CITY OF ROCKVILLE

PENSION PLAN

As Amended and Restated

Effective as of April 1, 2008

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PREAMBLE

The City of Rockville, Maryland established the City of Rockville Pension Plan effective July 1, 1969, which Plan was amended from time to time thereafter. The Plan is now being amended and restated effective as of April 1, 2008. Unless otherwise provided herein, the provisions of the amended and restated Plan shall apply only to individuals who are employed by the City on or after the effective date of this amended Plan.

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ARTICLE I

DEFINITIONS

As used in this Plan the following shall have the meaning set forth below:

1.1 "**Actuarial Equivalent**" means a benefit which has a value equal to the benefit otherwise payable under the Plan determined using ~~a blend of 50% male factors from the 1983 Group Annuity Mortality Table and 50% female factors from the 1983 Group Annuity Mortality Table~~the RP-2000 Combined Mortality Table Male and Female projected to 2005 using Scale AA, and assuming a rate of interest of 7.5% compounded annually.

1.2 "**Administrative Personnel**" means the group of Employees who are not Union or Police Employees.

1.3 "**Beneficiary**" means the Employee's designated beneficiary under the Plan or, in the absence of an effective designation, the estate of the Employee.

1.4 "**City**" means the City of Rockville, Maryland.

1.5 "**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

1.6 "**Contingent Annuitant**" means the person designated by an Employee under

the Plan to receive a life income in the event of the Employee's death after retirement.

~~1.6~~1.7 "**Credited Interest**" means the interest that shall be credited with respect to Employee contributions and the Credited Interest thereon~~. Prior to July 1, 1969, such interest shall be credited in accordance with the terms of the Employees' Retirement System of the State of Maryland as in effect prior to that date~~. On and after July 1, 1969, interest shall be credited as provided in the Group Annuity Contract.

~~For Administrative Personnel employed by the City and participating in the Plan on April 14, 1986, accrued Credited Interest as of January 1, 1986, on Employee contributions made prior to January 1, 1986, shall be increased to 1.5 times actual accrued Credited Interest on that date. On and after May 1, 1986, Credited Interest for Union Employees and Police Employees shall be credited at the rate of 4% per year, compounded annually. For Administrative Personnel employed by the City and participating in the Plan on April 14, 1986, interest on Employee contributions made on or after January 1, 1986 shall be credited at the rate of 6% per year, compounded annually. Interest shall be credited for the number of full months from the January 1 following date of contribution to the date of withdrawal or benefit commencement.~~Administrative Personnel

For Administrative Personnel, interest on Employee contributions made on or after January 1, 1986, shall be credited at the rate of 6% per year, compounded

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annually.

Union Employees

For Union Employees employed by the City and participating in the Plan on December 1, 1986, accrued Credited Interest as of January 1, 1987, interest on Employee contributions made prior to January 1, 1987, shall be increased to 1.5 times actual accrued Credited Interest on that date. For Union Employees, interest on Employee contributions made on or after January 1, 1987 shall be credited at the rate of 6% per year, compounded annually.on or after January 1, 1987, shall be credited at the rate of 6% per year, compounded annually.

Police Employees

For Police Employees employed by the City and participating in the Plan on December 1, 1987, accrued Credited Interest as of January 1, 1988, on Employee contributions made prior to January 1, 1988, shall be increased to 1.5 times actual accrued Credited Interest on that date. For Police Employees, interest on Employee contributions made on or after January 1, 1988, shall be credited at the rate of 6% per year, compounded annually.

Interest shall be credited for the number of full months from the January 1 following date of contribution to the date of withdrawal or benefit commencement.

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Interest credited after December 31, 1989 shall be credited as follows:

(a) Except as provided in (c) below, Employee contributions made for a calendar year shall be credited as of December 31 of that calendar year with 3% simple interest;

(b) Except as provided in (c) below, Employee contributions and Credited Interest thereon which has accumulated as of December 31 shall be credited as of the following December 31 with 6% simple interest;

(c) For the calendar year that Employee contributions and Credited Interest thereon are withdrawn or that benefits commence:

(i) Employee contributions made for that calendar year shall be credited as of the date of withdrawal or commencement with simple interest of 0.25% times the number of full calendar months completed during that calendar year prior to the date of withdrawal or commencement,

and

(ii) Employee contributions and Credited Interest thereon which has accumulated as of the December 31 prior to such calendar year shall be credited as of the date of withdrawal or commencement with simple interest of 0.5% times the number of full calendar months completed during that calendar year prior to the date of withdrawal or commencement.

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~~1.7~~1.8 "**Credited Service**" is defined in Article IV.

1.9 "**Deferred Retirement Date**" is defined in Section 6.3

~~1.8~~1.10 "**Defined Benefit Option**" means one of the two retirement packages under the Plan. The Defined Benefit Option is available only to (a) Administrative Personnel both participating in the Plan and employed by the City as of April 14, ~~1986~~1986, and (b) Union Employees both participating in the Plan and employed by the City as of December 1, 1986. Police Employees shall be eligible only for the Defined Benefit Option. The Defined Benefit Option consists of the provisions of this Plan as amended herein, excluding Article ~~XVI~~XV.

~~1.9~~1.11 "**Early Retirement Date**" is defined in Section 6.2.

~~1.10~~1.12 "**Earnings**" means an Employee's salary or wage at his/her basic rate of pay, including longevity pay, ~~as determined and reported by the Retirement Board,~~but exclusive of all overtime pay, bonuses, commissions and extra or additional remuneration in any form.

~~1.11~~1.13 "**Employee**" means any individual in the employ of the City, other than a temporary or seasonal employee, whose customary employment is for at least ~~20~~ (twenty (20) hours a week. Employees shall be divided into three (3) groups~~--~~ : " Union Employees~~,"~~", "Police Employees", and "Administrative Personnel."

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1.14 "**Final Average Earnings**" means the following:

Administrative Personnel and Union Employees:

~~1.12 "**Final Average Earnings**" means for Police Employees the average annual Earnings during the final sixty (60) months (or, if shorter, the Employee's actual period of employment) of the Employee's employment with the City.~~ For Administrative Personnel and Union Employees, Final Average Earnings means the average annual Earnings during the thirty-six (36) consecutive months (or, if shorter, the Employee's actual period of employment) of the last one hundred twenty (120) months of City employment which produce the highest average.

Police Employees:

For Police Employees, Final Average Earnings means the average annual Earnings during the final sixty (60) months (or, if shorter, the Employee's actual period of employment) of the Employee's employment with the City.

The annual earnings taken into account in determining benefit accruals in any Plan Year and allocations for any Plan Year beginning after December 31, 2001 shall not exceed $200,000, as adjusted to reflect changes in cost of living as provided in Section 401(1)(17)(B) of the ~~Internal Revenue Code ("Code")~~.

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Annual Earnings means Earnings during the Plan Year or such other consecutive twelve (12)-month period over which Earnings are otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual Earnings for the determination period that begins with or within such calendar year.

~~In determining benefit accruals in Plan Years beginning after December 31, 2001, the annual Earnings limit for determination periods beginning before January 1, 2002, shall be $150,000 for any determination period beginning in 1996 or earlier ; $160,000 for any determination period beginning in 1997, 1998, 1999; and $170,000 for any determination period beginning in 2000 or 2001.~~

~~1.13~~ 1.15 "**Group Annuity Contract**" means Group Annuity Contract GA-1048, effective March 1, 1971, Group Annuity Contract 88766, Group Annuity Contract 88767 and any successor contract thereto, issued to the City by the Insurance Company.

~~1.14~~1.16 "**Insurance Company**" means the Principal Financial Group (or any successor thereto), except that when such definition is specifically applicable to a Group Annuity Contract issued by the Hartford Life Insurance Company, Insurance Company means the Hartford Life Insurance Company (or any successor thereto).

~~1.15 "Late Retirement Date" is defined in Section 6.3.~~

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~~1.16~~1.17 "**Normal Retirement Date**" **is defined in Section 6.1.**

~~1.17~~1.18 "**Plan**" means the City of Rockville Pension Plan.

~~1.18~~1.19 "**Plan Year**" means the twelve (12)-month period beginning on April 1, 1986 and each April 1 thereafter.

~~1.19~~1.20 "**Police Employees**" means the group of Employees serving as sworn police officers.

~~1.20~~1.21 "**Retired Employee**" means any person formerly an Employee who is receiving Retirement Benefits.

~~1.21~~1.22 "**Retirement Benefits**" means any amount payable to a Retired Employee, Contingent Annuitant or Beneficiary in accordance with the provisions of the Plan.

~~1.22~~1.23 "**Retirement Board**" means the Retirement Board as described in Article ~~XII~~XI.

~~1.23~~ 1.24 "**Thrift Plan Option**" means one of the two retirement packages under the Plan. The Thrift Plan Option is available to (a) Administrative Personnel both

participating in the Plan and employed as of April 14, 1986 and (b) Union Employees both participating in the Plan and employed as of December 1, 1986. Administrative Personnel hired before April 15, 1986 and not participating in the Plan or hired on or after April 15, 1986 and Union Employees hired before December 2, 1986 and not participating in the Plan or hired on or after December 2, 1986 shall be eligible only for the Thrift Plan Option. The Thrift Plan Option is two-tiered and consists of the defined benefit provisions of this Plan as amended herein and the Thrift Plan defined in Article XVI.

~~1.24~~ **1.25** **"Trust Agreement"**" means an agreement or agreements of trust between the City of Rockville and Trustee established for the purpose of holding and distributing the Trust fund under the provisions of the Plan. The Trust Agreement may provide for the investment of all or any portion of the Trust Fund in any investment arrangement as directed by the City and agreed to by the Trustee.

~~1.25~~ **1.26** **"Trust Fund"**" means the total funds held under an applicable Trust Agreement. The term Trust Fund when used within a Trust Agreement shall mean only the funds held under that Trust Agreement.

~~1.26~~ **1.27** **"Trustee"** means the party or parties named in the applicable Trust Agreement. The term Trustee, as it is used in this Plan, is deemed to include the plural unless the context clearly indicates the singular is meant.

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~~1.27~~ **1.28** "**Union Employees**" means the group of Employees who are paid according to the Union salary schedule.

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ARTICLE II

ELIGIBILITY

2.1 Each Employee~~, who was in the employ of the City on July 1, 1969, shall be eligible to join the Plan on July 1, 1969 or the first day of any month thereafter.~~ of the City shall be eligible to participate in the Plan on his/her first day of employment

~~2.2 Each Employee who is employed by the City after July 1, 1969, but prior to January 10, 1984, shall be eligible to join the Plan on the first day of the month following the date he/she would have completed six (6) months of Credited Service had he/she made Employee contributions. Each Employee who is employed by the City after January 9, 1984, except Police Employees, Administrative Personnel hired on or after April 15, 1986 and Union Employees hired on or after December 2, 1986, shall be eligible to join the Plan on the first day of the month coincident with or next following his/her date of employment. Police Employees hired on or after January 10, 1984 shall be eligible to join the Plan on the first day of employment. Administrative Personnel hired on or after April 15, 1986 shall be eligible to join the Plan on the later of the first day of employment and May 31, 1986. Union Employees hired on or after December 2, 1986 shall be eligible to join the Plan on the later of the first day of employment and December 30, 1986.~~

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2.2 A contract Employee who is in a highly ~~-~~paid or managerial position may be excluded from the Plan under the terms of his/her employment contract with the City. Effective April 1, 1989, a contract Employee who does not join the Plan when

first employed~~,~~ but subsequently joins the Plan~~,~~ shall be treated as though his/her date of employment ~~was equal to~~were the date he/she ~~participated~~begins participation in the Plan and no ~~credit~~Credited Service shall be given for prior service.

2.3 Each eligible Employee shall be included in the Plan on the date he/she becomes eligible as ~~herein~~set forth above~~ indicated~~, provided that he/she completes such forms as the Retirement Board prescribes, authorizes payroll deductions, designates a Beneficiary to receive any death benefits hereunder and furnishes satisfactory evidence of his/her date of birth or such other data as the Retirement Board deems necessary or desirable.

2.4 An Employee will not receive Credited Service during any period for which he/she is eligible to participate if he/she does not contribute to the Plan in accordance with Section 3.1.

~~2.5 Administrative Personnel, who are in the employ of the City and participating in the Plan on April 14, 1986, may make an irrevocable election to be covered by the Thrift Plan Option effective May 31, 1986. Such election must be filed with~~

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~~the Retirement Board prior to 5:00 p.m., May 30, 1986. An Employee who fails to make the required election prior to this deadline will be covered by the Defined Benefit Option. Administrative Personnel, who are in the employ of the City on April 14, 1986 and had earlier elected not to participate in the Plan, shall automatically be covered under the Thrift Plan Option effective May 31, 1986. No Credited Service shall be credited for service prior to such Employee's participation in the Plan.~~ Administrative Personnel, other than contract Employees described in Section ~~2.2;~~2.2, hired on or after April 15, 1986 shall become participants in the Thrift Plan Option upon their participation date as outlined above.

2.6 ~~Union Employees, who are in the employ of the City and participating in the Plan on December 1, 1986, may make an irrevocable election to be covered by the Thrift Plan Option effective December 30, 1986. Such election must be filed with the Retirement Board prior to 5:00 p.m., December 29, 1986. An Employee who fails to make the required election prior to this deadline will be covered by the Defined Benefit Option.~~

~~Union Employees, who are in the employ of the City on December 1, 1986 and had earlier elected not to participate in the Plan, shall automatically be covered under the Thrift Plan Option effective December 30, 1986. No Credited Service shall be credited for service prior to such Employee's participation in the Plan.~~

Union Employees hired on or after December 2, 1986 shall become

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participants in the Thrift Plan Option upon their participation date as outlined above.

2.7 Police Employees shall only be eligible to join under the Defined Benefit Option, and shall become participants in the Defined Benefit Option upon their participation date as outlined above.

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ARTICLE III

EMPLOYEE CONTRIBUTIONS

~~3.1 From and after July 1, 1975, each eligible Employee, who elects to participate in the Defined Benefit Option of the Plan and who has not retired, shall make contributions under the Plan each pay period through payroll deductions. Such contributions shall be at a rate equal to 4.2% of his/her biweekly Earnings.~~

3.1 Administrative Employees---Defined Benefit Option Only

From and after April 1, 1996, each eligible Aadministrative Employee, who elects to participate in the Defined Benefit Option of the Plan and who has not retired, shall make contributions under the Plan each pay period through payroll deductions at a rate equal to 5.2% of his/her biweekly earnings.

Administrative EmployeesPersonnel---Thrift Plan Option

From and after April 1, 1996, each eligible administrative Employee, who participates in the Thrift Plan Option and who has not retired, shall make contributions under the Plan each pay period through payroll deductions for the purpose of contributing to the defined benefit component of his/her retirement package. Such contribution shall be at a rate equal to 1.0% of his/her biweekly earnings.

PoliceUnion Employees---Defined Benefit Option Only

~~Effective on and after May 1, 1993, Police Employees shall contribute~~From and

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after July 1, 1975, each eligible Union Employee who elects to participate in the Defined Benefit Option of the Plan, and who has not retired, shall make contributions under the Plan each pay period through payroll deductions at a rate equal to 4.2% of his/her biweekly earnings.

Union Employees---Thrift Plan Option

From and after December 2, 1986, each eligible Union Employee who participates in the Thrift Plan Option shall not be required to make contributions to the defined benefit component of his/her retirement package.

Police Employees--- Defined Benefit Option Only

From and after May 1, 1993, each eligible Police Employee who participates in the Defined Benefit Option of the Plan, and who has not retired, shall make contributions under the Plan each pay period through payroll deductions at a rate equal to 8.5% of his/her biweekly ~~Earnings.~~ earnings.

~~Effective on or after July 1, 1984,~~ Police Employees ~~shall contribute at a rate equal to 7.2% of biweekly Earnings.~~

~~Effective on and after May 1, 1993, Police Employees shall contribute at a rate equal to 8.5% of biweekly Earnings.~~

~~Effective with the pay period covered by the January 16, 1987 payroll, Employee contributions shall be required under this Article by Administrative Personnel and Union Employees participating in the Thrift Plan Option pursuant to the~~

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~~requirements of Article XVI.~~

As of any April 1, if the City ~~Contribution~~contribution to the Defined Benefit Option of the Plan made on behalf of Administrative or Union Employees exceeds 6.5% of the Earnings of the Administrative or Union Employees who are participating under the Defined Benefit Option as of such April 1, the City, in its discretion, reserves the right to impose a "Supplemental Employee Contribution" for the following calendar year. This Supplemental Employee Contribution shall be no more than 50% of the excess of such City ~~Contribution~~contribution over 6.5% of such Earnings and shall be treated as a contribution to the Defined Benefit Option.

3.2 An Employee may, with the consent of the City, suspend Employee contributions during absence from work on account of temporary layoff or leave of absence. Credited Service shall not be credited to such an Employee during such absence ~~,~~but he/she will not be considered a terminated Employee for purposes of this Plan.

3.3 At the end of each calendar year, the amount of interest to be credited to Employee contributions shall be calculated in accordance with Section ~~1.6.~~1.7

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ARTICLE IV

CREDITED SERVICE

4.1 ~~Each Employee's Credited Service shall be the sum of his/her Credited Prior Service, if any, and his/her Credited Future Service as determined by the Retirement Board as follows:~~

~~(a) Credited Prior Service: An Employee will receive credit for each full year of continuous service and fraction thereof, to the nearest full month, completed from his/her date of employment to July 1, 1969, provided that he/she made the required contributions to the Employees' Retirement System of the State of Maryland as in effect from time to time. (b) Credited Future Service:~~ An Employee will receive ~~credit~~Credited Service for each full year of continuous service and fraction thereof, to the nearest full month, ~~completed~~ from ~~July 1, 1969, or~~ the date he/she is first included in the Plan, ~~whichever is later,~~ to the date he/she terminates his/her employment or retires, whichever first occurs, provided that he/she has made the required contributions under the Plan as in effect from time to time.

~~(c) Unused Sick Leave:~~ An Employee ~~described in the second paragraph of this subsection (c) shall, within the time limits specified in such second paragraph, make a~~shall, within thirty (30) days of his/her employment by the

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City, make an irrevocable written election to receive any unused sick leave upon his/her retirement either: (1) as additional Credited ~~Future~~ Service under this Plan, or (2) as a cash payment in accordance with the City's personnel policies. If an Employee elects to receive unused sick leave in the form of additional Credited ~~Future~~ Service under this Plan and terminates employment before reaching the earlier of his/her Early or Normal Retirement Date, any unused sick leave shall be paid to him/her in a cash payment in accordance with the City's personnel policies. If an Employee elects to receive unused sick leave in the form of additional Credited ~~Future~~ Service under this Plan, each twenty-two (22) days of unused sick leave will be credited as one additional month of Credited ~~Future~~ Service. Any days of sick leave in excess of a multiple of twenty-two (22) days shall be converted to a cash payment in accordance with the City's personnel policies.

~~Any Employee who is a participant in the Plan on the date this amendment is adopted shall make the election described in the first paragraph of this subsection (c) within thirty (30) days of the date of such adoption. An individual who becomes an eligible Employee after the date this amendment is adopted shall make the election described in the first paragraph of this subsection (c) within thirty (30) days of his/her employment by the City. Such election, once made is irrevocable.~~

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4.2 Service in the Armed Forces of the United States

(a) Except as otherwise provided in Section 4.2(b), to the extent that an Employee is required as a condition of employment with the City to participate in the Plan, the Employee shall receive Credited ~~Future~~ Service, not to exceed five (5) years, for a period of absence from employment with the City while in Military Service if the Employee is thereafter reinstated as a regular Employee on a leave of absence or is actively reemployed by the City within one (1) year after leaving Military Service. The Employee must formally apply for service credit in writing within one (1) year of leaving Military Service. Effective July 1, 2007, Credited ~~Future~~ Service that an Employee receives under this Section 4.2 shall be applied to such Employee's Normal Retirement ~~Benefit~~benefit using the accrual rate in effect at the time of his/her retirement from the City.

"Military Service" shall have the meaning given to that term in the Annotated Code of Maryland, State Personnel and Pensions § 38-101(d), as ~~that section may~~amended from time to time ~~be amended~~.

This section 4.2(a) shall be administered, in the discretion of the ~~Plan administrator~~Retirement Board, in accordance with the Annotated Code of Maryland, State Personnel and Pensions § 38-101, et. seq.,

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as ~~those sections may~~amended from time to time~~ be amended~~.

(b) Effective as of December 12, 1994, and notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credits with respect to qualified military service will be provided in accordance with ~~section~~Section 414(u) of the Code.

4.3 Any Employee who is absent because of an authorized leave of absence or layoff~~,~~ and who shall return to the service of the City on or before the date such leave of absence terminates, or in the case of layoff within one (1) year and at the date he/she is first recalled~~,~~ shall not receive Credited Service with respect to that period of absence, but he/she shall retain any Credited Service accrued prior to such absence~~, which shall be aggregated with the Credited Service such Employee receives after his/her re-employment for purposes of calculating such Employee's retirement benefit.~~.

Notwithstanding the foregoing, the Plan shall be administered so as to comply in all respects with the applicable provisions of the Family and Medical Leave Act of 1993.

~~4.4 An Employee who is absent because of an absence other than an absence described in Section 4.2 or 4.3, who had at least ten (10) years of Credited~~

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~~Service at the time of such absence, and who did not receive a refund of his/her contributions plus Credited Interest under the Defined Benefit Option or a lump sum payment of his/her account under the Thrift Plan Option shall not receive Credited Service with respect to that period of absence, but he/she shall retain any Credited Service accrued prior to such absence. Notwithstanding the preceding sentence, with respect to any such Employee who does not return to the service of the City within one (1) year of the date on which his/her absence began, such Employee's Retirement Benefit shall be the sum of his/her Retirement Benefit separately determined during each period in which he/she is not absent. Upon reemployment, Administrative Personnel and Union Employees shall automatically become participants in the Thrift Plan Option.~~

~~4.4~~ ~~The following rules shall govern the status, including the retirement calculation, of any Employee who has an absence not described in Section 4.2 or 4.3, and who is re-employed by the City:~~

~~4.5 Any absence other than an absence described in Section 4.2, 4.3 or 4.4 shall be~~

~~considered a termination of employment. Notwithstanding the foregoing, however, if an Employee is absent because of any absence described in the immediately preceding sentence hereof, but returns to service with the City within one (1) year of the date on which his/her absence began and has not received(a) If the Employee (1)~~

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~~does not receive~~ a refund of his/her contributions plus Credited Interest under the Defined Benefit Option or a lump sum payment of his/her account under the Thrift Plan Option, ~~such Employee's absence shall not be considered to have caused~~and ~~(2) returns to the service of the City within one (1) year of the date on which his/her absence began, then he/she shall not receive Credited Service with respect to that period of absence, but he/she shall retain any Credited Service accrued prior to such absence, which shall be aggregated with the Credited Service such Employee receives after his/her re-employment for purposes of calculating such Employee's retirement benefit.~~

~~(b) If an Employee described in subsection (a) does not return to the service of the City within one (1) year of the date on which his/her absence began, and if such Employee had at least ten (10) years of Credited Service at the time the absence began, such Employee's retirement benefit shall be calculated as the sum of his/her retirement benefit separately determined during each period in which he/she is not absent. Upon re-employment, Administrative Personnel and Union Employees shall automatically become participants in the Thrift Plan Option.~~

~~(c) Any Employee absence, other than those described in Sections 4.2,~~

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4.3 and subsections (a) and (b) above, shall be considered a termination of employment for purposes of this Plan. If an, If and Employee is deemed to have terminated his/her employment, then upon re-employment, he/she shall be considered to be a new Employee for theall purposes of the Plan.

4.6 Purchase of Prior Service

(a) Each Employee who was an Employee as of April 1, 1989 and was a contributing participant on April 14, 1986 shall have the right to purchase Credited Service for the period between his/her date of employment and the date he/she became a participant. In order to receive credit under this Section, an Employee must formally elect, in writing, to purchase the Credited Service by September 30, 1989 or within sixty (60) days of notification of right to purchase Credited Service by the Personnel Department of the City, if later. Such and election, once made, is irrevocable.

An Employee electing to purchase Credited Service must agree to pay to the Plan 0.35% of his/her annual rate of Earnings as of April 1, 1989 for each month of Credited Service, which is purchased. An Employee shall make payments for the purchased Credited Service through biweekly payroll deduction of over a period of one (1), three

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~~(3) or five (5) years as elected by the Employee. Commencing with the 27th payment, interest shall be charged to the unpaid balance at the end of each pay period at an effective annual rate of 6%.~~

~~The amount of each biweekly contribution shall be determined by multiplying the total amount due by a percentage as follows:~~

~~Years~~	~~Total Biweekly Payment~~	~~Percentage~~
~~1~~	~~26~~	~~3.846%~~
~~3~~	~~78~~	~~1.331~~
~~5~~	~~130~~	~~0.841~~

~~If an Employee terminates employment prior to the time full amount of payments due have been received by the Plan, the Employee shall make a lump sum payment for the unpaid balance and thereby retain the full amount of Credited Service purchased.~~

~~An Employee who terminates employment and receives a refund of his/her contributions plus Credited Interest shall not be entitled to receive any City Contribution pursuant to Section 9.3 attributable to the purchased Credited Service.~~

(~~b~~d) Upon re-employment, Administrative Personnel and Union Employees shall automatically become participants in the Thrift Plan

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Option.

4.5 Purchase of Prior Service

(a) Upon retirement on his/her Early, Normal or LateDeferred Retirement Date on or after July 1, 1986, each Employee hired before January 10, 1984 may elect to purchase Credited Service, up to a maximum of six (6) months of Credited Service, for previous service for the period between his/her date of employmenthire by the City and the date he/she became a participant in the Plan. Such an election, once made, is irrevocable.

An Employee electing to purchase Credited Service must pay to the Plan in a single sum at the time of such retirement the following amount: 2.3% of his/her annual rate of Earnings as of his/her date of hire with simple interest of 7.59% for the first full year and simple interest of 6% for each additional full year and fraction thereof between his/her date of hire and the time of such retirement.

(cb) Each Employee shall have the rightmay elect to purchase Credited Future Service, up to a maximum of thirty-six (36) months, for any previous service with a Federal, State, County or Municipal agency, except as otherwise provided by Section 4.7 or4.6 of the Plan. In

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order to receive credit under this Section, an Employee must formally elect, in writing, to purchase the Credited ~~Future~~ Service within one (1) year of ~~notification of the right to purchase Credited Future Service by the Personnel Department of~~his/her date of hire by the City. Such an election, once made~~,~~ is irrevocable.

Payments for Defined Benefit Option

An Employee covered under the Defined Benefit Option and electing to purchase Credited ~~Future~~ Service must agree to pay to the Plan a percentage of his/her Earnings as of ~~the~~his/her date of ~~notification of right to purchase Credited Future Service~~hire for each month of Credited ~~Future~~ Service which is purchased. The percentage is 0.885% for Union Employees, 0.984% for Administrative Personnel, and 1.107% for Police Employees. Notwithstanding the foregoing, any person who was an Employee on February 1, 2005, may, instead of the percentages listed in the preceding sentence, elect to pay the Plan, with respect to the purchase of Credited Service under this paragraph, 0.875% (for Union Employees), 1.006% (for Administrative Personnel), and 1.167% (for Police Employees) of his/her Earnings as of his/her date of hire for each month of Credited Service which is purchased.

Payments for Thrift Plan Option

An Employee covered under the Administrative Thrift Plan Option and

27 DeltaView comparison of PowerDocs://BA3DOCS1/406495/2 and PowerDocs://BA3DOCS1/406495/3. Performed on 1/13/2009.

electing to purchase Credited~~ Future~~ Service must agree to pay the Plan 0.590% of his/her Earnings as of ~~the~~his/her date of ~~notification of right to purchase Credited Future Service~~hire for each month of Credited ~~Future~~Service which is purchased. Notwithstanding the foregoing, any person who was an Employee on February 1, 2005, may elect to pay the Plan, with respect to the purchase of Credited Service under this paragraph, 0.593% of his/her Earnings as of his/her date of hire for each month of Credited Service which is purchased.

An Employee covered under the Union Thrift Plan Option and electing to purchase Credited~~ Future~~ Service must agree to pay to the Plan 0.492% of his/her Earnings as of ~~the~~his date of ~~notification of right to purchase Credited Future Service~~hire for each month of Credited ~~Future~~ Service which is purchased. Notwithstanding the foregoing, any person who ~~is~~was an Employee on February 1, ~~2005~~2005, may elect to ~~use~~pay the Plan, with respect to the purchase of Credited ~~Future Service under this Section 4.6(c), such applicable percentages of Earnings as were set forth in the above three paragraphs on January 31, 2005.~~Service under this paragraph, 0.483% of his/her Earnings as of his/her date of hire for each month of Credited Service which is purchased.

An Employee shall pay for the purchase of Credited ~~Future~~ Service by (1) paying a lump sum amount at any time within one (1) year of ~~notification~~

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~~of right to purchase the Credited Future Service or~~his/her date of hire by the City, or (2) through biweekly payroll deduction commencing within ~~a year of notification of the right to purchase the Credited Service of~~one (1) year of his/her date of hire by the City, over a period of one (1), three (3) or five (5) years, as elected by the Employee. Commencing with the 27th payment, interest shall be charged to the unpaid balance at the end of each pay period at an effective annual rate of 6%.

The amount of each biweekly contribution shall be determined by multiplying the total amount due by a percentage as follows:

Years	Number of Biweekly Payments	Each Biweekly Payment is this Percentage of the Total Amount Due
1	26	3.846%
3	78	1.331%
5	130	0.841%

An Employee who terminates employment and receives a refund of his/her contributions plus Credited Interest shall not be entitled to receive any Credited Service or City contribution under Section 9.3 or Credited Service under Section ~~16.5~~15.5 attributable to the purchased Credited Service.

~~4.7~~4.6 (a) Transfer of Prior Service Credit to the Defined Benefit Option or the

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Defined Benefit Portion of the Thrift Plan Option

(1) Each Employee participating in ~~any defined benefit portion~~the Defined Benefit Option or the Defined Benefit Portion of the Thrift Plan Option of the Plan shall have the right to transfer service credit that has accrued pursuant to any other State of Maryland ("State") retirement or pension system, or local retirement or pension system within the State of Maryland ("local system"), that is operated on an actuarial basis, regardless of whether that previous system ~~requires~~required employee contributions, but only if ~~(i)~~ the Employee incurred no "break in employment," as that phrase is used in the Annotated Code of Maryland, State Personnel and Pensions § 37-201, et seq., between his/her employment with the prior State of Maryland or local employer and with the City~~, or (ii) the Employee incurred such a "break in employment" between his employment with the prior State of Maryland or local employer and with the City only within calendar year 1997.~~. Once the transfer is effected, the Employee may not continue to accrue benefits in the previous State or local system.

(2) In order to effect a transfer of service credit under this Section ~~4.7~~4.6(a), the Employee must formally elect, in writing, transfer of the service credit ~~in writing~~ within one (1) year of becoming a

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participant in the Plan~~, or, in the case of an Employee who incurred a "break in service" within calendar year 1997, within one (1) year of commencing employment with the City~~. Any Employee transferring service credit, pursuant to this Section ~~4.7~~4.6(a), from a contributory system to ~~any defined benefit portion of the Plan that is contributory~~the Defined Benefit Option or the Defined Benefit Portion of the Thrift Plan Option of the Plan must deposit with the Plan the total accumulated contributions, including any accrued interest thereon, to the Employee's credit in the previous plan within one (1) year of becoming a participant in the Plan~~, or if later, within one (1) year after the date of adoption of the applicable amendment for Employees other than Police Employees, and within one (1) year after November 15, 1999 for Police Employees (assuming the requirement of the previous paragraph has been timely met)~~.

~~(3)~~ All Employees Except for Police Employees who Transfer to the City on or after July 1, 1990

~~(3)~~ **Except for Police Employees who transfer to the City on or after July 1, 1990, an Employee who transfers service credit shall receive the same amount of service credit under the ~~defined benefit portion~~Defined Benefit Option or the Defined**

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Benefit Portion of the Thrift Plan Option of the Plan as had accumulated under the previous system, applicable both for the purposes of determining eligibility for retirement under the Plan and for meeting vesting requirements. Once service credits are transferred, the Employee must pay the rate of contribution applicable under the Plan, and the Employee's eligibility for a pension and annuity shall be determined in accordance with the Plan, taking into account the transferred service credits.

(4) Except for Police Employees who transfer to the City on or after July 1, 1990, if an Employee transfers from a noncontributory system to a contributory portion of a defined benefit portionthe Defined Benefit Option or the Defined Benefit Portion of the Thrift Plan Option of the Plan, the Employee's retirement allowancepension shall, upon retirement, be reduced by the actuarial equivalentActuarial Equivalent of the accumulated contributions, including interest thereon, that would have been deducted if the Employee had earned the transferred service credit under the Plan.

For purposes of this section 4.74.6(a)(43), the Employee's

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~~retirement allowance~~pension will be reduced in accordance with the following actuarial method: Contributions that would have been made under the Plan's terms during the period of past service credit, with interest thereon at the rate credited by the Plan, shall be accumulated to the Normal Retirement Date. The Actuarial Equivalent of the accumulated contributions shall be based on the Plan's definition of actuarial equivalence. This amount shall be calculated at the time of transfer and shall not be changed thereafter.

~~(4) Police Employees who Transfer to the City on or after July 1, 1990~~

~~(5)~~ A Police Employee who transfers to the City on or after July 1, 1990 and who transfers service credit shall receive the same amount of service credit under the ~~defined benefit portion~~Defined Benefit Option of the Plan as had accumulated under the previous system for purposes of determining eligibility for early retirement (as modified below) and for meeting vesting requirements. Once service credits are transferred, the Police Employee must pay the rate of contribution applicable under the Plan, and the Police Employee's eligibility for a pension ~~and annuity~~ shall be

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determined in accordance with the Plan, taking into account the transferred service credits, as modified below.

The annual amount of Early Retirement Benefit payable to a Police Employee who has eligible transfer service, who retires on his/her Special Early Retirement Date, and who elects to begin receiving Retirement Benefits shall be equal to his/her benefit under Section 5.1 accrued to his/her Special Early Retirement Date (as defined below). Such Early Retirement Benefit shall be multiplied by his/her Special Early Retirement Reduction Factor (as defined below).

Special Normal Retirement Date shall mean, with respect to a Police Employee, the earlier of (i) the Police Employee's 60th birthday, or (ii) the completion of twenty-five (25) years of Credited Service, including eligible transfer service; provided, however, that at least ten (10) years of Credited Service shall be earned as a City Police Employee.

Special Early Retirement Date shall mean, with respect to a Police Employee, the first day of any month prior to his/her Normal Retirement Date, but ~~coincident with or next followingnot before~~ the earlier of (i) the Police Employee's 50th

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birthday and the completion of ten (10) years of Credited Service, including eligible transfer service, ~~and~~or (ii) his/her Special Normal Retirement Date.

Special Early Retirement Reduction Factor shall mean the weighted average of (i) and (ii), where (i) is 100% decreased by 6/10 of 1% for each month by which the Special Early Retirement Date precedes the Special Normal Retirement Date, and (ii) is 100% decreased by 6/10 of 1% for each month by which the Special Early Retirement Date precedes the Normal Retirement Date. The weighting of (i) shall be based on the number of years of Credited Service attributable to eligible transfer service of the Police Employee. The weighting of (ii) shall be based on the number of years of Credited Service attributable to service as a City Police Employee.

~~(5)~~ **~~(6)~~ Upon the Employee's request, the Plan shall refund the total accumulated contributions of an Employee who is transferring, pursuant to the provisions of the Annotated Code of Maryland, State Personnel and Pension § 37-203, from the Plan to another State or local government retirement or pension system.**

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(6) ~~(7)~~ If an Employee retires within five (5) years after transferring to the Plan, the benefits payable with respect to the transferred service credit may not be greater than the benefits that would have been payable by the previous system with respect to that service if the Employee had remained in the previous system.

(7) ~~(8)~~ Employees who transfer service credit from a prior system pursuant to this Section ~~4.7~~4.6(a) may not also purchase service credit with respect to the same prior service under Section ~~4.6~~4.5 of the Plan.

~~(b)~~ ~~(b)~~ Transfers of Service Credit to the Defined Contribution Portion of the Thrift Plan Option

~~Option~~

(1) Employees may transfer service credit from a prior State of Maryland system or local retirement system within the State of Maryland to the defined contribution portion of the Thrift Plan Option for vesting purposes only. ~~To~~In order to effect ~~such~~a transfer of service credit under this Section 4.6(b), the Employee must formally elect, in writing, transfer of the service credit ~~in writing~~ within one (1) year of becoming a

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participant in the Thrift Plan Option.

(2) **Employees who participate in the defined contribution portion of the Thrift Plan Option may transfer contributions from a defined contribution retirement plan of any other State of Maryland or local retirement system within the State of Maryland, which plan is qualified under Section 401(a) of the ~~Internal Revenue~~ Code, to the defined contribution portion of the Thrift Plan Option if:**

(i) The Employee elects in writing within one (1) year of becoming a Participant in the Thrift Plan to have the total accumulated contributions under the prior system transferred~~, or, if later, elects in writing to transfer such contributions within one hundred-twenty (120) days after the date of adoption of the applicable amendment to the Plan~~ and such contributions are in fact ~~transferred to the Plan within such one (1)-year period~~; and

(ii) ~~The Employee has the transferred contribution deposited with the Thrift Plan Option within one (1) year of becoming a participant in the Thrift Plan Option, or if later, within one hundred-twenty (120) days after the date of adoption of the applicable amendment to the~~

37 DeltaView comparison of PowerDocs://BA3DOCS1/406495/2 and PowerDocs://BA3DOCS1/406495/3. Performed on 1/13/2009.

~~Plan.Such transferred contributions constitute an "eligible rollover contribution", as defined in Section 7.6(a) hereof.~~

~~(c)~~ This Section 4.7 ~~shall be administered in the discretion of the Plan administrator~~

~~(c) This Section 4.6 shall be administered in the discretion of the Retirement Board~~ (and shall include the discretion to extend the time deadlines with respect to elections and contribution transfers in the event any Employee is unfairly prejudiced due to circumstances outside of his control) and in accordance with the Annotated Code of Maryland, State Personnel and Pensions § 37-201, et. seq., as it may from time to time be amended.

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ARTICLE V

RETIREMENT BENEFITS

5.1 **Normal Retirement Benefit**

~~Police Employees~~

~~The annual amount of Normal Retirement Benefit payable to a Police Employee who retires on or after April 1, 1993, on his/her Normal Retirement Date shall be equal to the lesser of (a) 2.0% of Final Average Earnings multiplied by years of Credited Service prior to April 1, 2004, plus 2.25% of Final Average Earnings multiplied by years of Credited Service on or after April 1, 2004, or (b) 67.5% of Final Average Earnings.~~ ~~The~~

~~Administrative Personnel---Defined Benefit Option~~

~~For Administrative Personnel in the Defined Benefit Option, the~~ **annual amount of Normal Retirement Benefit payable to ~~a Policean~~ Administrative Employee who retires on ~~or after April 1, 1993 on~~ his/her Normal Retirement Date shall be equal to ~~the lesser of (a)(i) 2.0% of his/her~~1.8% of Final Average Earnings multiplied by years of Credited Service prior to April 1, 1996, plus 2.0% of Final Average Earnings multiplied by ~~his/her years of Credited Service prior to April 1, 2004, plus (ii) 2.25% of his/her Final Average Earnings multiplied by his/her years of Credited Service on or after April 1, 2004, or (b) 67.5% of his/her Final Average Earnings.~~years**

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~~of Credited Service on or after April 1, 1996.~~

~~(a) Prior Service Benefit: An Employee's Prior Service Benefit, if any, shall be equal to 1.3% of the first $4,800 of his/her Final Average Earnings plus 1.7% of the portion of his/her Final Average Earnings in excess of $4,800, multiplied by his/her years of Credited Prior Service.~~

~~(b) Future Service Benefit: An Employee's Future Service Benefit shall be equal to 1.3% of the first $7,800 of his/her Final Average Earnings, plus 1.7% of the portion of his/her Final Average Earnings in excess of $7,800, multiplied by his/her years of Credited Future Service.~~

~~The amount of Normal Retirement Benefit payable to a Police Employee who retires on or after July 1, 1984 who has attained age fifty-one (51) and who has completed twenty-five (25) years of Credited Service shall not be less than 50% of the Employee's Final Average Earnings.~~

~~The annual amount of Normal Retirement Benefit payable to a Police Employee who retires on or after April 1, 1993 on his/her Normal Retirement Date shall be equal to the lesser of (1)(i) 2.0% of his/her Final Average Earnings multiplied by his/her years of Credited Service prior to April 1, 2004, plus (ii) 2.25% of his/her Final Average Earnings multiplied by his/her years of~~

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~~Credited service on and after April 1, 2004, or (2) 67.5% of his/her Final Average Earnings.~~

~~Union Employees---Defined Benefit Option~~

~~For Administrative Personnel in the Defined Benefit Option, the benefit shall be equal to 1.8% of Final Average Earnings multiplied by years of Credited Service prior to April 1, 1996 and 2.0% of Final Average Earnings multiplied by years of Credited Service after April 1, 1996.~~ For Union Employees in the Defined Benefit Option ~~the benefit, the annual amount of Normal Retirement Benefit payable to a Union Employee who retires on his/her Normal Retirement Date~~ shall be equal to 1.8% of Final Average Earnings multiplied by years of Credited Service.

~~For~~ ~~Administrative Personnel---Thrift Plan Option~~

~~For Administrative Personnel~~ in the Thrift Plan Option, the ~~benefit~~~~annual amount of Normal Retirement Benefit payable to an Administrative Employee who retires on his/her Normal Retirement Date~~ shall be equal to (~~1~~a) 1.8% of Final Average Earnings multiplied by years of Credited ~~service~~~~Service~~ prior to May 31, 1986, plus (~~2~~b) 1.0% of Final Average Earnings multiplied by years of Credited Service after May 30, 1986, and before April 1, 1996, plus ~~(c)~~ 1.2% of Final Average Earnings multiplied by years of Credited Service after March 31, 1996.

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Union Employees---Thrift Plan Option

For Union Employees in the Thrift Plan Option, the benefitannual amount of Normal Retirement Benefit payable to a Union Employee who retires on his/her Normal Retirement Date shall be equal to (1) 1.8% of Final Average Earnings multiplied by years of Credited Service prior to January 1, 1987, plus (2) 1.0% of Final Average Earnings multiplied by years of Credited Service after December 31, 1986.

Employees in Multiple Classifications

For Employees earning some credited service in an AdministrativeCredited Service in one classification and some credited service in a UnionCredited Service in another classification, the annual amount of Normal Retirement Benefit payable to such Employee who retires on his/her Normal Retirement Date shall be computed in hybrid fashion based on the formulas applicable to the time served in each classification.

5.2 Early Retirement Benefit

Police Employees

The annual amount of Early Retirement Benefit payable to a Police Employee who retires on his/her Early Retirement Date and elects to begin receiving Retirement Benefits shall be equal to his/her benefit under Section 5.15.1, accrued to his/her Early Retirement Date. Such Early

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Retirement Benefit shall be decreased by 6/10 of 1% for each month during the first five (5) years in which an Employee retires early, and 3/10 of 1% for each month during the second five (5) years in which an Employee retires early.

~~Administrative Personnel and Union Employees~~

For retirements of Administrative Personnel commencing on or after May 31, ~~1986~~1986~~,~~ and retirements of Union Employees commencing on or after January 1, 1987, the ~~annual amount of~~ Early Retirement Benefit ~~payable to each such Employee who retires on his/her Early Retirement Date and elects to begin receiving Retirement Benefits~~ shall be equal to ~~the~~his/her benefit under Section ~~5.1~~5.1~~,~~ accrued to his/her Early Retirement Date~~;~~. ~~Such Early Retirement Benefit shall be~~ decreased by 1/4 of 1% for each month the Employee retires early.

5.3 ~~Late~~Deferred Retirement Benefit

The annual amount of ~~Late~~Deferred Retirement Benefit payable to an Employee who retires on his/her ~~Late~~Deferred Retirement Date shall be equal to his/her benefit under Section 5.1 accrued to his/her ~~Late Retirement Date.~~Deferred Retirement Date.

~~5.4~~ Each Retired Employee who commenced to receive Retirement Benefits

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after January 1, 1972 but prior to January 1, 1984 shall have his/her Retirement Benefit increased in accordance with the following schedule:

~~Year of Annuity Commencement Date~~	~~Increase in Retirement Benefits~~
~~1972~~	~~8.5%~~
~~1973~~	~~12.5%~~
~~1975~~	~~14.5%~~
~~1976~~	~~14.5%~~
~~1977~~	~~14.0%~~
~~1978~~	~~12.5%~~
~~1979~~	~~10.0%~~
~~1980~~	~~7.0%~~
~~1981~~	~~4.0%~~
~~1982~~	~~2.0%~~
~~1983~~	~~1.0%~~

~~The increase in a Retired Employee's Retirement Benefit shall commence as of the first day of the month following the date the Insurance Company receives written approval of the applicable amendment to the Plan from the Mayor and Council of the City.~~

~~5.5~~5.4 Medical Insurance Premiums

For eligible Employees who stay with the City's policy group, the City shall pay the City's share of a ~~retiree'~~Retired Employee's medical insurance premium from retirement until age sixty-five (65).

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Administrative Personnel and Union Employees

For Administrative Personnel and Union Employees, eligible Employees shall be those Employees who:

(a) Who retire, having both attained age sixty (60) while employed with the City, and who have completed at least ten (10) years of Credited Service prior to retirement,

(b) take Who elect early retirement, having both attained age fifty (50) while employed with the City, and having completed ten (10) years of Credited Service and prior to retirement, and, additionally, are deemed to be permanently and totally disabled in accordance with the Federal Social Security Act, or

(c) take Who elect early retirement from the City when their age plus Credited Service equalequals or exceeds eighty-five (85).

Police Employees

For Police Employees, eligible Employees shall be those Police Employees who meet the conditions stated above, or who have attained their Normal Retirement Date while in the service of the City.

The City's share of the retiree medical insurance premium shall be the

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same amount the City would have paid for the Employee and the Employee's family had the Employee remained in the employment of the City. In the event the Employee is not eligible for coverage from the City's group health insurance policy due to the fact that the Employee lives outside of the coverage area, the City will reimburse the Employee for health insurance coverage up to the prevailing two-person coverage employer rate granted to current Employees.

This provision shall be considered as separate from the other provisions of the

Plan for purposes of the Code. The assets used for this provision shall not be commingled with the assets used for the other provisions of the Plan.

~~5.6~~ 5.5 Cost-of-Living Adjustments

~~(a)~~ Increase effective January 1, 1988~~:~~

~~(1)~~ Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1987 shall receive a 2% increase in his/her Retirement Benefits.

~~(2)~~ Each Retired Employee who commenced to receive a Retirement Benefit after December 31, 1986 but prior to January 1, 1988 shall receive a 1% increase in his/her

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Retirement Benefits.

~~(b)~~ ~~Increase effective July 1, 1989:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1988 shall receive a 4% increase in his/her Retirement Benefits.~~

~~(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1989 but after June 30, 1988 shall receive a 3% increase in his/her Retirement Benefits.~~

~~(c)~~ ~~Increase effective July 1, 1990:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1989 shall receive a 4% increase in his/her Retirement Benefits.~~

~~(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1990 but after June 30, 1989 shall receive a 3% increase in his/her Retirement Benefits.~~

~~(d)~~ ~~Increase effective July 1, 1991:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1990 shall receive a 4%~~

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~~increase in his/her Retirement Benefits.~~

~~(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1991 but after June 30, 1990 shall receive a 3% increase in his/her Retirement Benefits.~~

~~(e) Increase effective July 1, 1993:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1992 shall receive a 2% increase in his/her Retirement Benefits.~~

~~(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1993 but after June 30, 1992 shall receive a 1% increase in his/her Retirement Benefits.~~

~~(f) Increase effective July 1, 1994:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1993 shall receive a 2% increase in his/her Retirement Benefits.~~

~~(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1994 but after June 30, 1993 shall receive a 1% increase in his/her Retirement Benefits.~~

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~~(g) Increase effective January 1, 1997:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1996 shall receive a 1.5% increase in his/her Retirement Benefits.~~

~~(h) Increase effective January 1, 1998:~~

~~(1)~~ Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1997, shall receive a 1.5% increase in his/her Retirement Benefits.

~~(i) Increase effective January 1, 2000:~~

~~(1)~~ Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 1999, shall receive a 2.0% increase in his/her Retirement Benefits.

~~(j) Increase effective January 1, 2001:~~

~~(1)~~ Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2000, shall receive a 2.0% increase in his/her Retirement Benefits.

~~(k) Increase effective January 1, 2002:~~

~~(1) Each Retired Employee, who commenced to receive~~

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~~Retirement Benefits prior to January 1, 2001, shall receive a 1.5% increase in his/her Retirement Benefits.~~

~~(l) Increase effective January 1, 2004:~~

~~(1)~~ Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2003, shall receive a 1.5% increase in his/her Retirement Benefits.

~~(m) Increase Effective January 1, 2006:~~

~~(1)~~ Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2005, shall receive a 1.5% increase in his/her Retirement Benefits.

~~(n) Increase Effective January 1, 2007:~~

~~(1)~~ Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2006, shall receive a 1.5% increase in his/her Retirement Benefits.

~~(o) Increase Effective January 1, 2008:~~

~~(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2007, shall receive a 1.0% increase in his/her Retirement Benefits.~~

~~From time to time a Retired Employee's pension may be increased by a~~

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~~cost-of living factor. The increase in such Retired Employee's Retirement Benefit shall commence as of the first day of the month following the date the Insurance Company receives written approval of the applicable amendment to the Plan from the Mayor and Council of the City. Cost-of-living adjustments since January 1, 1988 are reflected on Appendix C to the Plan; future adjustments, if any, will be reflected on such Appendix C when implemented.~~

~~The above~~No such ad hoc cost-of-living increases ~~in no way~~shall indicate or establish a City policy of providing any increased Retirement Benefits to any present or future Retired Employees~~,~~ other than increased benefits solely on an ad hoc basis. Ad hoc cost-of-living increases shall be in the sole discretion of the City Council.

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ARTICLE VI

RETIREMENT DATE

6.1 Normal Retirement Date

Administrative Personnel and Union Employees

6.1 An Employee's Normal Retirement Date shall occur onFor Administrative Personnel and Union Employees, the Normal Retirement Date shall be the first day of the month coincidingcoincident with or next following the 60th anniversary of the Employee's date of birthEmployee's 60th birthday.

Effective July 1, 1984 for Police Employees, Normal Retirement Date shall occur on the first day of the month coinciding with or next following the earlier of (a) the Employee's 60th birthday, or (b) the later of the Employee's 51st birthday and completion of twenty-fived (25) years of Credited Service.

Police Employees

Effective May 1, 19931993, for Police Employees, the Normal Retirement Date shall occur onbe the first day of the month coincident with or next following the earlier of (a) the Employee's 60th birthday, or (b) the completion of twenty-fivedfive (25) years of Credited Service as a City Police Employee.

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6.2 Early Retirement Date

An Employees' Early Retirement Date shall ~~occur on~~be the first day of any month prior to his/her Normal Retirement Date but ~~coincident with or next following~~not before the later of~~:~~ (a) the Employee's 50th birthday, and (b) the completion of ten (10) years of Credited Service.

6.3 ~~Late~~Deferred Retirement Date

An Employee's ~~Late~~Deferred Retirement Date shall ~~occur on~~be the first day of any month subsequent to his/her Normal Retirement Date.

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ARTICLE VII

FORM AND PAYMENT OF BENEFITS

7.1 A Retired Employee's Retirement Benefit shall be payable in the form of a monthly life annuity commencing on his/her Normal, Early or ~~Late~~Deferred Retirement Date and shall cease with the last payment due immediately preceding the Retired Employee's death; provided, however, that if the Retired Employee shall die prior to receiving at least one hundred twenty (120) monthly payments, the remainder of such one hundred twenty (120) monthly payments will be made to the Retired Employee's Beneficiary until a total of one hundred twenty (120) monthly payments has been made to the Retired Employee and his/her Beneficiary.

In the event the Beneficiary is the Retired Employee's estate, the balance of the one hundred twenty (120) guaranteed monthly payments which would otherwise have become payable shall be paid to the Retired Employee's estate in a single sum which is the Actuarial Equivalent of the remaining guaranteed payments.

If a Beneficiary of a deceased Retired Employee who is not the Retired Employee's estate should die prior to receiving the balance of the one hundred twenty (120) guaranteed monthly payments, the balance of the one hundred twenty (120) guaranteed monthly payments which would

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otherwise have become payable to the Retired Employee's Beneficiary shall be paid to the Beneficiary's estate in a single sum which is the Actuarial Equivalent of the remaining guaranteed payment.

If an Employee should die after his/her Normal Retirement Date and prior to his/her ~~Late~~Deferred Retirement Date, his/her Beneficiary shall be entitled to benefits payable for one hundred twenty (120) months in an amount equal to the amount which would have been payable to the Beneficiary had the Employee retired on the date of his/her death.

7.2 In lieu of the normal form of Retirement Benefit described in Section 7.1, an Employee, who was (a) an Administrative Personnel or Union Employee in the Defined Benefit Option ~~or in the Thrift Plan Option with defined benefit Employee contributions~~, or (b) effective January 1, 1988, a Police Employee, may elect to receive the City's contributions and a refund of his/her contributions, plus Credited Interest.

For purposes of making this calculation, City contributions are deemed to be 150% of the Employee's contributions plus Credited Interest.

The single sum shall be paid as of the first day of the month following the month in which the Employee retires.

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7.3 In lieu of the normal form of Retirement Benefit described in Section 7.1, an Employee may elect to receive a Contingent Annuitant option, which is of Actuarial Equivalent value. The joint and contingent annuity shall provide for an actuarially adjusted Retirement Benefit payable for the lifetime of the Retired Employee with the provision that following the Retired Employee's death, such adjusted pension

shall continue to be paid to the Retired Employee's Contingent Annuitant at the same rate, at the rate of 2/3 or 1/2 the Retired Employee's adjusted pension. Under the Contingent Annuitant option, one hundred twenty (120) monthly payments at the rate payable while the Retired Employee is alive will be guaranteed.

The monthly payments to the Contingent Annuitant shall commence on the first day of the month following the month in which the Retired Employee dies, if the Contingent Annuitant is then living, and shall continue monthly with the last payment due for the month in which the Contingent Annuitant's death occurs.

If a Contingent Annuitant dies before the Employee commences to receive Retirement Benefits, the normal form of pension will automatically become payable as if a Contingent Annuitant option had not been elected. Except as provided in the following sentence, if the Contingent Annuitant predeceases the Retired Employee after retirement, the pension payments

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will cease upon the Retired Employee's death. If the death of the Retired Employee and the Contingent Annuitant occur before one hundred twenty (120) monthly payments shall have been made, the remainder of the one hundred twenty (120) monthly payments shall be payable as they become due to the Retired Employee's Beneficiary. If an Employee who has elected this option should die after his/her Normal Retirement Date and prior to his/her ~~Late~~Deferred Retirement Date, the Contingent Annuitant, if living, shall be entitled to benefits payable for such Contingent Annuitant's further lifetime in a monthly amount equal to the amount which would have been payable to the Contingent Annuitant had the Employee retired on the date of his/her death with the Contingent Annuitant option operative.

If the Retired Employee dies after payments under this option have commenced but before he/she has received a total of one hundred twenty (120) monthly payments, monthly payments in the same amount previously paid to the Retired Employee shall continue to the Contingent Annuitant until a total of one hundred twenty (120) monthly payments have been made. After that time the Contingent Annuitant shall begin to receive monthly payments in an amount equal to the percentage specified by the Retired Employee under this option. Such payments shall cease with the last monthly payment due immediately preceding the Contingent Annuitant's death.

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7.4 Notwithstanding any other provision of the Plan to the contrary, distributions from this Plan will be made in accordance with Section 401(a)(9) of the Code (which is hereby incorporated herein) and regulations issued thereunder, including Section 1.401(a)(9)(2). Any Plan provision reflecting Section 401(a)(9) of the Code shall override any Plan provision inconsistent with Section 401(a)(9) of the Code.

7.5 **If a Retired Employee is re-employed by the City, his/her Retirement Benefit payments shall cease with the last payment due prior to his/her re-employment. Retirement Benefit payments shall again become payable on the first day of the month following subsequent termination of employment.**

7.6 **Direct Rollover Option:**

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the ~~Plan administrator~~Retirement Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover in accordance with Section 401(a)(31) of the Code.

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(a) Definitions:

(1) Eligible Rollover Distribution:

An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated ~~beneficiary~~Beneficiary, or for a specified period of ten (10) years or more,

(ii) any hardship distribution, or

(iii) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code.

A distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code or to a qualified trust or annuity plan described in Section 401(a) or 403(a) of the Code or an annuity contract described in Section 403(b) of the Code if such trust or annuity plan or contract provides for

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separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(2) Eligible Retirement Plan:

An "eligible retirement plan" is:

(i) an individual retirement account described in Section 408(a) of the Code, including a Roth IRA described in Section 408A of the Code,

(ii) an individual retirement annuity described in Section 408(b) of the Code, including a Roth IRA described in Section 408A of the Code,

(iii) a qualified trust described in Section 401(a) of the Code or an annuity plan described in Section 403(a) of the Code, that accepts the distributee's eligible rollover distribution,

(iv) an annuity contract described in Section 403(b) of the Code that accepts the distributee's eligible rollover distribution, and

(v) An eligible plan described in Section 457(b) of the Code

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which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, that accepts the distributee's eligible rollover distribution and agrees to account separately for amounts transferred into such plan from this Plan.

The foregoing definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a domestic relations order.

(3) Distributee:

A "distributee" includes a participant or former participant. In addition, the participant's or former participant's surviving spouse is a distributee with regard to the interest of the spouse or former spouse.

(4) Direct Rollover:

A "direct rollover" is a payment by the Plan to the eligible retirement plan specified by the distributee.

(b) Nonspouse Beneficiary:

A nonspouse ~~beneficiary~~Beneficiary of a deceased participant is also a distributee for purposes of this Section 7.6; provided, however, in the case

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of a nonspouse ~~beneficiary~~Beneficiary, the direct rollover may be made only to an individual retirement account or annuity under Section 408 of the Code that is established on behalf of the nonspouse ~~beneficiary~~Beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Section 402(c)(11) of the Code. The determination of the extent to which a distribution to a nonspouse ~~beneficiary~~Beneficiary is required under Section 401(a)(9) of the Code shall be made in accordance with applicable IRS guidance.

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ARTICLE VIII

DEATH BENEFITS

8.1 In the event an Employee dies prior to his/her Normal Retirement Date and if, as of the date of his/her death, he/she has completed at least ten (10) years of Credited Service, a ~~Death Benefit~~death benefit will become payable to the Beneficiary of such Employee. Such Beneficiary shall be the Employee's surviving spouse unless such surviving spouse has consented in writing to another Beneficiary.

~~Such Death Benefit~~Unless otherwise elected by the deceased Employee's Beneficiary pursuant to Section 8.7, such death benefit will be in the form of a monthly payment, to commence as of the first day of the month following the death of the Employee, and continuing until the first day of the month preceding the date of death of the Beneficiary.

The monthly amount of such ~~Death Benefit~~death benefit payable to the Beneficiary shall be equal to 50% of the monthly amount which would have been payable to the Employee~~,~~ determined in accordance with Section 5.1 and based on his/her years of Credited Service up to the date of his/her death.

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8.2 In the event a ~~Death Benefit~~death benefit becomes payable to the Beneficiary of an Employee under the provisions hereof, all provisions of the Plan applicable to a Retired Employee shall, insofar as consistent with Section 8.1 herein, be applicable with respect to such Beneficiary, and all references to pensions shall, insofar as consistent with Section ~~8.1~~8.1, be applicable to benefits payable under Section 8.1.

Payment of a ~~Death Benefit~~death benefit under Section 8.1 herein shall render inoperative any election of an option under Article VII.

8.3 If an Employee dies before his/her Normal Retirement Date, and a ~~Death Benefit~~death benefit is not payable under the provisions of Section 8.1 above~~, and~~ because he/she had not completed at least ten (10) years of Credited Service, then, provided that he/she has not previously received a refund of his/her contributions, a ~~Death Benefit~~death benefit will be payable in a single sum to the Employee's Beneficiary in an amount equal to (a) the contributions the Employee has made under the Plan, plus Credited Interest thereon, to the Employee's date of death, plus (b) the vested portion, if any, of the City's contribution plus Credited Interest (as described in Section 9.3).

8.4 In the event an Employee who has terminated his/her employment, as described in Section 9.1, should die before his/her Normal Retirement Date, and provided that ~~in the interim,~~ he/she has not ~~elected to~~

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~~receive~~previously received a refund of his/her contributions, a ~~Death Benefit~~death benefit will be payable in a single sum to ~~his/her~~the Employee's Beneficiary in an amount equal to (a) the ~~Employee's~~ contributions the Employee has made under the Plan, plus Credited Interest thereon, to the Employee's date of death, plus (b) the vested portion, if any, of the City's contributions plus Credited Interest (as described in Section 9.3).

8.5 If an Employee dies on or after his/her Normal Retirement Date, but before his/her ~~Late~~Deferred Retirement Date, a ~~Death Benefit~~death benefit will become payable to his/her Beneficiary in accordance with Section ~~7.1, unless an optional form of payment had been elected by the Employee. In such an event, Death Benefits will be made in accordance with the terms of the optional form of payment elected.~~7.1

8.6 If a Retired Employee dies, ~~Death Benefits~~death benefits will be payable in accordance with Section 7.1 or 7.3, unless an optional form had been elected by the Employee. In such an event, ~~Death Benefits~~death benefits will be made in accordance with the terms of the optional form of payment elected.

8.7 In the event a ~~Death Benefit~~death benefit becomes payable under the provisions of this Article with respect to (a) an Administrative ~~Personnel~~

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~~participant~~Employee who was an Employee on or after May 31, 1986, (b) a Union Employee who was an Employee on or after December 30, 1986, or (c) a Police Employee, ~~and whose~~then, provided that the Retirement Benefits of any such Employee had not commenced before the date of his/her death, the deceased Employee's Beneficiary may elect to receive, in lieu of any other benefit in this Article, a lump sum equal to that which the deceased Employee would have been entitled to receive under the provisions of Section 9.3 on the day prior to the Employee's death.

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ARTICLE IX

TERMINATION OF EMPLOYMENT

9.1 An Employee who has completed at least ten (10) years of Credited Service and who terminates his/her employment with the City prior to his/her Early or Normal Retirement Date shall be entitled to a Retirement Benefit to commence as of his/her Normal Retirement Date ~~(or Early Retirement Date, if elected by such Employee)~~. The amount of the Retirement Benefit will be determined in accordance with Section 5.1, but based on years of Credited Service to date of termination of employment.

Upon termination of employment, the City shall provide the Employee with a statement showing the Employee's benefit payable at Normal Retirement Date. An Employee has thirty (30) days from the date of receipt of the statement to appeal the amount of his/her benefit.

9.2 **In lieu of having a Retirement Benefit at Normal Retirement Date, an Employee described in Section 9.1 may elect to receive at any time prior to his/her Normal Retirement Date a refund of his/her contributions, plus Credited Interest ~~thereon,~~ payable in a single sum. For (a) Administrative Personnel and Union Employees in the Defined Benefit Option or in the Thrift Plan Option with defined benefit Employee ~~Contributions~~contributions, or (b) effective January 1, 1988, Police**

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Employees, a terminating Employee shall, in addition to his/her contributions plus Credited Interest, receive a portion of the City's contributions~~,~~ as determined in Section 9.3.

9.3 An Employee who terminates his/her employment with the City prior to his/her Early or Normal Retirement Date~~,~~ and who does not meet the Credited Service requirements set forth in Section ~~9.1~~9.1~~,~~ shall receive a refund of his/her contributions, plus Credited Interest, paid in a single sum as soon as administratively feasible following such termination. Administrative Personnel and Union Employees in the Defined Benefit Option or in the Thrift Plan Option with defined benefit Employee contributions, or effective January 1, 1988, Police Employees~~,~~ shall, in addition to his/her contributions plus Credited Interest, receive a portion of the City's contributions plus Credited Interest upon separation from service according to the following table:

Years of Credited Service	Percent of City Share Earned
Less than 5	None
5	50%
6	60%
7	70%
8	80%
9	90%
10 and over	100%

For the purposes of making this calculation, City contributions are deemed to be 150% of the Employee's contributions plus Credited Interest. An

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active participant shall be 100% vested in the City's share upon attaining his/her Normal Retirement Date regardless of Credited Service. For Thrift Plan employees with defined benefit Employee Contributions made after March 31, 1996, City contributions are deemed to be zero.

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ARTICLE X

FUNDING

10.1 For the purposes of providing Retirement Benefits for Retired Employees during the continuance of this Plan, the City will make periodic payments to the Insurance Company or Trustee, determined on the basis of actuarial estimates as furnished by the Plan's actuary~~, subject to appropriation by the Mayor and City Council~~. The Plan's actuary shall be an individual who is enrolled with the Joint Board for the Enrollment of Actuaries as provided for in Section 7701(a)(35) of the ~~Internal Revenue~~ Code. These payments shall be paid to the Insurance Company or Trustee and accumulated so that the accumulation and the Employee's contributions shall be sufficient to purchase at retirement for each Employee entitled thereto the Retirement Benefit described in Articles V and ~~XVII~~XVI. The Employee contribution will also be forwarded by the City to the Insurance Company or Trustee.

10.2 No part of the funds held by the Insurance Company or Trustee shall be used for, or diverted to, purposes other than for the exclusive benefit of Employees covered under this Plan and their Beneficiaries prior to the satisfaction of all liabilities thereunder with respect to them. No person shall have any interest in or right to any of the funds contributed to or held by the Insurance Company or contributed to the Trust and held in the Trust Fund under this Plan except as expressly provided in this Plan and the

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Group Annuity Contract and the Trust, and then only to the extent that such funds have been contributed by the City and the Employees to the Insurance Company or Trust Fund.

10.3 The City expressly reserves the right to change the method of funding at any time at its own selection and without the consent of any other person or organization of any kind.

10.4 Notwithstanding any contrary provision of the Plan, the principles incorporated in the Uniform Management of Public Employee Retirement Systems Act that address the investment and management of Plan assets shall be adhered to in ~~connection~~connections with the investment and management of Plan assets, to the extent required under ~~the Annotated Code of~~ Maryland ~~Code~~, State Personnel and Pensions ~~Article, Section~~ §40-101, as ~~amended~~~~those sections may~~ from time to time~~, be amended,~~

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ARTICLE XI

~~INTENTIONALLY OMITTED~~

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~~ARTICLE XII~~

ADMINISTRATION

~~12.1~~ 11.1 There shall be a Retirement Board appointed by the City to administer the Plan.

11.2 ~~12.2~~ The "Retirement Board" means the seven (7)-member body whose members, except for the City Manager, are appointed by the Mayor and confirmed by the Council. The members are composed of a member of the Mayor and Council, the City Manager, three (3) elected City employees (generally a Union, FOP, and Administrative representative) and two (2) Rockville residents, one who serves as Chairperson. The Councilperson and City Manager are permanent Board members. All others are appointed for two (2)-year terms.

11.3 ~~12.3~~ The Retirement Board shall have complete control of the administration of this Plan at all times to the limitations and conditions specified in or imposed by this Plan, or the Group Annuity Contract or the Trust. The Retirement Board shall have the right to make such rules as may be necessary for such administration.

11.4 ~~12.4~~ All decisions of the Retirement Board with respect to such administration shall be conclusive and shall be binding on all parties to

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this Plan, except as may be otherwise provided for herein.

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ARTICLE ~~XIII~~XII

AMENDMENT AND TERMINATION

~~13.1~~12.1 It is the intent of the City that this Plan shall be permanent and shall remain in effect for an indefinite period. The City, however, reserves the right to modify or discontinue the Plan at any time in the event unforeseen circumstances make such amendment or discontinuance necessary. The City expressly reserves the right to modify the Plan in order to take advantage of or conform the Plan to the provisions of any ~~statue~~statute or ruling of the Federal or any State government, or of any duly constituted agency thereof.

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ARTICLE ~~XIV~~XIII

DISCONTINUANCE OF THE PLAN

~~14.1~~13.1 In the event this Plan shall be discontinued, no further City or Employee contributions shall be made to the Insurance Company or Trustee. At the date of discontinuance of the Plan, Employees who have not retired shall be entitled to the return of their contributions plus Credited Interest, or in lieu thereof may elect to have such contributions with ~~interest~~Credited Interest applied to purchase paid-up deferred Retirement Benefits. In addition thereto, all Retirement Benefits for Employees, Retired Employees, Contingent Annuitants, Beneficiaries or surviving spouses under this Plan shall be vested in such persons and the City payments available for the purchase of Retirement Benefits shall be allocated at the date of discontinuance in the manner hereinafter described.

(a) Any funds paid by the City to the Insurance Company or Trustee which shall be available for distribution upon discontinuance of the Plan shall be applied to purchase Retirement Benefits for Employees, Contingent Annuitants, Beneficiaries, or surviving spouses who are already receiving Retirement Benefits on the date of discontinuance or for Employees who have on that date attained their Normal or ~~Late~~Deferred Retirement Date in amounts to which

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said Employees, or their Beneficiaries, shall be entitled under the Plan to the extent that sufficient funds thereof shall be available.

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(b) Any funds paid by the City to the Insurance Company or Trustee which shall be available for distribution after the purchase of the Retirement Benefits described in Section ~~14.1~~13.1(a) above shall be applied to purchase Retirement Benefits for Employees who have attained their Early Retirement Date at the date of discontinuance in amounts to which said Employees shall be entitled under the Plan to the extent that sufficient funds shall be available.

(c) Any funds paid by the City to the Insurance Company or Trustee which shall be available for distribution after the purchase of Retirement Benefits described in Section ~~14.1~~13.1(a) or ~~14.1~~13.1(b) above shall be applied to purchase Retirement Benefits at the date of such discontinuance for all other Employees in amounts to which said Employees shall be entitled under the Plan to the extent that sufficient funds ~~therefor~~ shall be available.

~~14.2~~13.2 Said available funds shall be used to completely purchase Retirement Benefits in any one class as described above before being used for subsequent classes. In the event the funds available for a class are insufficient to completely purchase the Retirement Benefits for such class; they shall be applied pro rata within the class to purchase such benefits to the extent that such funds are sufficient.

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~~14.3~~13.3 Any funds paid by the City to the Insurance Company or Trustee which shall be available for distribution after the purchase in full of the Retirement Benefits described in Sections ~~14.1~~13.1(a), ~~14.1~~13.1(b), and ~~14.1~~13.1(c) above shall be deemed to have become available as a result of actuarial error and shall be paid in cash to the City, provided, however, that no funds shall revert to the City prior to the satisfaction of all liabilities under the Plan.

~~14.4~~13.4 The provision of this Article ~~XIV~~XIII shall not become operative nor shall the Plan be deemed to be discontinued merely because the City changes the method of funding or changes the agency through which the Plan in funded.

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ARTICLE ~~XV~~XIV

MISCELLANEOUS

~~15.1~~14.1 Inclusion in the Plan shall not be construed as giving an Employee any right to be retained in the service of the City without its consent, nor shall it interfere with the right of the City to discharge the Employee, nor shall it give the Employee any right, claim or interest in any Retirement Benefits herein described except upon fulfillment of the provisions and requirements of this Plan.

~~15.2~~14.2 Retirement Benefit payments shall be paid to any Retired Employee less frequently than monthly where the amount of monthly Retirement Benefit is less than $20.00 per month, or shall be paid in a lump sum payment to any Retired Employee in lieu of his/her monthly Retirement Benefit where such monthly benefit would be less than $10.00, such lump sum payment to be Actuarial Equivalent of such monthly Retirement Benefit.

~~15.3~~ **14.3 No benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment or encumbrance of any kind unless so specifically provided in the terms of this Plan or applicable law. Any attempt to otherwise alienate, sell, transfer, assign, pledge or encumber any such benefits whether presently or thereafter payable shall be void.**

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This section ~~15.3~~14.3 shall apply to the creation, assignment or recognition of a right to any benefit or other amount payable to an Employee pursuant to a domestic relations order, unless such order is determined by the Administrator to be a qualified domestic relations order, as defined in ~~Internal Revenue~~ Code ~~sections~~Sections 414(p)(1)(A)(i) and 414(p)(11), in which case such benefit or portion of that benefit shall be paid out in accordance with the terms of the court order directing the attachment of the benefit payment.

~~15.4~~14.4 This Plan shall be construed and enforced under the laws of the State of Maryland

and all of the provisions hereof shall be administered in accordance with the laws of that State.

~~15.5~~14.5 Effective January 1, 1987, the City shall pick up under the provisions of Section 414(h)(2) of the ~~Internal Revenue~~ Code the Employee contributions required by Sections 3.1 and ~~16.2~~15.2 for Administrative Personnel and Union Employees for all Earnings earned after December 31, 1986. The City shall pick up, under the provisions of Section 414(h)(2) of the ~~Internal Revenue~~ Code, the Employee contributions required by Section 3.1 for Police Employees for all Earnings after December 29, 1991. The City shall pick up, under the provisions of Section 414(h)(2) of the ~~Internal Revenue~~ Code, the Employee contributions required by Section 4.6. The

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City hereby specifies that although these contributions are so designated as Employee contributions, said contributions are being paid by the City in lieu of contributions by the Employee. The Employee contributions picked up by the City are not subject to the option of the Employee receiving the picked up amounts directly and must be paid to the Plan. The contributions so picked up shall be treated as City contributions in determining tax treatment under the ~~Internal Revenue~~ Code; however, the contributions so picked up shall be included in Earnings for purposes of this Plan. The City shall pay these Employee contributions from the same source of funds, which is used in paying Earnings to the Employee. Employee contributions, which are picked up, shall be treated, for all purposes of this Plan, in the same manner and to the same extent as Employee contributions made prior to the date picked up.

~~15.6~~ 14.6 Limitation on Pension Benefits

Notwithstanding any Plan provisions to the contrary, effective for Plan Years beginning on or after July 1,2007:

(a) Maximum Benefit and Contributions

To the extent necessary to prevent disqualification under Section 415 of the Code, and subject to the remainder of this Section ~~15.6,~~14.6, the maximum annual benefit to which any Employee may be entitled in any Plan Year (hereafter referred to as the "maximum benefit") shall not

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exceed the "Defined Benefit Dollar Limit" (adjusted as provided in Section ~~15.6~~14.6(b)), which limit shall be determined in accordance with the following:

(1) The Defined Benefit Dollar Limit shall be $160,000, as adjusted for the Plan Year under Section 415(d) of the Code.

(2) The Defined Benefit Dollar Limit as set forth above is the annual amount payable in the form of a straight life annuity, beginning no earlier than age sixty-two (62) (except as provided in Section ~~15.6~~14.6(b)(2)(i)) and no later than age sixty-five (65). In the case of a monthly amount payable in a form other than a straight life annuity, or beginning before age sixty-two (62) or after age sixty-five (65), the adjustments in Section ~~15.6~~14.6(b) shall apply.

The dollar limits in this Section shall be adjusted, effective January 1 of each year, under Section 415(d) of the Code, in such manner as the Secretary of the Treasury shall prescribe, for active Employees entitled to receive benefits, without any amendment to this Plan, to reflect cost of living increases announced by the Service pursuant to Section 415(d) of the Code and the increase which is effective as of the January 1st contained within the Plan Year shall be effective for the entire Plan Year.

(b) Actuarial Adjustments Relating to Defined Benefit Dollar Limit

(1) Adjustment for Benefit Payable in Form Other than Straight Life

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Annuity

(i) If a monthly benefit is payable in a form other than a straight life annuity, before applying the Defined Benefit Dollar Limit, the benefit shall be adjusted, in the manner described in Section ~~15.6~~ 14.6(b)(1)(ii) or (iii), to the actuarially equivalent straight life annuity that begins at the same time. No actuarial adjustment to the benefit shall be made for (A) survivor benefits payable to a surviving spouse under a qualified joint and survivor annuity (as defined for purposes of Section 415 of the Code) to the extent such benefits would not be payable if the Employee's benefit were paid in another form, (B) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, preretirement incidental death benefits, and postretirement medical benefits), or (C) in the case of a form of benefit not subject to Section 417(e)(3) of the Code, the inclusion of a feature under which a benefit increases automatically to the extent permitted to reflect cost of living adjustments and the increase, if any, in the Defined Benefit Dollar Limit under Section 415(d) of the Code.

(ii) If the benefit of an Employee is paid in a form not subject to Section 417(e) of the Code, the actuarially equivalent

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straight life annuity (without regard to cost-of-living adjustments described in this Section ~~15.6~~14.6 is equal to the greater of (A) the annual amount of the straight life annuity (if any) payable to the Employee under the Plan commencing at the same time, or (B) the annual amount of the straight life annuity commencing at the same time that has the same actuarial present value as the Employee's form of benefit, computed using a 5% interest rate and the applicable mortality table designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Code.

(iii) If the benefit of a Employee is paid in a form subject to Section 417(e) of the Code, the actuarially equivalent straight life annuity is equal to the greatest of: (A) the annual amount of the straight life annuity commencing at the benefit commencement date that has the same actuarial present value as the Employee's form of benefit, computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form, (B) the annual amount of the straight life annuity commencing at the time that has the same actuarial present value as the Employee's form of benefit, computed using a

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5.5% interest rate assumption and the applicable mortality table designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Code, or (C) the annual amount of the straight life annuity commencing at the same time that has the same actuarial present value as the Employee's form of benefit, computed using the applicable interest rate and the applicable mortality table designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Code, divided by 1.05. With respect to any benefit described in this Section ~~15.6~~14.6(b)(1)(iii) which had a benefit commencement date in Plan Years commencing in 2004 or 2005, this Section ~~15.6~~14.6(b)(1)(iii), with the exception of clause (C), shall apply to any required adjustment.

(iv) For purposes of this Section ~~15.6~~14.6(b)(1), whether a form of benefit is subject to Section 417(e) of the Code is determined without regard to the status of the Plan as a governmental plan as described in Section 414(d) of the Code.

(2) Adjustment for Benefit Commencement before Age Sixty-Two (62) or after Age Sixty-Five (65)

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(i) If the benefit of a Employee begins prior to age sixty-two (62), the Defined Benefit Dollar Limit applicable to the Employee at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the Defined Benefit Dollar Limit applicable to the Employee at age sixty-two (62) (adjusted for participation of fewer than ten (10) years, if applicable) computed using a 5% interest rate and the applicable mortality table designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Code. However, if the Plan provides an immediately commencing straight life annuity payable at both age sixty-two (62) and the age of benefit commencement, the Defined Benefit Dollar Limit is the lesser of: (A) the limitation determined under the immediately preceding sentence, or (B) the Defined Benefit Dollar Limit (adjusted for participation of fewer than ten (10) years, if applicable) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the age of benefit commencement to the annual amount of the immediately commencing straight life annuity under the Plan at age sixty-two (62), both determined without applying the limitations of this Section. In addition, the

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adjustment in this Section ~~15.6~~14.6(b)(2)(i) shall not apply as a result of benefits paid on account of disability or as a result of the death of an Employee.

The preceding paragraph (i) shall not apply for years beginning after December 31, 1996 to Police Employees who are ~~"~~"qualified participants,~~"~~" as that term is herein defined. A ~~"~~"qualified participant~~"~~" for purposes of Section ~~15.6~~14.6(b)(2)(i) is an Employee with respect to whom the period of service taken into account in determining the amount of benefit under the Plan includes at least fifteen (15) years of service of the Police Employee as (A) a full time Employee as a sworn police officer of the City, or (B) a member of the Armed ~~forces~~Forces of the United States.

(ii) If the benefit of an Employee (including a Police Employee who is a "qualified participant") begins after age sixty-five (65), the Defined Benefit Dollar Limit applicable to the Employee at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the Defined Benefit Dollar Limit applicable at age sixty-five (65) (adjusted for participation of fewer than ten (10) years, if applicable) computed using a 5% interest rate assumption and the

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applicable mortality table designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Code. However, if the Plan provides an immediately commencing straight life annuity payable at both age sixty-five (65) and the age of benefit commencement, the Defined Benefit Dollar Limit is the lesser of (A) the limitation determined under the immediately preceding sentence, or (B) the Defined Benefit Dollar Limit (adjusted for participation of less than ten (10) years if applicable) multiplied by the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the Plan at the age of benefit commencement to the annual amount of the adjusted, immediately commencing straight life annuity under the Plan at age sixty-five (65), both determined without applying the limitations of this Section. For this purpose, the adjusted immediately commencing straight life annuity under the Plan at the age of the benefit commencement date is the annual amount of such annuity payable to the Employee, computed disregarding the Employee's accruals after age sixty-five (65) but including any actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted, immediately commencing straight life annuity under the Plan

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at age sixty-five (65) is the annual amount of such annuity that would be payable under the Plan to a hypothetical participant who is age sixty-five (65) and has the same accrued benefit as the Employee.

(iii) Mortality Adjustments. For purposes of this Section ~~15.6~~14.6(b)(2), no adjustment shall be made to the Defined Benefit Dollar Limit to reflect the probability of an Employee's death between the benefit commencement date and age sixty-two (62), or between age sixty-five (65) and the benefit commencement date, as applicable, if benefits are not forfeited upon the death of the Employee prior to the benefit commencement date. To the extent benefits are forfeited upon death before the benefit commencement date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated as occurring upon the participant's death if the Plan does not charge Employees for providing a qualified preretirement survivor annuity (as defined for purposes of Section 415 of the Code) upon the Employee's death.

(c) Reducing Dollar Limit

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If the Employee has fewer than ten (10) years of participation in the Plan (as determined under Section 415 of the Code and the regulations thereunder), the Defined Benefit Dollar Limit shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof) of participation in the Plan and the denominator of which is ten (10). The adjustment in this Section ~~15.6~~14.6(c) shall not apply to benefits paid on account of Disability or as a result of the death of an Employee.

(d) Other Reductions in Maximum Benefit

In addition to the foregoing, the maximum benefit shall be reduced, and the rate of benefit accrual shall be frozen or reduced accordingly, to the extent necessary to prevent disqualification of the Plan under Section 415 of the Code, with respect to any Employee who is also a participant in:

(1) any other tax-qualified defined benefit plan maintained by the City, and/or

(2) any tax-qualified defined benefit plan maintained by an affiliated or predecessor employer, as described in regulations under Section 415 of the Code, or otherwise required to be taken into account under such regulations.

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(e) Multiple Benefit Commencement Dates

If an Employee has distributions commencing at more than one benefit commencement date (determined in accordance with Section 415 of the Code and the regulations thereunder), the benefits payable as of each such benefit commencement date shall satisfy the limitations of this Section ~~15.6~~14.6 as of each such date, actuarially adjusting for past and future distributions of benefits commencing at the other benefit commencement dates.

(f) Grandfathered Benefits

The application of the provisions of this Section shall not cause the maximum permissible benefit for any Employee to be less than the Employee's Normal Retirement Benefit under this Plan as of the end of the last Plan Year beginning before July 1, 2007 under provisions of this Plan that were both adopted and in effect before April 5, 2007 and that satisfied the limitations under Section 415 of the Code as in effect as of the end of the last **Plan Year beginning before July 1, 2007.**

(g) Incorporation of Section 415 Limits

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To the extent an Employee's benefit is subject to provisions of Section 415 of the Code which have not been set forth in the Plan, such provisions are hereby incorporated by reference into this Plan and for all purposes shall be deemed a part of the Plan.

~~15.6~~14.6A Special Rules Relating to Purchase of Permissive Service Credit

(a) **If an Employee makes one or more contributions to the Plan to purchase Permissive Service Credit pursuant to Article IV or otherwise, then the requirements of Section 415 of the Code will be met with respect to these contributions only if:**

(1) **The requirements of Section 415(b) of the Code are met, determined by treating the accrued benefit derived from all such contributions as an annual benefit for purposes of such section (provided, however, that the Plan shall not fail to meet the reduced limit under Section 415(b)(2)(C) of the Code solely by reason of this Section ~~15.6~~14.6A(a)(1); or**

(2) **The requirements of Section 415(c) of the Code are met, determined by treating all such contributions as annual additions for purposes of such section (provided,**

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however, that the Plan shall not fail to meet the percentage limitation under Section 415(c)(1)(B) of the Code solely by reason of this Section ~~15.6~~14.6A(a)(2).

(b) **For purposes of this Section ~~15.6~~14.6A, "Permissive Service Credit" shall mean service credit which is:**

(1) **Recognized by the Plan for purposes of calculating an Employee 's benefit under the Plan;**

(2) **Which such Employee has not otherwise received under the Plan; and**

(3) **Which such Employee may receive only by making a voluntary additional contribution, in an amount determined under the Plan, which does not exceed the amount necessary to fund the benefit attributable to such service credit.**

Permissive Service Credit may include service credit for periods for which there is no performance of service, and, notwithstanding clause (2) above, may include service credited in order to provide an increased benefit for service

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credit which a participant is receiving under the Plan.

(c) **Anything contained herein to the contrary notwithstanding, no more than five (5) years of Nonqualified Service Credit may be taken into account under the Plan. Furthermore, no Nonqualified Service Credit may be taken into account under the Plan until the Employee has at least five (5) years of participation under the Plan.**

(d) **For purposes of this Section ~~15.6~~14.6A, "nonqualified service credit " shall mean Permissive Service Credit other than that allowed with respect to:**

(1) **Service (including parental, medical, sabbatical and similar leave) as an employee of the government of the United States, any state or a political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of a repayment described in Section ~~15.6~~14.6A(e) hereof);**

(2) **Service (including parental, medical, sabbatical and similar leave) as an employee (other than as an**

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employee described in clause (i) of an educational organization described in Section 170(b)(1)(A)(ii) of the Code which is a public, private or sectarian school which provides elementary or secondary education (through grade twelve (12)), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed;

(3) **Service as an employee of an association of employees who are described in Section ~~15.6~~14.6A(d)(1) above; or**

(4) **Military service (other than qualified military service under Section 414(u) of the Code) recognized by the Plan.**

In the case of service described in Sections ~~15.6~~14.6A(d)(1), (2) or (3) above, such service shall be nonqualified service if recognition of such service would cause an Employee to receive a retirement benefit for the same service under more than one plan.

(e) **In the case of any repayment of a Employee's contributions (including interest thereon) to the Plan with respect to an**

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amount previously refunded upon a forfeiture of Credited Service under this Plan or under any other governmental plan maintained by the State of Maryland or other local government employer within the State of Maryland, any such repayment shall not be taken into account for purposes of Section 415 of the Code.

(f) If an **Employee** elects to purchase Permissive Service Credit hereunder, as described in Section 4.6 of the Plan, or repay mandatory participant contributions plus interest, as described in Section ~~4.7~~4.6(a)(2) of the Plan, the **Employee** may elect to have amounts credited to him under any tax-sheltered annuity under Section 403(b) of the Code or deferred compensation plan under Section 457(b) of the Code transferred directly from the trustee or custodian of such arrangement to the Trustee of this Plan in order to satisfy such purchase or repayment obligation.

In the case of a trustee-to-trustee transfer described in Section ~~14.07,~~14.6A(f), the limitations on purchase of service credit set forth in ~~Subsection~~subsection (c) above shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit. Furthermore, the distribution rules otherwise applicable to this Plan shall apply to such transferred amounts and to any benefits attributable to such transferred amounts.

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(g) **This Section ~~15.6~~14.6A shall be effective with respect to repayment contributions and Permissive Service Credit contributions made in years beginning no earlier than January 1, 1998. Notwithstanding the foregoing, in the case of an eligible Employee, the limitations of Section 415(c)(1) of the Code shall not be applied to reduce the amount of Permissive Service credit which may be purchased to an amount which is less than the amount which was allowed to be purchased under the terms of the Plan as in effect on August 5, 1997. For purposes of this Section ~~15.6~~14.6A(f), an "eligible participant" is an individual who first became a participant in the Plan before January 1, 1998.**

~~15.7~~14.7 Any forfeitures arising under the Plan for any reason shall not be applied to increase the benefit of any person hereunder, but rather, shall be applied to pay administrative expenses of the Plan and ~~trust~~Trust that funds the Plan if and as directed by the Retirement Board and/or be used to reduce the City's contribution under the Plan.

~~15.8~~14.8 All rights and benefits (including, but not limited to, rights of election of payment form and designation of Beneficiary) afforded to an

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Employee or Beneficiary in this Plan shall be subject to the rights afforded to any alternate payee under a qualified domestic relations order, as those terms are defined in Sections 414(p)(1)(A)(i) and 414(p)(11) of the ~~Internal Revenue~~ Code.

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ARTICLE ~~XVI~~XV

THRIFT PLAN

~~16.1~~15.1 The Thrift Plan is available to (a) Administrative Personnel hired on or after April 15, 1986, (b) Administrative Personnel employed by the City as of April 14, 1986, who elect to be covered by the Thrift Plan Option, (c) Union Employees hired on or after December 2, 1986, and (d) Union Employees employed by the City as of December 1, 1986 who elect to be covered by the Thrift Plan Option. Participation in the Thrift Plan Option by Administrative Personnel hired on or after April 15, 1986 and Union Employees hired on or after December 2, 1986 is mandatory.

~~16.2~~15.2 Each participant in the Thrift Plan ~~on the date the applicable amendment to the Plan is adopted shall, prior to October 1, 1994, elect to reduce his/her Earnings by 1%, 2%, 3%, 4%, or 5% (in whole percentages only) in order to make periodic contributions to the Thrift Plan. Each Employee who is not a participant in the Thrift Plan on the date the applicable amendment to the Plan is adopted but who thereafter becomes an eligible participant~~ shall elect, within thirty (30) calendar days of becoming an eligible participant, to reduce his/her Earnings by 1%, 2%, 3%, 4%, or 5% (in whole percentages only) in order to make periodic contributions to the Thrift Plan. Each Employee may change the percentage of his/her total account that is allocated to any subaccounts

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and how his/her account or subaccounts are invested in accordance with rules adopted by the Retirement Board. Such election shall become effective with respect to any Earnings of the Employee attributable to service on and after the first day of the first pay period that begins after receipt by the City of the Employee's completed election form and shall be irrevocable for the tenure of such Employee's employment.

~~16.3~~15.3 The City shall make a matching contribution equal to $0.50 for each $1.00 contributed by an Employee.

~~16.4~~15.4 An individual bookkeeping account shall be maintained by the Insurance Company or Trustee on behalf of each Employee until such account is used to provide an annuity or is otherwise distributed in accordance with the further terms of this Plan. Each Employee 's account will be maintained as to reflect the amount attributable to Employee contributions (as adjusted for investment experience) and the amount attributable to City contributions (as adjusted for investment experience). Each Employee 's account may, at the election of the Employee, be divided into several subaccounts; each invested in different types of investments, as may be provided by the Insurance Company or Trust in accordance with rules adopted by the Retirement Board. Each Employee may change how his/her account or subaccounts are invested in accordance with rules adopted by the Retirement Board. Each Employee 's account shall be

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valued each day and each day shall be credited with gains or losses in accordance with the terms of the investment contract or the Trust.

~~16.5~~15.5 A participant in the Thrift Plan shall be fully vested in his/her Employee contributions with investment earnings thereon. An Employee will also be vested

in a portion of the remainder in his/her account attributable to City contributions with investment earnings thereon in accordance with the following table:

Years of Credited Service	Percent of City's Share Earned
Less than 3	None
3	20%
4	40%
5	60%
6	80%
7	100%

An active Employee shall be 100% vested in his/her account upon attaining his/her Normal Retirement Date, regardless of Credited Service.

~~16.6~~15.6 An Employee who terminates employment with the City after attaining his/her Early or Normal Retirement Date shall be entitled to his/her vested account balance, payable in accordance with Section ~~16.9.~~15.9.

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An Employee who terminates employment with the City prior to his/her Normal or Early Retirement date~~,~~ but after completing seven (7) years of Credited Service~~,~~ may elect to leave his/her contributions in his/her account. His/her account, including the vested portion of the City's contributions (as adjusted for investment experience)~~,~~ will continue to be credited with gains or losses in accordance with the terms of the investment contract. At the Employee 's Normal ~~or Early~~ Retirement Date, the Employee shall be entitled to his/her vested account balance payable in accordance with Section ~~16.9.~~15.9.

~~16.7~~15.7 An Employee who terminates employment with the City prior to his/her Normal or Early Retirement Date who (a) has completed less than ~~ten~~seven (~~10~~7) years of Credited Service or (b) has completed ~~ten~~seven (~~10~~7) or more years of Credited Service but elects to receive a lump sum benefit in lieu of receiving a benefit at his/her Normal ~~or Early~~ Retirement Date shall receive an immediate lump sum payment equal to his/her vested account balance.

~~16.8~~15.8 Upon the death of any Employee prior to complete distribution of his/her account in cash and/or by provisions of an annuity, his/her Beneficiary shall be entitled to a distribution of the vested portion of the Employee's account remaining undistributed.

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~~16.9~~15.9 Each Employee entitled to a benefit under Section ~~16.6~~15.6 may elect a distribution in the form of cash, an annuity or a combination of cash and an annuity. An Employee may elect any form of annuity available from the Insurance Company. The Employee's account shall be converted to an annuity based on the daily purchase rates of the Insurance Company. A cash distribution may be a single lump sum or monthly installments over a specified period of years. The method of distribution selected must be such that the present value of any annuity or installment payments to be made to the Employee, calculated on an actuarial basis as of the date of commencement of distribution, constitutes more than 50% of the present value of the total payments to be made to the Employee, his/her Contingent Annuitant, if applicable, and his/her Beneficiary, unless the Employee has designated his/her spouse as being entitled to receive payments in accordance with the terms of the form of distribution elected. Any eligible rollover distribution shall be subject to Section 7.6 of the Plan.

~~16.10~~15.10 Notwithstanding any other provision in this Article ~~XVI~~XV, contributions made pursuant to this Article that constitute ~~"~~"annual additions,~~"~~" as defined in ~~§~~Section 415(c)(2) of the Code, to the Employee's account shall not exceed the lesser of (a) $40,000, as adjusted for increases in the cost of living under Section 415(d) of the Internal Revenue Code, or (b) 100% of the Employee's compensation, within the meaning of

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Section 415(c)(3) of the Code, for the Plan Year. The compensation limit referred to in (b) shall not apply to any contribution for medical benefits, after separation from service (within the meaning of Section 401(h) or 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

The City of Rockville Pension Plan, as amended and restated effective as of ~~August 1, 2006,~~December 10, 2001, as subsequently amended, and as further amended by the foregoing changes, is hereby ratified and confirmed in all respects.

IN WITNESS THEREOF, the City has caused this Plan Restatement to be executed this_____day of_____,~~20__.~~ 2009.

ATTEST: **MAYOR AND COUNCIL OF ROCKVILLE, MARYLAND**

_____ By:_____

Official Title:_____

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APPENDIX A

INDEX OF PLAN AMENDMENTS SUBSEQUENT TO RESTATEMENT EFFECTIVE AS OF DECEMBER 10, 2001

Amendment Number	Date	Summary of Amendment
1	12/12/01	To allow employees who return to service with the City within one year of leaving to continue their period of service for purposes of the Plan; approval of amendment to provide a cost of living adjustment for retirees; and approval of change to investment offerings under the defined contribution portion of the Plan. See Sections 4.4 and 4.5.
2	04/14/03	To implement required provisions of EGRRRA (the Economic Growth and Tax Relief Reconciliation Act); to remove a requirement that mandated a Supplementary Employee Contribution; and to codify the already approved 1.5% cost of living increase to benefits as of January 1, 2002. See Sections 1.12, 3.1, 5.6(k), 5.6(l), 7.6, 15.6, 10.10(a)
3	04/01/04	To increase the formula for calculating the retirement benefit for police employees from 2% of final average earnings to 2.25% for all service after April 1, 2004. See the third sentence of Section 5.1.
4	02/01/05	To adjust the calculation for purchasing prior government service. See Sections 4,6(c).
5	08/01/06	This is the formal ratification by the Mayor and Council of actions taken and recommendations made by the City's

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		Retirement Board. The first change allowed for a 1.5% COLA effective January 1, 2005. The second change is to conform the Plan to new legislation that became effective July 1, 2005. The change adds language that specifies that the Plan will be administered in compliance with the provisions contained in the Uniform Management of Public Employee Retirement Systems Act (UMPERSA). The third change will increase the retirement cap for the Police Plan from the current 60% to 67.5%. This change will bring the Plan into balance with the new benefit formula of 2.25% that was recently approved for the FOP. Based on actuarial valuation, there would be minimal or no cost to the City of the Plan for this benefit to be implemented. The fourth change is housekeeping language. Definitions are being added for "Trust Agreement", "Trust Fund", "Trustee", and "Retirement Board". The "Trust" definitions are added, and language spread across the Plan document that allows for Plan investments outside of the insurance company's annuity contract. See Sections 5.6(m), 5.6(n), 10.4, 5.1 (fifth paragraph), 1.24, 1.25, 1.26, 1.27, 10.1, 10.2, 12.1, 12.2, 12.3, 12.4, 14.1, 14.3 and 16.4.
6	12/18/06	Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2006, shall receive a 1.5% increase in his/her Retirement Benefits.
7	12/17/07	Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2007, shall receive a 1.0% increase in his/her Retirement Benefits.

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APPENDIX B

HISTORICAL PLAN PROVISIONS REMOVED FROM April 1, 2008 RESTATEMENT

1.2 **"Actuarial Equivalent"** means, prior to April 1, 2007, a benefit which has a value equal to the benefit otherwise payable under the Plan determined using a blend of 50% male factors from the 1983 Group Annuity Mortality Table and 50% female factors from the 1983 Group Annuity Mortality Table and assuming a rate of interest of 7.5% compounded annually.

1.6 **"Credited Interest"** means the interest that shall be credited with respect to Employee contributions and the Credited Interest thereon. Prior to July 1, 1969, such interest shall be credited in accordance with the terms of the Employees' Retirement System of the State of Maryland as in effect prior to that date.

For Administrative Personnel employed by the City and participating in the Plan on April 14, 1986, accrued Credited Interest as of January 1, 1986, on Employee contributions made prior to January 1, 1986, shall be increased to 1.5 times actual accrued Credited Interest on that date. On and after May 1, 1986, Credited Interest for Union Employees and Police Employees shall be credited at the rate of 4% per year, compounded annually. Interest shall

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be credited for the number of full months from the January 1 following date of contribution to the date of withdrawal or benefit commencement.

For Union Employees employed by the City and participating in the Plan on December 1, 1986, accrued Credited Interest as of January 1, 1987, on Employee contributions made prior to January 1, 1987, shall be increased to 1.5 times actual accrued Credited Interest on that date.

For Police Employees employed by the City and participating in the Plan on December 1, 1987, accrued Credited Interest as of January 1, 1988, on Employee contributions made prior to January 1, 1988, shall be increased to 1.5 times actual accrued Credited Interest on that date.

1.12 In determining benefit accruals in Plan Years beginning after December 31, 2001, the annual Earnings limit for determination periods beginning before January 1, 2002, shall be $150,000 for any determination period beginning in 1996 or earlier; $160,000 for any determination period beginning in 1997, 1998 or 1999; and $170,000 for any determination period beginning in 2000 or 2001.

2.1 Each Employee, who was in the employ of the City on July 1, 1969, shall be eligible to join the Plan on July 1, 1969 or the first day of any month thereafter.

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~~2.2 Each Employee who is employed by the City after July 1, 1969, but prior to January 10, 1984, shall be eligible to join the Plan on the first day of the month following the date he/she would have completed six (6) months of Credited Service had he/she made Employee contributions. Each Employee who is employed by the City after January 9, 1984, except Police Employees, Administrative Personnel hired on or after April 15, 1986 and Union Employees hired on or after December 2, 1986, shall be eligible to join the Plan on the first day of the month coincident with or next following his/her date of employment. Police Employees hired on or after January 10, 1984 shall be eligible to join the Plan on the first day of employment. Administrative Personnel hired on or after April 15, 1986 shall be eligible to join the Plan on the later of the first day of employment and May 31, 1986. Union Employees hired on or after December 2, 1986 shall be eligible to join the Plan on the later of the first day of employment and December 30, 1986.~~

~~2.5 Administrative Personnel, who are in the employ of the City and participating in the Plan on April 14, 1986, may make an irrevocable election to be covered by the Thrift Plan Option effective May 31, 1986. Such election must be filed with the Retirement Board prior to 5:00 p.m., May 30, 1986. An Employee who fails to make the required election prior to this deadline will be covered by the Defined Benefit Option. Administrative~~

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Personnel, who are in the employ of the City on April 14, 1986 and had earlier elected not to participate in the Plan, shall automatically be covered under the Thrift Plan Option effective May 31, 1986. No Credited Service shall be credited for service prior to such Employee's participation in the Plan.

2.6 Union Employees, who are in the employ of the City and participating in the Plan on December 1, 1986, may make an irrevocable election to be covered by the Thrift Plan Option effective December 30, 1986. Such election must be filed with the Retirement Board prior to 5:00 p.m., December 29, 1986. An Employee who fails to make the required election prior to this deadline will be covered by the Defined Benefit Option.

Union Employees, who are in the employ of the City on December 1, 1986 and had earlier elected not to participate in the Plan, shall automatically be covered under the Thrift Plan Option effective December 30, 1986. No Credited Service shall be credited for service prior to such Employee's participation in the Plan.

3.1 From and after July 1, 1975, each eligible Employee, who elects to participate in the Defined Benefit Option of the Plan and who has not retired, shall make contributions under the Plan each pay period through payroll deductions. Such contributions shall be at a rate equal to 4.2% of

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~~his/her biweekly Earnings.~~

~~Effective on or after July 1, 1984, Police Employees shall contribute at a rate equal to 7.2% of biweekly Earnings.~~

~~Effective with the pay period covered by the January 16, 1987 payroll, Employee contributions shall be required under this Article by Administrative Personnel and Union Employees participating in the Thrift Plan Option pursuant to the requirements of Article XVI.~~

~~4.1 Each Employee's Credited Service shall be the sum of his/her Credited Prior Service, if any, and his/her Credited Future Service as determined by the Retirement Board as follows:~~

~~(a) Credited Prior Service: An Employee will receive credit for each full year of continuous service and fraction thereof, to the nearest full month, completed from his/her date of employment to July 1, 1969, provided that he/she made the required contributions to the Employees' Retirement System of the State of Maryland as in effect from time to time.~~

~~Unused Sick Leave: Any Employee who is a participant in the Plan on the date this amendment is adopted shall make the election~~

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described in the first paragraph of this subsection (c) within thirty (30) days of the date of such adoption.

4.6 Purchase of Prior Service

(a) Each Employee who was an Employee as of April 1, 1989 and was a contributing participant on April 14, 1986 shall have the right to purchase Credited Service for the period between his/her date of employment and the date he/she became a participant. In order to receive credit under this Section, an Employee must formally elect, in writing, to purchase the Credited Service by September 30, 1989 or within sixty (60) days of notification of right to purchase Credited Service by the Personnel Department of the City, if later. Such and election, once made, is irrevocable.

An Employee electing to purchase Credited Service must agree to pay to the Plan 0.35% of his/her annual rate of Earnings as of April 1, 1989 for each month of Credited Service, which is purchased. An Employee shall make payments for the purchased Credited Service through biweekly payroll deduction of over a period of one (1), three (3) or five (5) years as elected by the Employee. Commencing with the 27th payment, interest shall be charged to the unpaid balance at the end of each pay period at an effective annual rate of 6%.

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The amount of each biweekly contribution shall be determined by multiplying the total amount due by a percentage as follows:

Years	Total Biweekly Payment	Percentage
1	26	3.846%
3	78	1.331
5	130	0.841

If an Employee terminates employment prior to the time full amount of payments due have been received by the Plan, the Employee shall make a lump sum payment for the unpaid balance and thereby retain the full amount of Credited Service purchased.

An Employee who terminates employment and receives a refund of his/her contributions plus Credited Interest shall not be entitled to receive any City Contribution pursuant to Section 9.3 attributable to the purchased Credited Service.

4.7 (b) Transfers of Service Credit to the Defined Contribution Portion of the Thrift Plan Option

(3) Employees who participate in the defined contribution portion of the Thrift Plan Option may transfer contributions from a

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defined contribution retirement plan of any other State of Maryland or local retirement system within the State of Maryland, which plan is qualified under Section 401(a) of the Code, to the defined contribution portion of the Thrift Plan Option if:

(iii) The Employee elects in writing within one (1) year of becoming a Participant in the Thrift Plan to have the total accumulated contributions under the prior system transferred, or, if later, elects in writing to transfer such contributions within one hundred-twenty (120) days after the date of adoption of the applicable amendment to the Plan; and

(iv) The Employee has the transferred contribution deposited with the Thrift Plan Option within one (1) year of becoming a participant in the Thrift Plan Option, or if later, within one hundred-twenty (120) days after the date of adoption of the applicable amendment to the Plan.

5.4 Normal Retirement Benefit

The annual amount of Normal Retirement Benefit payable to a Police Employee who retires prior to April 1, 1993 on his/her Normal Retirement

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Date shall be equal to the sum of his/her Prior Service Benefit, if any, and his/her Future Service Benefit, as described below:

(a) Prior Service Benefit: An Employee's Prior Service Benefit, if any, shall be equal to 1.3% of the first $4,800 of his/her Final Average Earnings plus 1.7% of the portion of his/her Final Average Earnings in excess of $4,800, multiplied by his/her years of Credited Prior Service.

(b) Future Service Benefit: An Employee's Future Service Benefit shall be equal to 1.3% of the first $7,800 of his/her Final Average Earnings, plus 1.7% of the portion of his/her Final Average Earnings in excess of $7,800, multiplied by his/her years of Credited Future Service.

The amount of Normal Retirement Benefit payable to a Police Employee who retires on or after July 1, 1984 who has attained age fifty-one (51) and who has completed twenty-five (25) years of Credited Service shall not be less than 50% of the Employee's Final Average Earnings.

5.4 Each Retired Employee who commenced to receive Retirement Benefits after January 1, 1972 but prior to January 1, 1984 shall have his/her Retirement Benefit increased in accordance with the following schedule:

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Year of Annuity Commencement Date	Increase in Retirement Benefits
1972	8.5%
1973	12.5%
1975	14.5%
1976	14.5%
1977	14.0%
1978	12.5%
1979	10.0%
1980	7.0%
1981	4.0%
1982	2.0%
1983	1.0%

The increase in a Retired Employee's Retirement Benefit shall commence as of the first day of the month following the date the Insurance Company receives written approval of the applicable amendment to the Plan from the Mayor and Council of the City.

5.6 Cost-of-Living Adjustments

(a) Increase effective January 1, 1988:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1987 shall receive a 2% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive a Retirement Benefit after December 31, 1986 but prior to January 1, 1988 shall receive a 1% increase in his/her

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Retirement Benefits.

(b) Increase effective July 1, 1989:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1988 shall receive a 4% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1989 but after June 30, 1988 shall receive a 3% increase in his/her Retirement Benefits.

(c) Increase effective July 1, 1990:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1989 shall receive a 4% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1990 but after June 30, 1989 shall receive a 3% increase in his/her Retirement Benefits.

(d) Increase effective July 1, 1991:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1990 shall receive a 4%

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increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1991 but after June 30, 1990 shall receive a 3% increase in his/her Retirement Benefits.

(e) Increase effective July 1, 1993:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1992 shall receive a 2% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1993 but after June 30, 1992 shall receive a 1% increase in his/her Retirement Benefits.

(f) Increase effective July 1, 1994:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1993 shall receive a 2% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1994 but after June 30, 1993 shall receive a 1% increase in his/her Retirement Benefits.

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(g) Increase effective January 1, 1997:

(1) Each Retired Employee who commenced to receive Retirement

Benefits prior to January 1, 1996 shall receive a 1.5% increase in his/her Retirement Benefits.

(h) Increase effective January 1, 1998:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1997, shall receive a 1.5% increase in his/her Retirement Benefits.

(i) Increase effective January 1, 2000:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 1999, shall receive a 2.0% increase in his/her Retirement Benefits.

(j) Increase effective January 1, 2001:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2000, shall receive a 2.0% increase in his/her Retirement Benefits.

(k) Increase effective January 1, 2002:

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(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2001, shall receive a 1.5% increase in his/her Retirement Benefits.

(l) Increase effective January 1, 2004:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2003, shall receive a 1.5% increase in his/her Retirement Benefits.

(m) Increase Effective January 1, 2006:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2005, shall receive a 1.5% increase in his/her Retirement Benefits.

(n) Increase Effective January 1, 2007:

Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2006, shall receive a 1.5% increase in his/her Retirement Benefits.

(o) Increase Effective January 1, 2008:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2007, shall receive a 1.0% increase in his/her Retirement Benefits.

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6.1 Effective July 1, 1984 for Police Employees, Normal Retirement Date shall occur on the first day of the month coinciding with or next following the earlier of (a) the Employee's 60th birthday, or (b) the later of the Employee's 51st birthday and completion of twenty-fived (25) years of Credited Service.

16.2 Each participant in the Thrift Plan on the date the applicable amendment to the Plan is adopted shall, prior to October 1, 1994, elect to reduce his/her Earnings by 1%, 2%, 3%, 4%, or 5% (in whole percentages only) in order to make periodic contributions to the Thrift Plan. Each Employee who is not a participant in the Thrift Plan on the date the applicable amendment to the Plan is adopted but who thereafter becomes an eligible participant shall elect, within thirty (30) calendar days of becoming an eligible participant, to reduce his/her Earnings by 1%, 2%, 3%, 4%, or 5% (in whole percentages only) in order to make periodic contributions to the Thrift Plan.

APPENDIX C

COST –OF-LIVING ADJUSTMENTS SINCE JANUARY 1, 1988

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SECTION 5.6

(a) Increase effective January 1, 1988:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1987 shall receive a 2% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive a Retirement Benefit after December 31, 1986 but prior to January 1, 1988 shall receive a 1% increase in his/her Retirement Benefits.

(b) Increase effective July 1, 1989:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1988 shall receive a 4% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1989 but after June 30, 1988 shall receive a 3% increase in his/her Retirement Benefits.

(c) Increase effective July 1, 1990:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1989 shall receive a 4% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement

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Benefits prior to June 30, 1990 but after June 30, 1989 shall receive a 3% increase in his/her Retirement Benefits.

(d) Increase effective July 1, 1991:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1990 shall receive a 4% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1991 but after June 30, 1990 shall receive a 3% increase in his/her Retirement Benefits.

(e) Increase effective July 1, 1993:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1992 shall receive a 2% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1993 but after June 30, 1992 shall receive a 1% increase in his/her Retirement Benefits.

(f) Increase effective July 1, 1994:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to July 1, 1993 shall receive a 2% increase in his/her Retirement Benefits.

(2) Each Retired Employee who commenced to receive Retirement Benefits prior to June 30, 1994 but after June 30, 1993 shall receive a 1% increase in his/her Retirement Benefits.

(g) Increase effective January 1, 1997:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1996 shall receive a 1.5% increase in his/her Retirement Benefits.

(h) Increase effective January 1, 1998:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 1997, shall receive a 1.5% increase in his/her Retirement Benefits.

(i) Increase effective January 1, 2000:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 1999, shall receive a 2.0% increase in his/her Retirement Benefits.

(j) Increase effective January 1, 2001:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2000, shall receive a 2.0% increase in his/her Retirement Benefits.

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(l) Increase effective January 1, 2002:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2001, shall receive a 1.5% increase in his/her Retirement Benefits.

(l) Increase effective January 1, 2004:

(1) Each Retired Employee, who commenced to receive Retirement Benefits prior to January 1, 2003, shall receive a 1.5% increase in his/her Retirement Benefits.

(m) Increase Effective January 1, 2006:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2005, shall receive a 1.5% increase in his/her Retirement Benefits.

(n) Increase Effective January 1, 2007:

(1) Each Retired Employee who commenced to receive Retirement Benefits prior to January 1, 2006, shall receive a 1.5% increase in his/her Retirement Benefits.

(o) Increase Effective January 1, 2008:

(1) Each Retired Employee who commenced to receive Retirement

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Benefits prior to January 1, 2007, shall receive a 1.0% increase in his/her Retirement Benefits.

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Document 2	PowerDocs://BA3DOCS1/406495/3
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Insertion	
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Format change	
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Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

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Insertions	571
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Moved to	0
Style change	0
Format changed	0
Total changes	1012

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