

**CITY OF SAMMAMISH
FLEXIBLE BENEFIT PLAN
RESOLUTION NO. R99-019**

A RESOLUTION adopting a flexible benefit plan for the City of Sammamish.

WHEREAS, the City has deemed it appropriate to self-administer the Flexible Benefits Plan in order to provide better service to the employees participating in the plan; and

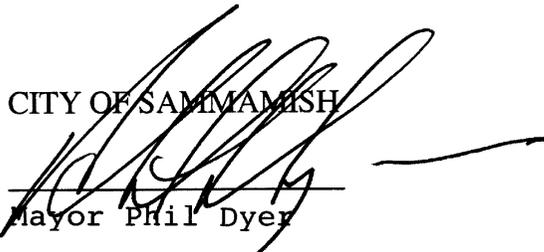
WHEREAS, this plan includes necessary language to comply with the federal laws regulating such plans.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAMMAMISH AS FOLLOWS:

Section 1. The City of Sammamish adopts the attached plan document entitled "Flexible Benefits Plan" effective for the Plan Year beginning September 1, 1999.

ADOPTED this 8th day of September, 1999.

CITY OF SAMMAMISH



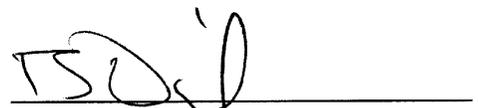
Mayor Phil Dyer

ATTEST



Ruth Muller, Interim City Clerk

APPROVED AS TO FORM:



Bruce Disend, Interim City Attorney

**CITY OF SAMMAMISH
PLAN DOCUMENT
FLEXIBLE BENEFITS PLAN**

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EFFECTIVE DATE

The City of Sammamish adopts this plan, in its current form, effective September ___, 1999.

PURPOSE

The purpose of the Flexible Benefits Plan ("Plan") is to allow Employees of the City of Sammamish ("Employer") to choose between certain Benefits provided by the Employer, both pre-tax and after-tax, both Employer paid and Employee paid, so that employees may receive Benefits that best meet their individual needs. The Employer intends that the Plan qualify as a "cafeteria plan" within the meaning of section 125(c) of the Internal Revenue Code of 1986, as amended, and that the Qualified Benefits that an Employee elects to receive under the Plan be eligible for exclusion from the Employee's income for Federal Income Tax purposes. The Employer may offer a choice among additional benefits that may not constitute Qualified Benefits, but nothing in this Plan shall be construed as offering any taxable benefits except to the extent that the Employer may otherwise specifically provide.

Section 1: DEFINITIONS

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context. Pronouns shall be interpreted so that the masculine pronoun shall include the feminine and the singular shall include the plural, and the following rules of interpretation shall apply in reading this instrument:

- 1.1 **"Benefit Credits"** means the amount set aside for Benefits under Section 3.1.
- 1.2 **"Benefit Election Form"** means a voluntary agreement whereby an Employee chooses his Benefits for the forthcoming Plan Year (or, if the agreement becomes effective after the beginning of the Plan Year, for the balance of the Plan Year), for purposes of obtaining the Qualified Benefits offered by the Plan.
- 1.3 **"Benefits"** means the Qualified Benefits available from time to time under the Plan, as set fourth on Schedule A hereto.
- 1.4 **"Code"** means the Internal Revenue Code of 1986, and the same as may be amended from time to time.
- 1.5 **"Compensation"** means earned income, salary, wages, fees, commissions, overtime, bonuses, tips and all other earnings of the Participant, reportable on Form W-2 for the Plan Year, including amounts contributed by an Employee to the Plan, but excluding all other contributions to any other plan sponsored by the Employer, and all other forms of compensation.

- 1.6 **“Council”** means the City Council of the City of Sammamish.
- 1.7 **“Effective Date”** means January 1, 1998.
- 1.8 **“Eligible Employee”** means any Employee who is regular-status Employee of the Employer.
- 1.9 **“Employee”** means any person who is engaged in the conduct of the business of the Employer, except independent contractors.
- 1.10 **“Employer”** means the City of Sammamish.
- 1.11 **“Enrollment Period”** means the calendar month preceding the Effective Date of this Plan and the month of December thereafter.
- 1.12 **“Entry Date”** means the first day of employment as an Eligible Employee.
- 1.13 **“ERISA”** means the Employee Retirement Income Security Act of 1974, and the same as may be amended from time to time.
- 1.14 **“Expense”** means any amount paid or incurred by the Employee for Benefits not otherwise reimbursed under any group plan, the reimbursement of which by the Employer is intended to be excludable from the income of such Participant under various provisions of the Code.
- 1.15 **“Highly Compensated Employee”** means any Employee defined as such in section (414)q of the Code.
- 1.16 **“Key Employee”** means any Employee defined as such in section 416(i)(1) of the Code.
- 1.17 **“Participant”** means any Eligible Employee who has met the conditions for participation set forth in Section 2.
- 1.18 **“Participating Employer”** means the municipal corporation known as the City of Sammamish.
- 1.19 **“Plan”** means the Flexible Benefits Plan described and restated herein.
- 1.20 **“Plan Year”** means each twelve-month period commencing on January 1 and ending on December 31.
- 1.21 **“Qualified Benefits”** means each benefit described in section 125(f) of the Code and the regulations promulgated thereunder.
- 1.22 **“Spouse”** means the wife or husband of the Employee, not legally separated from the Employee, or the domestic partner of the Employee as documented by an Affidavit of Domestic Partnership on file with the City. Domestic partners will be treated as spouses unless the Code prohibits such treatment.

Section 2 PARTICIPATION IN THE PLAN

2.1 Commencement of Participation. Each Eligible Employee shall be eligible to become a Participant on his Entry Date, during the Enrollment Period.

2.2 Procedure for and Effect of Participation. An Eligible Employee may become a Participant in the Plan by executing a Benefit Election Form, and by providing such data as are reasonably required by the Employer as a condition of such participation. The Benefit Election Form shall be governed by Section 4 of this document. By becoming a Participant, each individual shall for all purposes be deemed conclusively to have consented to the provisions of the Plan and all amendments thereto.

2.3 Cessation of Participation. A Participant will cease to be a Participant as of the earlier of

- A. the date on which the Plan terminates
- B. the date on which he ceases to be an Eligible Employee; or
- C. the date on which he fails to make a contribution required under the terms of the Plan.

Nothing in this section 2.3 shall prohibit the payment of Benefits with respect to claims arising prior to the Participant's termination of participation.

Notwithstanding the foregoing, a former Participant who continues to receive Compensation from the Employer shall remain a Participant for all purposes until such Compensation ceases.

2.4 Recommencement of Participation. A former active Participant will recommence participation as of his date of reemployment. A reemployed former active Participant may not make a *new* election which is effective during the Plan Year in which he separated from service with the Employer.

2.5 FMLA Leave. A Participant who takes an unpaid leave of absence under the Family and Medical Leave Act of 1993 ("FMLA Leave") may revoke his election to participate under any group health insurance benefit offered under this Plan, for the remainder of the Plan Year in which such leave of absence commences. Such revocation shall be effected in accordance with such procedures as described by the Plan Administrator. Upon such Participant's return from his or her FMLA Leave, the Participant may elect to be reinstated in the Plan, on the same terms that applied to the Participant prior to his or her taking the FMLA Leave, and with such other rights to revoke or change elections as are provided to other Participants under the Plan. Notwithstanding the foregoing, a Participant on FMLA Leave shall have no greater rights to benefits for the remainder of the Plan Year in which the FMLA Leave commences as other Plan Participants.

Section 3 BENEFITS

3.1 Benefit Credits. The City of Sammamish will offer each Eligible Employee a maximum dollar amount per month as determined by the annual budget process. For the 1999 plan year, September 1 through December 31st, the benefit credit is established at \$475.00. In subsequent plan year's, the benefit credit amount will be recommended and adopted through the annual budget process. For the purpose of this document, that dollar amount will be referred to as Benefit Credits. Each Eligible Employee will be allotted up to the maximum of the Benefit Credits per month to correspond to the Participant's Benefit Election Form under Section 4. Employee choices exceeding the maximum allotment of Benefit Credits, or required or chosen to be paid from Employee Compensation will be paid as cash deducted from the Participant's Compensation. The total of Employee and Employer contributions shall not exceed the amounts set forth on Schedule A attached hereto, as revised by the Employer from time to time. The Benefit Credits shall be allocated in accordance with the Benefits the Participant has designated pursuant to Section 3.2.

3.2 Election of Benefits. Each Eligible Employee shall submit to the Employer before the close of the Enrollment Period for each Plan Year, a Benefits Election Form identifying the Benefits to be provided by the Employer to the Eligible Employee, and the portion of the Eligible Employee's anticipated Benefit Credits for the Plan Year which may be applied to provide each Benefit. If the Participant's Benefit Credits actually exceed the sum of the amounts allocated to provide the Qualified Benefits chosen under the Plan, the Participant shall have the opportunity to elect to receive a supplemental retirement benefit pursuant to the City's Personnel Policies and Procedures 6.1.6. Each election under this Section 3.2 may be modified by the Employer to the extent required to enable the Plan, and payments hereunder, to satisfy the requirements of section 125 of the Code.

In the event that an Eligible Employee does not submit a Benefits Election Form during the Enrollment Period, the Employer will continue to apply the choices from the previous year's Benefit Election Form, altered to accommodate any rate changes

In the event that an Eligible Employee does not submit a Benefits Election Form during the Enrollment Period and there is no Benefits Election Form from the previous year, the Employee will be deemed to have chosen the following default elections: Pre-taxation of Employee paid premiums to medical, dental, and vision; after-taxation of Employee paid premiums to life insurance, and optional health/wellness insurance as provided by the Employer. No portion of this section is meant to contradict what is required by the Code to be pre-taxed or after-taxed.

3.3 Provision of Benefits. The Employer shall provide such Benefits as the Participant has elected under the Plan, in such amounts as do not exceed the amount allocated to the provision of each such Benefit pursuant to this Section 3.3 and subject to Employee Contributions, if any, pursuant to Section 3.1. Such Benefits shall be subject to the provisions of any such plan, contract, or other arrangement setting forth the further terms and conditions pursuant to which such Benefits are provided, and any condition or restriction imposed by an insurance company providing any Benefit, and the terms of each Employer plan under which Benefits are provided are incorporated by reference in this Plan.

3.4 Revocation and Modification of Elections. Once an Eligible Employee has elected Benefits under the Plan and the Plan Year has begun, he may not amend or revoke his election of Benefits, unless there is a change in family status such as marriage, divorce, or death of a spouse or child, birth or adoption of a child, or termination or assumption of employment of a spouse, switching from part-time to full-time employment status or from full-time to part-time status by the Employee or Employee's spouse, taking of unpaid leave by the Participant or his spouse (which leaves shall include the entering into or returning from "uniformed service" as defined under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)), or the occurrence of a special enrollment period, as defined in Section 9801(f) of the Code. The revocation of a designation of Benefits and election of new Benefits may be made by an Eligible Employee, effective prospectively only for the remainder of the Plan Year, if both the revocation of existing designation of Benefits and election of new Benefits are made on account of and consistent with the previously described change in family status. Election changes may also be made if there has been a significant change in the health coverage elected by the spouse under the spouse's employer's plan as provided in proposed Treasury regulation sections 1.125-1(A-8) and 1.125-2(A-6). Before the Plan Year has begun, a Participant may amend or revoke his designation of Benefits to the extent that the Employer may provide. Any new election under this Section 3.4 shall be effective at such time as the Employer shall prescribe, but not later than the first available pay period beginning after the modified election form is completed and returned to the Employer.

3.5 Nondiscrimination. Contributions and Benefits under the Plan shall not discriminate in favor of Highly Compensated Employees nor shall the aggregate cost of the Benefits provided to Key Employees exceed 25% of the aggregate of such cost for the Benefits provided to all Employees under the Plan. The Employer may limit or deny any Employee's Benefit Election Form to the extent necessary to avoid any such discrimination.

3.6 Insurance Contracts. Some or all of the Benefits provided under the Plan may, at the discretion of the Employer, be provided by the purchase of insurance contracts issued by one or more insurance companies, or health care service contracts issued by or provided through a health care service provider, qualified

health maintenance organization, or preferred provider organization. Any dividends, retroactive rates, or other refunds which may become payable under any insurance or health care service contracts or benefit programs due to actuarial error in rate calculation shall be the property of and retained by the Participating Employer.

3.7 Benefit Costs. The cost of each Benefit shall be determined in a uniform manner according to the benefit option cost described on Schedule A attached hereto. Such costs are subject to change, at the discretion of the Employer, for any future Plan Year for current Participants and at any time prior to the commencement of participation for new Participants.

3.8 Termination of Employment. If an Eligible Employee separates from service with the Employer during a period in which he is covered under the Plan, the Employer may terminate the remaining portion of Benefits provided by the Plan. If a terminated Employee who has revoked coverage under the Plan is reemployed by the Employer, said Employee shall be prohibited from making a new benefit election in the Plan Year for which the revocation was effective, unless there was a change in family status as described in 3.4. However, the reemployed Employee may receive Benefits under the Plan in accordance with the election which was in effect prior to his termination of employment with the Employer.

3.9 Employee Contributions. To the extent a Participant does not have sufficient Benefit Credits to pay for the Benefits selected, the Employer is authorized to withhold the additional amounts as cash from a Participant's Compensation from the Employer to the extent required to pay for said Benefits. Further, the Employer may require that some of such withholdings be made on a post-tax basis.

If the cost of health coverage provided by an independent, third party provider under this Plan increases or decreases during the Plan Year, the Plan will, on a reasonable and consistent basis, automatically increase or decrease all affected Participants' elective contributions made under the terms of the Plan.

If a premium amount charged for health coverage by an independent, third party provider significantly increases, a Participant may make a change in the premium payments paid from his Compensation consistent with the increase or, in the alternative, may revoke an election made to receive health coverage. If an election is revoked, the Participant may choose from among other health programs offered under the Plan which provide similar coverage as allowed by the third party provider(s).

Whether an increase in premium payment is significant will be determined by the Employer, or by an individual appointed by the Employer, based on the facts and circumstances of each case.

3.10 Payment of Contributions While on FMLA Leave. A Participant who takes an unpaid leave of absence under the Family Medical Leave Act of 1993 (“FMLA Leave”) and who elects to continue participation under this Plan shall be responsible for making the required contributions under the group health insurance plan offered under this Plan during the period of the FMLA Leave. The payment of contributions will be limited to the Employee’s portion of the total premiums. The Employer will continue to provide the Employer portion of premiums as if the Employee was still working.

3.11 Uniformed Service Under USERRA. A Participant who is absent from employment with the Employer on account of being in “uniformed service”, as that term is defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”), may elect to continue participation in the Plan. The coverage period shall extend for the lesser of 18 months or until the Participant fails to apply for reinstatement or to return to employment with the Employer. The Participant shall be responsible for making the required contributions during the period which he or she is in “uniformed service”. The manner in which such payments are made shall be determined by the Plan Administrator, in a manner similar to Section 3.10 (regarding the payment of contributions with respect to FMLA Leave). A Participant whose coverage under the group health insurance plan and/or the medical savings account portion of the Plan is terminated on account of his or her being in “uniformed service”, and is later reinstated, shall not be subject to a new exclusion or waiting period requirement imposed by such group health plan and/or medical savings account, provided that such requirements would not have been imposed if coverage had not been terminated as a result of the “uniformed service”.

Section 4 CONTRIBUTIONS

4.1 Funding. The Benefits provided herein shall be paid by the Employer and the Employee pursuant to Section 3 and the Participant's elections as indicated on the Benefit Election Form.

4.2 Execution of Agreements. Approximately 30 days prior to the beginning of the Plan year, the Employer shall provide a Benefit Election Form to each Participant and to each other Employee who is expected to become an Eligible Employee by the first day of the Plan Year. All Benefit Election Forms entered into by Participants in the Plan shall be executed before the close of the Enrollment Period for the Plan Year for which such agreements will be effective or, in the case of Participants who were not eligible to participate in the Plan at the beginning of the Plan Year, before the first day of the pay period after the date on which they become eligible to participate in the Plan. Each Benefit Election Form shall remain effective throughout the Plan Year unless revoked or suspended by reason of any Participant's ceasing to be an Eligible Employee. No Benefit Election Form may be revoked by any Participant during the Plan Year for which it is effective, except by reason of a family status change pursuant to Section 3.4. Any Participant who fails to execute appropriate agreements during the Enrollment Period shall be subject to the provisions as indicated in section 3.2. Any newly Eligible Employee who fails to execute appropriate agreements will also be subject to the provisions of 3.2 .

4.3 Amount of Compensation Reduction. The Compensation reduction amount shall be specified by the Eligible Employee in the Benefit Election Form. Such Compensation reduction shall not exceed the amount set forth on Schedule A attached hereto. The Compensation reduction amount shall be designated on a per pay basis.

4.4 Application of Compensation Reduction Amounts. All Compensation reduction amounts shall be applied to reduce the Participant's Compensation for each pay period in as nearly equal amounts as the Employer deems practicable, except as the Employer shall otherwise determine.

Section 5 ADMINISTRATION

5.1 Administrator. The Employer shall be the Plan Administrator for the purposes of ERISA.

5.2 Named Fiduciary. The Employer shall be the named fiduciary responsible for administration of the Plan. The Employer may, however, delegate any of its powers or duties under the Plan in writing to any person or entity. The delegate shall become the fiduciary for only that part of the administration which has been delegated by the Employer and any references to the Employer shall instead apply to the delegate.

However, if the employer assigns any of the Employer's responsibility to an Employee, it will not be considered a delegation of Employer responsibility but rather how the Employer internally is assigning responsibility.

5.3 Rules of Administration. The Employer shall adopt such rules for administration of the Plan as it considers desirable, provided they do not conflict with the Plan, and may construe the Plan, correct defects, supply omissions and reconcile inconsistencies to the extent necessary to effectuate the Plan, and such action shall be conclusive. Records of administration of the Plan shall be kept, and Participants and their beneficiaries may examine records pertaining directly to themselves.

5.4 Services to the Plan. The Employer may contract for legal, actuarial, investment advisory, medical accounting, clerical and other services to carry out the provisions of the Plan. The costs of such services and other administrative expenses shall be paid by the Employer.

5.5 Funding Policy. The Employer shall periodically at its discretion review and determine the funding policy of the Plan, with the advice of such experts as the Employer deems appropriate.

5.6 Nondiscriminatory Operation. All rules, decisions and designations by the Employer under the Plan shall be made in a nondiscriminatory manner, and persons similarly situated shall be treated alike.

5.7 Liability of Administrative Personnel. Neither the Employer nor any of its Employees shall be liable for any loss due to an error or omission in administration of the Plan unless the loss is due to the gross negligence or willful misconduct of the party to be charged or is due to the failure of the party to be charged to exercise a fiduciary responsibility with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Section 6 CONTINUATION OF COVERAGE

6.1 In General. The following provisions shall apply to Benefits provided to Eligible Employees and their dependents under the Plan, but only to the extent that the Benefits selected pertain to health care and medical coverage. This coverage shall be continued pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) Title X (COBRA).

6.2 Continuation of Coverage. To the extent required by Section 6.1 above, a qualified beneficiary who would lose coverage under this Plan as a result of a qualifying event is entitled to elect continuation coverage within the election period under this Plan. Coverage provided under this provision is on a contributory basis. No evidence of good health will be required.

6.3 Type of Coverage. Continuation coverage under this provision is coverage which is identical to the coverage provided under this Plan to similarly situated beneficiaries under this Plan with respect to whom a qualifying event has not occurred as of the time coverage is being provided. If coverage under this Plan is modified for any group of similarly situated beneficiaries, the coverage shall also be modified in the same manner for all qualified beneficiaries under this Plan in connection with such group.

6.4 Coverage Period. The coverage under this provision will extend for at least the period beginning on the date of a qualifying event and ending not earlier than allowed under the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) Title X (COBRA) as amended from time to time.

6.5 Contribution. A qualified beneficiary shall only be entitled to continuation coverage provided such qualified beneficiary pays the applicable premium required in accordance with the applicable COBRA laws.

6.6 Notification by Qualified Beneficiary. Each covered Employee or qualified beneficiary must notify the City of Sammamish of the occurrence of a divorce or legal separation of the covered Employee from such covered Employee's spouse, and/or the covered Employee's dependent child ceasing to be a dependent child under the terms of this Plan within 60 days after the date of such occurrence. This 60-day time limit shall only apply to those occurrences as described in this paragraph which occur after the date of the enactment of the Tax Reform Act of 1986.

6.7 Notification to Qualified Beneficiary. The Employer shall ensure that written notice is provided to each covered Employee and spouse of such covered employee of his/her right to continuation coverage under this provision as required by federal law.

Notification of the requirements of this provision to the spouse of a covered Employee shall be treated as notification to all other qualified beneficiaries residing with such spouse at the time notification is made.

6.8 Definitions. The terms used in the text of this Section 6 are defined as follows:

A. "Dependents" means an individual who meets the definition of dependent under the Participating Employer provided health plan covering the Eligible Employee.

No person shall be considered a dependent of more than one Employee.

If both an Employee and an Employee's spouse are employed by the City of Sammamish, dependent children may be covered by either spouse, but not by both.

B. "Qualified Beneficiary" means an individual who, on the day before the qualifying event for a covered Employee, is a beneficiary under this Plan as the spouse or dependent child of the covered Employee. In the case of the termination of a covered Employee (except by reason of such covered Employee's gross misconduct) or the reduction in hours of the covered Employee's employment, the term qualified beneficiary includes the covered Employee. Effective, January 1, 1997, a child who is born to (or placed for adoption with) a Qualified Beneficiary who is a covered Employee during the Coverage Period shall also be a Qualified Beneficiary.

Exception – the term qualified beneficiary does not include an individual whose status as a covered Employee is attributable to a period in which such individual is a nonresident alien who received no earned income from the employer which constituted income from sources within the United States (within the meaning of Code section 911(d)(2) and section 861(a)(3)). If an individual is not a qualified beneficiary pursuant to this paragraph, a spouse or dependent child of such individual shall be considered a qualified beneficiary by virtue of the relationship to such individual.

C. "Qualifying Event" means with respect to a covered Employee, any of the following events which, but for the continuation coverage under this provision, would result in the loss of coverage of a qualified beneficiary:

- (i) the death of the covered Employee;
- (ii) the termination (except by reason of such covered Employee's gross misconduct) or reduction in hours of the covered employee's employment;
- (iii) the divorce or legal separation of the covered Employee from such covered Employee's spouse;
- (iv) the covered Employee becoming entitled to benefits under Title XVIII of the Social Security Act (Medicare);
- (v) a dependent child who ceases to be a dependent child under the terms of this Plan;
- (vi) the Company's filing of Chapter 11 reorganization as it would affect retiree coverage.

Section 7 MISCELLANEOUS

7.1 Amendment and Termination. The Employer or its authorized representative may amend or terminate this Plan at any time by action of the Council. The Employer may amend this Plan retroactively to enable the Plan to qualify as a cafeteria plan under section 125 of the Code. No amendment shall deprive any Participant or beneficiary of any Benefit to which he or she is entitled under this Plan with respect to contributions previously made, and no amendment shall provide for the use of funds or assets other than for the benefit of Employees and their beneficiaries, except as may be specifically authorized by statute or regulation.

7.2 Effect of Plan on Employment. The Plan shall not be deemed to constitute a contract of employment between the Participating Employer and any Participant or to be a consideration or an inducement for the employment of any Participant or Employee. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Participating Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge will have upon him or her as a Participant of this Plan.

7.3 Alienation of Benefits. No Benefit under this Plan may be voluntarily or involuntarily assigned or alienated.

7.4 Facility of Payment. If the Employer deems any person incapable of receiving Benefits to which he is entitled by reason of not having reached the age of majority, illness, infirmity, or other incapacity, the Employee may utilize the supplemental retirement option outlined in section 3. Such option shall, to the extent thereof, discharge all liability of the Employer.

7.5 Proof of Claim. As a condition of receiving Benefits under the Plan, any person may be required to submit whatever proof the Employer may require either directly to the Employer or to any person delegated by it.

7.6 Status of Benefits. The Employer believes that this Plan is in compliance with section 125 of the Code and that it provides certain Benefits to Employees which are tax free pursuant to other provisions of the Code. This Plan has not been submitted to the Internal Revenue Service for approval, and thus there can be and is no assurance that intended tax benefits will be available. Any Participant, by accepting Benefits under this Plan, agrees to be liable for any tax plus interest that may be imposed with respect to those Benefits.

7.7 Applicable Law. The Plan shall be construed and enforced according to the laws of the State of Washington to the extent not pre-empted by any federal law.

7.8 Source of Payments. The Employer and any insurance company contracts purchased or held by the Employer shall be the sole sources of Benefits under the Plan. No Employee or beneficiary shall have any right to, or interest in, any assets of the Employer upon termination of employment or otherwise, except as provided from time to time under the Plan, and then only to the extent of the Benefits payable under the Plan to such Employee or beneficiary.

7.9 Severability. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and this Plan shall be construed and enforced as if such provision had not been included.

7.10 Heirs and Assigns. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of all parties, including each Participant and beneficiary.

7.11 Headings and Captions. The headings and captions set forth in the Plan are provided for convenience only, shall not be considered part of the Plan, and shall not be employed in construction of the Plan.

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

7.13 Gender and Form. Unless the context clearly indicates otherwise, pronouns shall be interpreted so that the masculine pronoun shall include the feminine, and the singular shall include the plural.

7.14 No Reversion to Employer. At no time shall any part of Plan assets be used for, or diverted to, purposes other than for the exclusive benefit of Plan participants or their beneficiaries, or for defraying reasonable expenses of administering the Plan.

Adopted this _____ day of _____, 1999.

CITY OF SAMMAMISH

Phil Dyer, Mayor

ATTEST:

Ruth Muller, Interim City Clerk

CITY OF SAMMAMISH

FLEXIBLE BENEFITS PLAN

**SCHEDULE A
EMPLOYEE CONTRIBUTION LIMITATIONS**

Benefit Options

Employee Contributions

Medical Coverage

| | |
|--------------------------------|---|
| Washington Physicians Service | * |
| Group Health Cooperative | * |
| Other Plans per union contract | * |

Life Insurance

*

Health/Wellness Insurance

| | |
|--|---|
| Various Plans offered by various providers | * |
|--|---|

- * The employee contributions necessary to obtain the coverages set forth in this Schedule A above will be communicated by the Employer to Eligible Employees upon commencement of participation and to Participants at the time of the Enrollment Period. The Employee contribution required to obtain coverage under any of the above will be the maximum elected contributions required for coverage under such options.