181

Larry Gainer
Police
425-556-2526

Mike Haley
Public Works
425-556-2843

Terry Marpert
Planning
425-556-2428

Todd Short
Fire
425-556-2242

Greg Byszeski
Parks & Recreation
425-556-2327

Plan Support Staff

Lori Brown
Human Resources
425-556-2125

Christina Wee
Human Resources
425-556-2124

Gail Whitley
Payroll
425-556-2147

Long-Term Disability (LTD) Plan

The LTD Insurance Plan is designed to provide you with monthly income if you should become unable to work because of a covered illness, injury or pregnancy.

DISABILITY

What if I become disabled?

Should you become disabled and are eligible for Long Term Disability Plan benefits, your account will become 100% vested (if not already). In addition, you can take a lump-sum payout of your MEBT account or you can elect to keep your money in the Plan and receive a pension contribution benefit (provided the additional requirements are met).

Pension Continuation Benefit (PCB)

If, in addition to being eligible for LTD Plan benefits, your disability fits the following definition, you have the option of leaving your money in the Plan and receiving a pension continuation benefit instead of an account payout.

PCB Defined

You cannot engage in any substantial gainful activity because of a medically determinable physical or mental impairment that has lasted or can be expected to last for a continuous period of 12 months or longer, or can be expected to result in death.

The purpose of the pension continuation is to allow you to continue to accumulate retirement savings in the MEBT Retirement Savings Plan, while you are not working, because of your disability. Under this option, you keep your money in the MEBT Retirement Savings Plan and each month the City contributes an amount equal to your required minimum contribution and the matching employer contribution. Currently, the pension contribution benefit is:

- 13.77% of your pre-disability monthly pay if you were hired before April 1, 1986; or
- 11.16% of your pre-disability monthly pay if you were hired on or after April 1, 1986.

These contributions are automatically 100% vested.

To qualify for this benefit, you must have been actively making the required minimum contribution immediately before your disability and you must keep your money in the Plan until you are eligible to retire.

The contribution to your accounts will continue until the earlier of:

- Your 65th birthday;
- The earliest retirement date for you under any other retirement benefit program (PERS or LEOFF) where you are entitled to receive full benefits (that is, not reduced for early retirement);
- The date on which you receive any form of distribution (not including in-service withdrawals under Article VI, such as hardship and from the Basic and Extra accounts); or
- The date on which you are no longer disabled.

ELIGIBILITY AND ENROLLMENT

How do I sign up for this Plan?

If you are a regular employee, your coverage under this program begins the first day you work for the City of Redmond. You do not need to enroll in this program. You are automatically covered.

Can I participate in this LTD Plan, if I don't make contributions to MEBT?

Yes. The LTD Plan is provided to all regular City of Redmond employees.

COST

What does the Plan cost?

There is no cost to you. The City of Redmond pays the entire cost of the benefits.

DEFINITION OF DISABILITY

How is disability defined?

Generally, to be considered disabled, you must be completely unable to work at an occupation because of sickness, accidental bodily injury or pregnancy, as defined below, and be under the continuous care of a physician. Three different definitions of disability are used in this Plan. One applies to the first 24 months. The other two are different ways of qualifying to receive a benefit beyond the first 24 months.

During the elimination period and the first 24 months of receiving benefits, benefits will be paid if your disability prevents you from performing each of the essential duties of **your regular occupation.**

Beyond 24 months, benefits will be paid only if your situation satisfies one of the following descriptions:

- Your disability must prevent you from working at ***any*** **gainful occupation** for which you are reasonably prepared by education, training or experience; or

- You meet the following description:

  - You are performing at least one of the essential duties of your regular occupation or another occupation on a part-time or full-time basis;

  - During this time, you remain unable to perform all the essential duties of your regular occupation on a full-time basis; and

  - You are earning at least 20% less per month than your indexed pre-disability earnings.

Example: Disability Definition

John Offthejob became disabled and could not work on September 1, 1995. By March 1, 1996, he had completed the 180-day elimination period and had begun receiving benefits. He remained totally disabled for the next 24 months.

In March 1998, John had received benefits for 24 months. He still qualifies for disability status because he is able to perform only a few of the duties of his former position and his earnings of $1,633 are 30% less than his indexed pre-disability earnings of $2,333, as shown in the following chart:

ITEM	AMOUNT
John's pre-disability earnings	$2,333
John's current earnings	$1,633
Current earnings ÷ pre-disability earnings ($1,633 ÷ $2,333)	70%
Result: Since John's current earnings are at least 20% less than his pre-disability earnings, he still qualifies for disability benefits. To determine his monthly benefit amount, see the upcoming example in the Benefit Amount section.	

QUALIFYING FOR BENEFITS

When do LTD benefit payments begin?

Elimination Period
You must be continually disabled for 180 days before the Plan will pay benefits. This is called the "elimination period."

Continuous Disability
If you are disabled and return to work during the elimination period for 30 days (or less) the disability will be treated as continuous. You will not have to undergo another elimination period. However, those days you work will not count toward your elimination period. Only those days that you are disabled will be counted.

Example, Continuous Disability
Mary Campbell was disabled March 5 through June 1, 1999. She returned to work June 2 through June 13, when she became disabled again. She did not need to meet another elimination period. However, she could not count those 10 days as part of her elimination period.

Physician Involvement
Your physician must provide proof of your disability (as defined below). You may be required to provide proof of your disability on an ongoing basis. You must also be under the constant care of your physician throughout your disability.

A physician is a person who is operating within the scope of his/her license, and is either:

- Licensed to practice medicine and prescribe and administer drugs or to perform surgery; or

- Legally qualified as a medical practitioner and required to be recognized under the policy for insurance purposes, according to the insurance statutes or the insurance regulations of the area.

A physician cannot be your spouse, daughter, son, father, mother, sister or brother.

BENEFIT DURATION

The maximum length of time LTD benefits will be paid is shown in the following chart. You must meet the definition of disability in order to receive these benefits.

How long are LTD benefits paid?

The duration of benefits depends on your age at the time the disability begins. Remember, you must meet the definition of disability in the Plan in order to continue to receive benefits.

- If you are less than 60 years of age when your disability begins, benefits are paid until age 65 or for a minimum of 60 months, whichever is greater.
- If you are between age 60 and age 69 when your disability begins, your benefits are paid between 12 and 60 months, depending on your age when the disability began.
- If you are age 69 or more, benefits will be paid for up to 12 months.

AGE WHEN DISABILITY BEGINS	LENGTH OF TIME FOR WHICH BENEFITS WILL BE PAID
Less than 60	To age 65 with a 60-month minimum
60	60 months
61	48 months
62	42 months
63	36 months
64	30 months
65	24 months
66	21 months
67	18 months
68	15 months
69 or older	12 months

When do LTD benefits end?

- When you are no longer certified as being disabled;
- When you reach the end of the payment period described in the chart; or
- When you die. An amount will be payable to your survivors;
- The date current earnings exceed 80% of the indexed monthly disability benefit.

RECURRING DISABILITY

The Plan will treat a subsequent disability as *part of the prior disability* if, after receiving disability benefits, you:

- Return to your regular occupation on a full-time basis for less than six months; and
- Perform all the material duties of your occupation.

You will not have to complete another elimination period.

A subsequent disability will be treated as a *new disability* if you return to your regular occupation on a full-time basis for six months or more. You must then complete another elimination period.

BENEFIT AMOUNT

What are my benefits under this Plan?

The purpose of the LTD Plan is to provide you with income in the event you become disabled. If you meet the LTD Plan's definition of disability, your benefit will be 60% of your covered basic monthly earnings. This is your rate of earnings, up to $13,000 per month, just before your disability begins.

The maximum benefit is $7,800 per month (60% of $13,000) including all income from other sources, such as workers' compensation.

The minimum benefit from this LTD Plan is the greater of:

- $100 per month; or
- 10% of the monthly benefit, before deductions for other disability income.

Should you be eligible for disability benefits from other sources (such as workers' compensation), the amount of those other disability benefits is used in calculating your total LTD Plan benefit. The LTD Plan requires that you apply for any other disability benefits for which you are eligible (for example, Social Security).

For example, if you are eligible for a $1,200 disability benefit from the LTD Plan and a $600 workers' compensation benefit, your workers' compensation benefit will be deducted from your disability payment under the LTD Plan. You will receive $600 from the LTD Plan and $600 from workers' compensation.

Basic Monthly Earnings

Basic monthly earnings are your monthly rate of earnings from the City just before your disability began, up to $13,000. Overtime pay and other extra compensation are excluded. Your monthly rate of earnings is your gross earnings, before your contributions to the 457 Plan or the MEBT Retirement Savings Plan are deducted from your paycheck.

Example, Benefit Amount

John Smith was earning $2,000 per month just before he became disabled. His benefits would be calculated as follows:

Monthly pre-disability pay	=	$2,000
LTD benefit percentage	=	x 60%
Monthly LTD benefit	=	$1,200

However, LTD benefits are reduced by other sources of disability income. Since John is eligible for $600 in monthly workers' compensation benefits, his benefit is reduced by the workers' compensation benefit:

Monthly LTD benefit before reduction from other sources of income	=	$1,200
Workers' Compensation income	=	- $600
Monthly LTD benefit from the MEBT Plan	=	$600

Result: Of John's $1,200 monthly income, $600 will come from the MEBT Plan and $600 will come from workers' compensation.

Annual Adjustment for Inflation

Your basic monthly earnings are indexed to neutralize the affects of inflation. This occurs on the annual anniversary of the date when benefits began. The adjustment will be the lesser of:

- 10%; or
- The current annual percentage increase in the official federal Consumer Price Index (CPI).

This adjustment will be reflected in your benefit payment.

Example, Adjustment for Inflation

John Smith, from the previous example, has $600 of disability income from the Plan as of June 1999. If in June 2000 (the anniversary of when his benefit began) the CPI was 5%, his indexed pre-disability earnings and benefit payment would be increased as follows:

Indexed monthly pre-disability pay ($2,000 x 5%)	=	$2,100
LTD benefit percentage	=	x 60%
Monthly LTD benefit	=	$1,260
Indexed Workers' Compensation income ($600 x 5%)	=	($630)
Indexed monthly LTD benefit from the MEBT Plan	=	$630

Benefit Amount if Earning More Than 20% of Your Indexed Pre-disability Earnings

If you are able to work during your disability and you are earning *more than 20% of your indexed pre-disability earnings* in your regular occupation or another occupation, the LTD Plan benefit is calculated in the following way.

1. **During the first 12 months**, the monthly disability benefit will not be reduced by any earnings unless the gross monthly LTD benefit plus your current earnings exceed 100% of your indexed pre-disability earnings. In this case, the monthly benefit will be reduced by that excess amount.

Example, Benefit Amount if Earning More Than 20% of Your Indexed Pre-disability Earnings - for the First 12 Months of LTD Benefits

Jim Cantwork had a disabling accident that prevented him from being able to perform all of the essential duties of his job. However, he was able to find another job. The following example shows how his LTD benefit coordinates with his work earnings.

ITEM	AMOUNT
Jim's pre-disability earnings	$3,500
Monthly LTD benefit ($3,500 x 60%) (plus) Work earnings Total earnings	$2,100 + $2,000 $4,100
Total earnings (reduced by) Pre-disability earnings Income above pre-disability earnings	$4,100 - $3,500 $600
Monthly LTD benefit (reduced by) Income above pre-disability earnings Resulting LTD benefit	$2,100 - $600 $1,500

Result: Jim's monthly LTD benefit ($1,500) and work earnings ($2,000) will equal his pre-disability earnings ($3,500).

2. **After 12 Months** of receiving benefits, your benefits will be calculated as follows:

$$\frac{\textbf{Your pre-disability earnings minus your monthly work earnings}}{\textbf{Your pre-disability earnings}} \times \textbf{The benefit as calculated during the first 12 months of disability (previous page)} = \textbf{Benefits after 12 months}$$

See the example below.

Example, Benefit Amount if Earning More Than 20% of Your Indexed Pre-disability Earnings - After 12 Months of LTD Benefits

After 12 months, Jim still is not able to perform all of the essential duties of his job. His LTD benefit is calculated as follows:

ITEM	AMOUNT
Jim's pre-disability earnings Minus monthly work earnings Total	\$3,500 -\$2,000 \$1,500
Divided by pre-disability earnings (\$1,500 ÷ \$3,500)	0.43
Multiplied by the LTD benefit (\$2,100) as calculated during the first 12 months of disability (the \$2,100 comes from an example on the previous page). (.43 x \$2,100)	\$903
Resulting LTD Benefit	\$903

Result: After 12 months of benefit payments, Jim's LTD benefit is reduced to \$903 per month.

$$\frac{\$1{,}500}{\$3{,}500} \times \$2{,}100 = \$903$$

OTHER SOURCES OF INCOME

You are required to apply for other sources of income for the same disability. For benefit payments to proceed as smoothly as possible, you will need to apply for these benefits and also sign the insurance company's *Agreement Concerning Benefits*. In the agreement, you promise to repay any overpayment that may result from these other sources of income.

Otherwise, the insurance company may estimate and reduce your benefits by the estimated total of these other sources, in these circumstances, if benefits:

- Have not been awarded;
- Have not been denied; or
- Have been denied and the denial is being appealed.

Benefit Reduction for Other Sources of Income

The MEBT LTD Plan is designed to ensure that you receive income replacement while you are disabled. If you are receiving disability income from sources other than the LTD Plan, the benefit amount paid by the LTD Plan will be reduced by the disability income from other sources, except the MEBT Retirement Savings Plan. Other sources of disability income include:

- Any other pay, such as sick leave pay from the City (except vacation pay);
- One-half the earnings from any other employment or self-employment pay;
- Workers' compensation benefits, or benefits from any other occupational disease law, or act with similar intent for which you are eligible;
- Benefits for you, your spouse, or children that are paid under Social Security disability benefits or retirement benefits, or any other disability income benefits;
- Any other disability benefits from LEOFF or PERS;
- State-mandated disability payments;
- Benefits for you, your spouse or children, that are paid under another retirement plan (you are not required to apply for your MEBT Retirement Savings Plan benefit) due to your disabled status, or you voluntarily elect to receive as retirement benefits, or you are eligible to receive when you reach age 62 or that plan's normal retirement date; or
- Disability benefits from any other group insurance plan.

Proof of your monthly earnings from other sources must be provided on a quarterly basis. Benefit payments are adjusted upon receipt of this proof of earnings.

RETURN TO WORK

What if I return to work during the elimination period?

If you return to work for 30 days (or less) and continue to be disabled, you will not have to satisfy another 180-day elimination period. However, you will not be able to count the days you worked as part of the 180 days.

What if I go back to work for a long time and then become disabled again?

If you return to work for six months or more, you will have to complete another 180-day elimination period before you can receive benefits again.

Are there any incentives to return to work as soon as possible?

Yes. The Plan provides financial incentives to assist you in returning to employment as soon as possible.

RETURN TO WORK INCENTIVE

The City of Redmond encourages employees who are receiving disability benefits to return to employment, whenever possible. That is why the Plan includes a "return to work" incentive.

Should you return to work during the first 12 months, you will retain your entire disability benefit, with this exception: If the total of your gross earnings plus LTD benefits exceeds 100% of your pre-disability earnings from the City, your disability benefits will be reduced by the excess over 100%.

Example, Return to Work Incentive

Alex DeCoup had pre-disability earnings of $2,250 per month. Following physical therapy and some retraining, he found a part-time job in the maintenance department of a local company. This is how the return to work incentive worked, in Alex's case.

ITEM	AMOUNT
Alex's pre-disability earnings	$2,250
Monthly LTD benefit	60% of $2,250 = $1,350
Current earnings	$800
Monthly LTD benefit + current earnings	$1,350 + $800 = $2,150
Difference between pre-disability earnings and monthly LTD benefit + current earnings	$2,250-$2,150 = $100

Result: Alex's monthly pre-disability earnings are more than the combination of his monthly LTD benefits plus current earnings ($2,150 vs. $2,250); therefore, he maintains earnings from both sources, his LTD benefit and his new job.

Duration of Return to Work Incentive

This return to work incentive continues to be paid until:

- You have been back to work for 12 months; or

- Your part-time earnings exceed 80% of your indexed pre-disability earnings. After the work incentive has been applied for 12 months, your benefits will be paid in proportion to your loss of earnings.

Example, Return to Work Incentive With Increased Earnings

Alex continued to work at the same job on a part-time basis, now earning $1,300 per month.

ITEM	AMOUNT
Pre-disability earnings	$2,250
Monthly LTD benefit	60% of $2,250 = $1,350
Current earnings	$1,300
Total earnings	$1,350 + $1,300 = $2,650
Pre-disability earnings - current earnings ($2,250-$1,300)	$950
Resulting reduced LTD benefit	$950

Result: Alex's monthly LTD benefit plus current earnings are now more than his pre-disability earnings. His LTD benefit will be reduced to $950, so that combined with his $1,300 earning, his income will remain $2,250 per month.

LIMITATIONS

Mental Health

You may receive benefits for 24 months for a disability resulting from mental, nervous, or emotional diseases or disorders of any type. No benefits are payable after the end of that period unless you are confined in a hospital or institution at the end of the 24-month period. In that case the monthly benefit will be paid during the confinement.

If you are still disabled when discharged, benefits will be paid for a recovery period of up to 90 days. If you are reconfined for at least 14 days in a row, the Plan will pay benefits for the confinement and another recovery period, up to 90 more days.

Benefits will also be paid if you continue to be disabled and become confined after a 24-month period, for at least 14 days in a row.

In no event will benefits be paid beyond the maximum duration described on the benefit duration chart.

Exclusions

Disability benefits cannot be paid if your disability results from:

- War, declared or undeclared, or any act of war;
- Your active participation in a riot; or
- Intentionally self-inflicted injuries.

Preexisting Condition
This Plan will not cover any disability that is:

- Caused by, contributed to, or resulting from a preexisting condition; and
- Begins in the first 12 months after your effective date.

A preexisting condition is defined as a sickness or injury for which you received medical treatment, consultation, care or services including diagnostic measures, or had taken prescribed drugs or medicines in the ninety (90) days before your coverage under the Plan began. Please refer to the Summary Plan Description issued by the insurance carrier for further information regarding preexisting conditions.

APPLYING FOR DISABILITY BENEFITS

You are encouraged to begin the disability application process whenever it becomes apparent your disability will extend beyond 180 days. This helps ensure benefits will be paid immediately at the end of the elimination period. If you start the process after the elimination period has ended, payments will need to be made retroactively.

To start, obtain the insurance company's claim packet from the benefits administrator in Human Resources. Various portions of the packet will need to be completed by you, your physicians, your supervisor, and Human Resources.

The benefits administrator will coordinate completion of the Human Resources and supervisor parts of the packet. It is your responsibility to submit the completed packet to the city's disability insurance carrier as soon as possible.

Insurance Carrier Examination Rights

If you apply for LTD benefits, the insurance carrier has the right to have you:

- Examined by a physician, other health professional, or vocational expert of its choice; and/or
- Interviewed by an authorized carrier representative.

The insurance carrier may exercise these rights as often as reasonably required.

Due Date for Disability Claims

Disability claims should be filed:

- Within 90 days after the 180-day benefit waiting period; but

- No later than within one year after the end of that 90-day period.

Claims filed after the end of these specified periods cannot be paid.

Claim Review Procedures

The insurance carrier has specific materials regarding its claims procedures contained in its Summary Plan Description. Please refer to that document for further information regarding claims procedures. The material presented here is meant to provide general information only and should not be relied upon when making a claim to the insurance carrier.

Under normal circumstances, the insurance company will make a decision on your application for benefits within 90 days. You will be notified in writing about that decision.

If special circumstances require longer than 90 days, the insurance company may take up to another 90 days to notify you about its decision. In that case, you will be sent a written notice about the need for the extension before the end of the first 90-day period. The notice will include the reason for the extension and the date the final decision is expected to be made.

Notice of Denial

If your application for benefits is denied, the insurance company will send you a notice of denial. This notice will include the specific reasons for the denial and references to the Plan, and the insurance policy or administrative policy on which your denial is based. If your application was denied because you did not furnish complete information or documentation, the notice would include a description of any additional material needed to make the application acceptable, including the reason the material or information is necessary. You have the right to appeal a denial of your claim and the notice will state how to file an appeal.

Additionally, if you have not received notice that your claim for benefits has been approved or denied within 90 days, you can assume that it has been denied and that you have the right to have the claim reviewed.

Right to Appeal

Within 60 days after you receive a notice that your application was denied, you or your authorized representative have the right to ask the insurance company in writing, to review the denial. In preparing your appeal, you may request copies of plan documents and other papers that affect your claim. You may have a representative, such as legal counsel, assist you in preparing a written appeal. No claimant appealing a denial has the right to present oral testimony.

Final Decision

Usually the insurance company will review the appeal and make its decision within 60 days after it receives the request for review. If there are special circumstances, the insurance company may take longer than 60 days to make its decision. The insurance company will send you a written notice of the need for an extension before the end of the first 60-day period. The notice will include the reason for the extension and the date by which the decision is expected to be made.

The insurance company will notify you of its decision, in writing. The notice will include the specific reasons on which the decision is based. If your appeal is denied, you cannot request further review by the insurance company.

Legal Proceedings

Should you wish to pursue your claim for benefits in court, you must wait until

60 days after you have filed an appeal of your application denial with the insurance company. Additionally, you must file the claim in court within three years of the date your original application for benefits was filed (the initial 90-day period claims filing period).

DEATH WHILE DISABLED

Should you die while receiving LTD benefits, a survivor benefit may be paid to your eligible survivor(s). This one-time benefit will be equal to three times your regular monthly benefit. A death certificate must be provided as proof of death. Benefits may be paid to the following individuals:

- Your children under age 25 (the insurance company may name the custodian);
- Your spouse; or
- Your parents, if they are dependent on you for support, as defined by the Internal Revenue Service (IRS).

END OF COVERAGE

Your coverage will end under the following circumstances:

- The date the policy ends;
- The date you are no longer eligible; or
- The date your City of Redmond employment ends.
- Exceptions:
  - If you are disabled, MEBT will continue payment of your premium during the elimination period and for the duration of benefit payments.
  - MEBT will continue payment of your premiums if you are temporarily laid off or given leave of absence through the end of the month following the month of leave or layoff.

INSURANCE COMPANY

General Information

As of the printing of this summary, the Long-Term Disability Plan is fully insured and administered by:

Standard Insurance Company
900 SW 5th Avenue
Portland, Oregon 97204-1282.

Discretionary Authority

The insurance carrier, Standard, will have discretionary authority to determine your eligibility for benefits and interpret the terms of the coverage. Insurance carriers may change. Please contact Human Resources if you have questions about the insurance carrier.

Survivor Income Plan

The Survivor Income Plan is designed to provide your eligible dependents with monthly income if you should die while employed by the City of Redmond.

ELIGIBILITY AND ENROLLMENT

How do I sign up for this Plan?

If you are a regular employee and have an eligible dependent, you are eligible for this program provided by the City of Redmond. Your coverage begins on the first day you work for the City. You do not need to enroll. You are automatically covered.

If you are not actively at work because of a disability on the date your coverage would normally go into effect, the coverage will go into effect when you recover and return to work.

Can I participate in this Plan, if I don't make contributions to MEBT?

Yes. The Survivor Income Plan is provided to all regular City of Redmond employees.

COST

What does the Plan cost?

There is no cost to you. The City of Redmond pays the entire cost of the Survivor Income Plan.

DEFINITION OF ELIGIBLE DEPENDENTS

Spouse: Your legally married spouse.

Children:

- Your natural child, adopted child or stepchild under age 19, who is dependent upon you for support;
- Your natural child, adopted child or stepchild under age 26, if the child qualifies as a dependent under the Internal Revenue Code; or
- Your dependent child who is disabled and qualifies under the IRC as a dependent.

Parents: Your parent(s) who qualify(ies) as your dependent under the IRC.

BENEFIT AMOUNT

The survivor benefit amount depends in part on the type of eligible dependent, as shown below.

TYPE OF DEPENDENT	MONTHLY BENEFIT
A surviving eligible spouse and one or more eligible surviving children or parents	**To the eligible spouse:** 30% of insured earnings, less Social Security Survivor's Benefits (maximum $3,900 per month) **Divided equally among the other eligible survivors:** 30% of insured earnings, less Social Security Survivor's Benefits (maximum $3,900 per month)
A surviving eligible spouse only	30% of insured earnings, less Social Security Survivor's Benefits (maximum $3,900 per month)
Eligible dependent children only	**Divided equally among eligible children:** 60% of insured earnings, less Social Security Survivor's Benefits (maximum $7,800 per month)
Eligible dependent parents only	**Divided equally among the eligible dependent parents:** 30% of insured earnings, less Social Security Survivor's Benefits (maximum $3,900 per month)
Eligible dependent children and eligible dependent parents, without a surviving eligible spouse	**Divided equally among the eligible children:** 30% of insured earnings, less Social Security Survivor's Benefits (maximum $3,900 per month) **Divided equally among the eligible children and dependent parents:** 30% of insured earnings, less Social Security Survivor's Benefits (maximum $3,900 per month)

Insured Earnings

Insured earnings are your gross monthly earnings, up to a monthly maximum of $13,000. Insured earnings include deferred compensation, such as your contributions to the MEBT Retirement Savings Plan or the 457 Plan. Insured earnings do not include income over $13,000 per month, overtime pay or any other extra compensation from the City of Redmond.

Example of Survivor Income Benefits

The following chart shows some examples of the income that would result from survivor income benefits. One example is based on the maximum monthly earnings of $10,000, another on total monthly earnings of $2,000.

TYPE OF DEPENDENT	MONTHLY BENEFIT	WITH $2,000 IN MONTHLY EARNINGS	WITH $10,000 IN MONTHLY EARNINGS
A surviving spouse with two eligible dependent children	30% of insured earnings to the spouse 30% of insured earnings divided between the children	Spouse: $600 Child #1: $300 Child #2: $300	Spouse: $3,000 Child #1: $1,500 Child #2: $1,500
A surviving spouse only	30% of insured earnings	$600	$3,000
One eligible dependent parent	30% of insured earnings	$600	$3,000
Three eligible dependent children (no surviving spouse)	60% of insured earnings	Child #1: $400 Child #2: $400 Child #3: $400	Child #1: $2,000 Child #2: $2,000 Child #3: $2,000

Reductions for Social Security Survivor Benefits

The Survivor Income Plan is designed to ensure that your beneficiary(ies) receive income if you should die while working for the City. If your beneficiaries are receiving survivor income benefits from Social Security because of your death, this Plan will coordinate its benefits with Social Security, as follows:

1. The benefits provided by the Survivor Income Plan will be reduced by any Social Security benefits received.

2. If the income from Social Security is more than the benefit payable from the Survivor Income Plan, the payment from this Plan will be $150 per month.

Please note that Social Security cost-of-living increases will not change the benefit amount paid from the Plan.

Example, Reductions for Social Security

If your family's benefit from this Plan was $1,200 and they were also eligible for a Social Security benefit of $400, the Survivor Income Plan would pay $800, for a total benefit of $1,200.

Applying For Social Security Survivor Benefits

If you are eligible for Social Security Survivor Benefits, you are required to apply for Social Security Survivor Benefits. For benefit payments to proceed as smoothly as possible, you will need to apply for these benefits and also sign the insurance company's *Agreement Concerning Benefits*. In the agreement, you promise to repay any overpayment that may result from Social Security benefits.

Otherwise, the insurance company may estimate and reduce your benefits by the estimated total of these other sources, in these circumstances, if benefits:

- Have not been awarded;
- Have not been denied; or
- Have been denied and the denial is being appealed.

Actively at Work Requirement

If you are not actively at work on the date your coverage would go into effect, your coverage will not go into effect until you recover and return to work.

APPLYING FOR SURVIVOR INCOME BENEFITS

Your survivor should contact the Human Resources Department for information and claim forms. Survivor income claims should be filed:

- Within 90 days after the date of death; but
- No later than within one year of the end of that 90-day period.

Claims filed after the end of the specified time period cannot be paid.

Your survivor will be required to provide a death certificate and they may be asked to provide proof they are an eligible surviving spouse, child and/or parent. (For example, supplying copies of filed tax returns to prove the dependent parent or child was claimed as a dependent on the tax return.) Your survivor must pay for the costs of supplying the proof. Your survivor's claim will be paid when the insurance company receives acceptable proof of the claim.

Claim Review Procedures

Under normal circumstances the insurance company's claims administrator will make a decision on your survivor's claim within 90 days. Your survivor will be notified in writing about that decision.

If special circumstances require longer than 90 days, the insurance company may take up to another 90 days to notify your survivor about its decision. In that case, your survivor will be sent a written notice about the need for the extension before the end of the first 90-day period. The notice will include the reason for the extension and the date the final decision is expected to be made.

Notice of Denial

If the application for benefits is denied, the insurance company will send your survivor a notice of denial. This notice will include the specific reasons for the denial and references to the Plan, insurance policy or administrative policy on which your survivor's denial is based. If your survivor's application was denied because your survivor did not furnish complete information or documentation, the notice will include a description of any additional material needed to make the application acceptable, including the reason the material or information is necessary. Your survivor has the right to appeal a denial of your survivor's claim and the notice will state how to file an appeal.

Additionally, if your survivor has not received notice that the claim for benefits has been approved or denied within 90 days, your survivor can assume that it has been denied and that your survivor has the right to have the claim reviewed.

Right to Appeal

Within 60 days after your survivor receives a notice that his/her application was denied, your survivor or his/her authorized representative has the right to ask the insurance company in writing, to review the denial.

In preparing your survivor's appeal, your survivor may request copies of plan documents and other papers that affect your survivor's claim. Your survivor may have a representative, such as legal counsel, assist in preparing a written appeal. No claimant appealing a denial has the right to present oral testimony.

Final Decision

Usually the insurance company will review the appeal and make its decision within 60 days after it receives the request for review. If there are special circumstances, the insurance company may take longer than 60 days to make its decision. The insurance company will send your survivor a written notice of the need for an extension before the end of the first 60-day period. The notice will include the reason for the extension and the date by which the decision is expected to be made.

The insurance company will notify your survivor of its decision, in writing. The notice will include the specific reasons on which the decision is based. If your survivor's appeal is denied, your survivor cannot request further review by the insurance company.

Legal Proceedings

Should your survivor wish to pursue his/her claim for benefits in court, your survivor must wait until 60 days after filing an appeal of his/her application denial with the insurance company. Additionally, your survivor must file the claim in court within three years of the date his/her original application for benefits was filed (the initial 90-day period claims filing period).

END OF COVERAGE

When do benefits end?

For your eligible spouse:

- The date your spouse dies; or
- The date your spouse remarries.

For your eligible children:

- The date the child marries;
- The date the child reaches 19 or 26 (if still a dependent under the Internal Revenue Code), unless disabled;
- The date the child over the age of 19, but under the age of 26, ceases to be a dependent under the Internal Revenue Code; or
- The date the child dies.

For your eligible dependent parent(s):

- The date the eligible parent(s) die; or
- The date the eligible parent(s) cease to qualify under the IRC as a dependent of an adult family member or as a dependent of the eligible spouse, unless none exists.

INSURANCE COMPANY

General Information

As of the printing of this summary, the Survivor Income Plan is fully insured and administered by:

Standard Insurance Company
900 SW 5th Avenue
Portland, Oregon 97204-1282.

Discretionary Authority

The insurance carrier, Standard, has the discretionary authority to determine your eligibility for benefits and interpret the terms of the coverage.

Insurance carriers may change. Please contact Human Resources if you have questions about the insurance carrier.