



Municipal Employees Benefit Trust

Summary Plan Description

Revised 9/95

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I. INTRODUCTION

In 1984, the City of Mill Creek opted to become a participating city of the Municipal Employees' Benefit Trust (MEBT) instead of participating in the federal social security program. As a replacement program for social security, MEBT provides benefits similar to those provided to social security program participants. Both employees and the city are required to contribute the same amount of dollars to the MEBT program as they would be required to contribute to the social security program if they participated in it. The big difference between the two retirement programs is that control of the MEBT program, including plan features and investments, rests with the city, subject to federal regulations, rather than the federal government.

In 1993, major changes were made to the MEBT plan to bring it up to date with regulatory changes and to enhance many of the plan's features.

MEBT consists of four main components:

- retirement savings plan
- group term life and accidental death and disability insurance
- long-term disability insurance
- survivor's income insurance

This summary highlights the major features of the MEBT plan. The retirement savings plan and the insurance plans each have legal documents which detail plan provisions and operations. These legal documents govern in all cases. The Assistant to the City Manager will be glad to provide you with copies of any of these legal documents at your request. Reference copies are also available in both the police and general administration libraries.

II. ADMINISTRATION OF THE MEBT PLAN

The MEBT plan is administered by a plan committee of five members, appointed by the city manager, who each serve three year terms. The MEBT plan committee elects a chairperson and a secretary. The committee meets as needed, and notices of all meetings are posted on the employee bulletin board and are open to all interested employees.

The responsibilities of the committee include:

- determining all questions relating to eligibility of employees;
- computing and certifying to the trustee benefits to be credited to plan participants;
- authorizing all disbursements from the trust;
- interpreting the provisions of the plan;
- maintaining all records necessary for the administration of the plan; and
- reviewing all claims for disability.

III. ELIGIBILITY AND PARTICIPATION

All employees and city councilmembers are required to participate in the MEBT plan. There are actually two plans, MEBT I and MEBT II, which have some different requirements and characteristics. The main distinctions between MEBT I and MEBT II are differences in city and employee contribution amounts and vesting. These items, as well as others are discussed as they apply to each section.

All regular full-time and part-time employees and elected officials belong to MEBT I. Temporary and casual employees belong to MEBT II.

IV. CONTRIBUTIONS

All of the employees' contributions, mandatory and voluntary, are made via payroll deduction and are after-tax payroll deductions. The city's contributions to participants' account are made in pre-tax dollars.

A. Mandatory Contributions

MEBT I plan participants contribute an amount equal to the current social security tax. In 1993, for example the employee's contribution (via payroll deduction) would be 7.65% of the first \$57,600 earned as a City of Mill Creek employee. (This amount is subject to annual changes, dependent on social security tax rates.) For employees hired after April 1, 1986, part of their contribution and part of the city's contribution (1.45%) must, by law, be used to pay Medicare tax on employees' behalf.

The city contributes to the plan an amount equal to the employee's contribution. Sixty percent (60%) of the city's contribution is allocated to employees' individual accounts. Forty percent (40%) of the city's contribution is used to pay the costs of the insurance

premiums for the three insurance components of the MEBT plan and for administrative costs. Annually, any money reserved for administrative expenses that is not spent is distributed to the accounts of MEBT I plan participants who are employed as of December 31 or who retired during the year.

MEBT II plan participants contribute 7.5%, as required by law, to their plan account. The city does not make any contributions to MEBT II plan accounts.

B. Voluntary Contributions

MEBT I plan participants have the option of making voluntary contributions to their account, provided that the sum of your mandatory and voluntary contributions does not exceed 15% of total compensation in a plan year.

If you want to make a voluntary contribution, ask payroll for the required form to complete.

C. Rollover Contributions

Under certain conditions, rollovers from a qualified trust plan may be accepted into the MEBT I plan.

V. INVESTMENTS

Currently, the City of Mill Creek pools its MEBT funds with the "Trust Group" (made up of the cities of Bellevue, Edmonds, Federal Way, Kirkland, Mill Creek, Redmond, and Woodinville) for investment purposes. On the last day of June and December of each year, the investment trust is analyzed, and the return on investments is determined for the preceding six months. At this time, investment returns (gains or losses) are credited to each individual MEBT I participant account on a pro rata basis. Plan participants each receive individual statements annual (usually in April) that show the value of their account.

For MEBT II plan participants, contributions are valued at the current money market rate on a semi-annual basis.

Through the "Trust" plan committee (consisting of one member from each City) has the authority to appoint one or more investment managers and contract with each for management of any part of the MEBT funds.

VI. VESTING OF RETIREMENT SAVINGS PLAN ACCOUNTS

"Vesting" is ownership of benefits. Participants are always vested 100% in employee contributions. Plan participants vest in the city's contributions according to the following schedule:

<i>Months of Continuous Participation</i>	<i>Vesting Percentage</i>
less than 12 months	0%
after 12 months (1 yr)	10%
each additional month	1.25%
after 84 months (7 yrs)	100%

If an employee retires, dies, becomes disabled, or is laid off, the employee automatically becomes 100% vested in the city's contributions at that time.

If an MEBT I plan participant leaves city employment and becomes re-employed with the city within one year of leaving, the employee has the option to repay distributions received from the MEBT plan and resume vesting at his/her previous vesting level, subject to conditions detailed in the plan document.

An MEBT I plan participant forfeits the entire amount of the city's contributions if their employment with the city is terminated for cause, upon incontrovertible proof, confession, or conviction by a court, for one of the following reasons:

- theft or embezzlement involving monies or property of the city or a fellow employee;
- willful and malicious destruction of property of the city or a fellow employee;
- criminal assault on a fellow employee at or in connection with the place or duties of employment; or
- sexual harassment, or other harassment, including stalking, hate, or bias at or in connection with the place or duties of employment of a fellow employee.

VII. HARDSHIP WITHDRAWALS

MEBT I plan participants are permitted, subject to conditions, to withdraw their employee contributions from the MEBT plan. Plan participants must apply to the City's MEBT five (5) member plan committee for approval to make such withdrawals.

A plan participant may be permitted to make a hardship withdrawal for the following reasons:

- payment for expenses for medical care incurred by the plan participant or his/her spouse or child;
- payment to prevent the eviction of the plan participant from his/her principal residence or foreclosure of the mortgage on the plan participant's principal residence; or
- payment for costs directly related to the purchase of a principal residence for the plan participant (excluding mortgage payments).

Except for withdrawals for payment of medical expenses, plan participants will not be allowed more than one (1) hardship withdrawal in any twelve (12) month period. Plan participants are eligible for only one (1) hardship withdrawal for payment of costs for purchase of a principal residence.

VIII. RETIREMENT BENEFIT

Plan participants are eligible to receive retirement benefits at or after the normal retirement age. The normal retirement age is the earlier of age sixty-five (65) or the normal retirement age under any other retirement plan to which the city makes contributions on participants' behalf (LEOFF or PERS).

At the time of retirement, there is a one-time option to defer receiving retirement benefits to a time not later than the earlier of:

- April 1 immediately following the calendar year in which the participant reaches age seventy and one-half (70 ½), or if later, the April 1 immediately following the calendar year of retirement; or
- the later of (i) ten (10) years from the date of retirement, or (ii) the date on which the participant reaches age fifty-nine and one-half (59 ½).

Retirement benefits may be paid as follows:

- a single lump sum in cash; or
- monthly or annual installments, subject to conditions; or
- in the form of a nonforfeitable and non-transferrable annuity contract, subject to conditions.

IX. DISABILITY BENEFIT

If an MEBT I participant becomes permanently disabled (as defined in the MEBT plan document), he/she is eligible to receive distribution of their MEBT account in a lump sum, installments or

annuity contract as described in section VIII. The disabled participant may choose to defer receipt of their account until their normal retirement date.

X. DEATH BENEFIT

Upon the death of a plan participant, the participant's account will be paid to the participant's surviving spouse or designated beneficiary. If the plan participant dies after benefit payments have begun, the rest of the participant's account will be paid out over a period of time which is not longer than the payment period that had begun. If the plan participant dies before benefit payments have begun, the participant's account will be paid to the beneficiary over a period which does not exceed (I) five years after the date of the participant's death or (ii) over the designated beneficiary's life expectancy, subject to conditions. The beneficiary(ies) must notify the MEBT Committee, on forms provided by the Committee, of the preferred payout option within ninety (90) days of participant's death.

Are you getting married, divorced, having a baby or adopting a child? Contact payroll to designate a new beneficiary(ies) as needed.

XI. INSURANCE BENEFITS

The following insurance benefits apply to MEBT I participants only.

A. Group Term Life and Accidental Death and Disability

The group life and accidental death and disability (AD&D) insurance benefit is provided through Standard Insurance Company. Each plan participant who is a regular full or part-time employee has a life insurance policy in the amount of three (3) times annual salary up to a maximum of \$300,000. (Elected officials have a life insurance policy of \$10,000.00 to age 75; then the insurance policy will be \$5,000.00)

Key features of the policy include:

- double indemnity for accidental death;
- no medical examination needed to qualify;
- accelerated benefit feature (i.e. in the event of a terminal illness, participant may be eligible to receive some benefits prior to death); and
- benefits reduce by 35% at age 70 and 50% at age 75.

In addition to this life insurance benefit, employees may purchase supplemental life insurance benefits in \$10,000 increments from \$30,000 to \$300,000. Coverage is also available for spouses up to one-half the employee amount.

*Are you interested in purchasing supplemental life insurance?
Contact the Assistant to the City Manager for further information.*

B. Long-Term Disability

Long-term disability insurance (LTD) is provided through UNUM insurance company to regular employees working at least thirty (30) hours per week. Key features of the policy include:

- benefits begin ninety (90) days after disability begins;
- monthly benefit is sixty percent (60%) of basic monthly earnings less other income benefits with a maximum of \$5,000 per month and minimum of \$100 or ten percent (10%) of gross monthly benefit; and
- eligibility for partial benefits if you return to work in a limited or different capacity.

C. Survivor Income

Survivor income insurance is provided through Standard Insurance Company to regular full-time employees only. Key features of the policy include:

- payable to surviving spouse and/or children;
- payments to surviving spouse or children at thirty percent (30%) of first \$8,333 pre-disability earnings up to a maximum monthly benefit of \$2,500;
- payments to surviving spouse and children at sixty percent (60%) of first \$8,333 pre-disability earnings up to a maximum monthly benefit of \$5,000; and
- benefits cease for spouse at remarriage and for children at age 19 (23 if in school).

Are you getting married, divorced, having a baby or adopting a child? Contact payroll to designate a new beneficiary(ies) as needed.