MEBT Municipal Employees' Benefit Trust

City of Redmond Employees' Benefit Plan

Summary Plan Description

January 2025

January 1, 2025

Dear City of Redmond MEBT Participants:

The Redmond Municipal Employees' Benefit Trust Plan Committee is pleased to provide this Summary Plan Description (SPD) to help you understand the options for retirement savings available to you in MEBT. We encourage you to use it as a tool to better plan for your retirement. We recommend that you share it with your financial and tax advisors as you make choices about MEBT.

Your Retirement Savings Options with the City of Redmond

State of Washington Pension Plans

As an employee of the City of Redmond, you will participate in a "defined benefit" pension plan through the State of Washington. You will participate in a plan based on your job and your hire date.

MEBT

MEBT is a 401(k) plan, and your participation is voluntary. The City of Redmond makes a contribution to MEBT that is allocated based on your contributions.

Deferred Compensation Section 457 Deferred Compensation

You may also decide to contribute to the Redmond Section 457 Deferred Compensation Plan (457 Plan). Like MEBT, you defer taxes on your contributions to the 457 Plan – however, unlike MEBT, the City of Redmond does not also make a contribution to the 457 Plan.

City of Redmond Does Not Participate in Social Security

As you develop your retirement savings strategy, be aware that the City of Redmond has opted out of Social Security and regardless of your participation in MEBT, you do not participate in Social Security, and you do not earn Social Security service credits.

Overview of the MEBT Plan

- MEBT is a voluntary defined-contribution retirement savings plan. What you receive from MEBT is based on contributions and any earnings or losses and not on a guaranteed formula. Your contributions and the City's contributions and earnings/losses are held in an account in your name, and any earnings on your account grow tax-deferred. When you retire or leave, you receive your vested account balance.
- If you choose to participate in MEBT, you decide whether you will contribute on a pre-tax or after-tax basis.
- The City contributes to MEBT what it would have paid to Social Security. These contributions are allocated to you based on your match-eligible contributions. City contributions vest, or belong to you, increasingly over time to full vesting after 3 years.

- You can continue to contribute beyond the match-eligible levels, subject to federal Tax Code limits.
- When you leave City service, your contributions, the vested portion of the City's contributions, plus investment earnings or losses allocated to your account belong to you or your beneficiaries.
- You can choose from a variety of distribution methods at separation or while still employed at age 59 ½.
- If, while you are still working, you encounter a severe financial hardship, you may qualify for a hardship withdrawal from your MEBT account. You also may take a withdrawal from your after-tax and rollover contributions without a hardship. However, you are not able to repay these withdrawals.
- Professional investment managers, upon the direction of the MEBT Trust Committee, invest contributions in a diversified portfolio.

Important information about this Summary Plan Description (SPD)

- There are eight suburban member-entities in MEBT. Each entity has its own plan, but all participate in a single trust. This SPD covers Redmond's MEBT Plan provisions only. Where "MEBT" is used, it refers to the Redmond Plan.
- This SPD covers the MEBT Retirement Benefit Plan for MEBT I participants. There is a separate Summary Plan Description for the MEBT Survivor & Disability Plan that is produced by the insurance company providing the benefits.
- This SPD is a summary only. If there is a conflict between this SPD and the Plan document, the Plan document will govern in all cases. Contact the MEBT Service Center if you have questions about this SPD or if you need forms or information about MEBT.
- While the City currently intends to maintain MEBT indefinitely, the MEBT Plan contains a provision allowing amendments, modifications or discontinuance of the Plan.
- This is a governmental plan and therefore is not subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Examples of additional Information about MEBT that can be found on our website, www.mebt.org:

- Your account balance and transactions
- Names of the current members of the Plan Committee
- MEBT newsletters
- Monthly investment performance
- MEBT meeting times and locations

We invite your feedback on the SPD, the website or any of our outreach activities. To ask questions or offer suggestions, please contact one of the MEBT Committee members or Human Resources at (425) 556-2120.

If you have general questions about MEBT, contact the MEBT Service Center at (877) 690-5410.

Sincerely,

The MEBT Redmond Plan Committee

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About MEBT

Background

The City of Redmond Municipal Employees' Retirement Benefit Plan is a voluntary 401(k) retirement-savings plan. If you are eligible, you may participate by making a contribution of at least 7.65% of your compensation if you were hired before April 1, 1986, and at least 6.2% if you were hired after April 1, 1986. You may contribute pre-tax and/or after-tax dollars, up to the statutory Deferral Limits and Annual Additions Limits described in the "Contribution Limits and Other Retirement Plans" section. To participate, you must be eligible, enroll and contribute at least the minimum required contribution. Based upon your level of participation, you will receive an allocation of the City's contribution to your account.

The City matches your eligible contributions as described in the "Employee Contributions Eligible for City Contributions" section. All contributions are invested in a professionally managed, diversified Pooled Trust. The Trust Committee, chaired by the City of Bellevue, with input from the Investment Advisory Committee, makes investment decisions about the Trust. The Redmond Plan Committee makes decisions related to the specific administration of the Redmond Plan.

Eligibility

To participate in MEBT, you must be a Regular Full-Time or Regular Part-Time status employee (as defined in the Employer's Personnel Manual, as amended). You are eligible to participate as soon as you are hired into an MEBT-eligible position.

All others are not eligible to participate.

Advantages of Participating in MEBT

Most City of Redmond employees participate because of the following financial advantages:

1. ***To save for retirement*** — MEBT is a flexible retirement savings plan. While you are employed at the City of Redmond you are not earning Social Security credit.

2. ***To protect family members*** — MEBT provides benefits if you become disabled or die. Should either event occur, your City Contributions Account becomes fully vested. Whereas Social Security has a maximum defined benefit ratio for beneficiaries, MEBT allows all of your retirement account to be distributed to your beneficiaries.

3. ***To receive City contributions*** — The City makes contributions to MEBT based on your pay, at the same rate it would have paid to Social Security, regardless of your participation in MEBT. City contributions first are applied to pay premiums for Survivor Life and Long-Term Disability benefits and other expenses of the Plan. You receive an allocation of the City contribution based upon your level of contribution, but only if you participate. If you do not enroll and participate fully in MEBT, your City contributions are shared by other City of Redmond employees who do.

4. ***To reduce current taxes*** — Your pre-tax contributions to MEBT reduce your current tax liability. Any earnings on your contributions, pre-tax or after-tax, will also be tax-deferred.

Contributions to Your MEBT Accounts

Enrolling in MEBT

Beginning with your hire date, you may sign up at any time by submitting a completed enrollment form. There are no set open enrollment periods or deadlines by which you must enroll. You will be asked to complete an enrollment form, even if you decide not to participate to document your decision. If you sign up for MEBT, your payroll deductions will become effective the next pay period following receipt of your form.

Choosing Not to Contribute to MEBT

MEBT is voluntary. If you choose not to enroll, you will still have disability and life insurance.

Changing Contributions

You can change the percentage of your contributions allocated between pre-tax and after-tax dollars at any time. To do so, complete the election form. If received by the payroll cutoff, your change will be effective the next pay period following receipt of your form.

Stopping Contributions

You can stop contributing at any time by submitting a completed election form and a payroll change notice. If received by the payroll cutoff, your change will be effective the next pay period following receipt of your form.

Keep in mind that while you are not making the Basic contribution, you are not earning the matching employer contribution, and you are prohibited from making extra employee contributions.

There is no penalty for stopping your extra employee contribution only. Your account balance will continue to earn or lose value based on investment performance.

Employee Contributions

Options for Contributing to MEBT

As an eligible employee, you can make contributions to your MEBT account subject to Internal Revenue Code Deferral Limits and Annual Addition Limits, described in the "Contribution Limits and Other Retirement Plans" section.

Within MEBT there are six possible accounts for employee contributions.

Basic Accounts:
If you were hired before April 1, 1986, you may choose to participate with combined pre-tax, Roth and/or after-tax contributions of 7.65% of your compensation.

If you were hired on or after April 1, 1986, you may contribute a combination of pre-tax, Roth and/or after-tax contributions of 6.2% of your compensation.

> ***Pre-Tax Basic Account*** contributions are deducted from your paycheck before income tax withholding is calculated, deferring your taxes on that money and any earnings until you take a withdrawal.
>
> ***After-Tax Basic Account*** contributions are deducted from your paycheck after income tax withholding is calculated. Only the earnings on these contributions are tax-deferred.
>
> ***Roth Basic Account Contributions***. See below.

Extra Accounts:
If you wish to save more than the Basic contribution, you may contribute to the MEBT Extra Account.

> ***Pre-Tax Extra Account*** contributions are deducted from your paycheck before income tax withholding is calculated, deferring your taxes on that money and any earnings until you take a withdrawal.
>
> ***After-Tax Extra Account*** contributions are deducted from your paycheck after income tax withholding is calculated. Only the earnings on these contributions are tax-deferred.
>
> ***Roth Extra Account Contributions***. See below.

Rollover Account:
Under certain restrictions, you may roll over distributions from a former employer's eligible retirement plan. (See the "Rolling over Distributions from a Former Employers' Retirement Plan" section for more details.)

Designated Roth Contributions:
Effective January 1, 2025, the Plan includes Roth 401(k) deferrals. The Roth deferrals and in most cases earnings will not be taxed when you take a Plan distribution. Roth deferrals may be made to both the Basic and/or Extra Accounts.

You will be able to continue making deferrals as you always have (these are pre-tax deferrals and are referred to as pre-tax deferrals), or you may make the new Roth deferral or a combination of the two. The salary deferral limits below apply to pre-tax, Roth or any combination of these deferrals. If you make a pre-tax deferral, then your taxable income is reduced by the deferral contribution so you pay less in federal income taxes. Later, when the Plan distributes the deferrals and earnings, you will pay the taxes on those deferrals and the earnings. Therefore, with a pre-tax deferral, federal income taxes on the deferral contributions and on the earnings are only postponed. Eventually, you will have to pay taxes on these amounts.

With a Roth deferral, you must pay federal income tax on the deferral contribution in the year of the deferral. However, the amount of the deferrals and, in most cases, the earnings on the deferrals are not subject to federal income taxes when distributed to you. For the earnings to be distributed tax-free, there must be a *qualified* distribution from your Roth deferral account. See below for the requirements to be a qualified distribution.

When you receive a distribution, the Administrator will deliver to you a more detailed explanation of your options. However, the income tax rules are very complex, and you should consult with qualified tax counsel before making a choice.

Benefits of Making Pre-Tax Contributions

When you make pre-tax contributions, you pay taxes on a smaller portion of your current income because your retirement contributions are made before your federal income taxes are calculated. As long as your pre-tax contributions remain in MEBT, your contributions and any investment earnings will be tax-deferred.

Illustration: Pre-Tax Deferrals

Zoë Schmidt is a new City of Redmond employee making $40,000 per year. This chart shows how Zoë's contribution will reduce her current income taxes if she makes a contribution of 6.2% to MEBT.

	Without MEBT contribution	With MEBT 6.2% pre-tax contribution
Zoe's Pay	$40,000	$40,000
Pre-tax Contribution	$ - 0	$ -2,480
Taxable Pay	$40,000	$37,520
Federal Tax Owed (estimated rate: 15%)	$ 6,000	$ 5,628

Result: By making pre-tax contributions of $2,480, Zoë reduces her current taxes by $372 ($6,000-$5,628). Zoë's contribution also triggers an allocation by the City to her employer account.

Salary Deferral Contribution Limits

The Internal Revenue Code limits the amount you can contribute each year into any 401(k) plan. Employees 50 years and older within a Plan year have a higher limit for deferral contributions. This additional amount is called a "catch-up contribution," and is not subject to the Annual Additions Limit. The deferral limits apply to pre-tax, Roth or any combination of these deferrals.

Limits toTax-Deferred Salary Contributions

Age of Participant	2025 Plan Year
Under 50	$23,500[2]
50 and older[1]	$31,000[2]
Ages 60-63[1]	$34,750[3]

[1]Based on employee's age at end of Plan year, December 31.
[2]This amount is indexed to increase as published by the IRS.
[3]This amount is equal to the greater of $10,000 or 150% of the regular age 50 catch-up contribution limit.

Contribution Limits and Other Retirement Plans

If you make deferral contributions (including Roth) to MEBT and to a tax-deferred plan with another employer (other than a 457 plan), your contributions are combined for purposes of the deferral limit. Since it's your responsibility to ensure that your contributions do not exceed the deferral limit, consult with your tax advisor to make certain you are complying with federal requirements. The Form W-2 from each employer will report the amount of your elective deferrals (including Roth). If your total exceeds the dollar limitation in effect for that calendar year, you should decide which plan you wish to designate as the plan with the excess amount. If you designate MEBT as holding the excess amount for any calendar year, you must notify the Plan Committee of your designation by March 1 of the following calendar year. The Trustee will distribute the excess amount to you, plus earnings (or losses).

If you contribute to other Retirement Plans at the City of Redmond, it is your responsibility to ensure that your contributions do not exceed federal limits.

Illustration: Limits on Tax-Deferred Contributions, Investing Options

Alex Parsons is 45 years old and wants to maximize his contributions to retirement savings.

For 2025, the annual maximum for deferrals contributions (including Roth) to his MEBT account is $23,500 for participants under age 50. In this case, Alex can make deferral contributions of $23,500 to MEBT. (If Alex were 52 in 2025, he could make a catch-up contribution of an additional $7,500, for a total of $31,000. If Alex were 62 in 2025, he could make a catch-up contribution of an additional $11,250, for a total of $34,750.)

He may also choose to make additional deferral contributions (including Roth) of up to $23,500 to the City's Section 457 Plans. In addition, Alex may make additional after-tax MEBT contributions, as long as his total MEBT contributions do not exceed the Internal Revenue Code Section 415 Annual Additions Limit, described below.

IRS Annual Additions Code Section 415 Limit

The Annual Additions Limit, applied to MEBT, means that the total annual contributions to your MEBT accounts (employer and employee, pre-tax, Roth and after-tax) plus any contributions to PERS 3 cannot be greater than the lesser of $70,000 (plus an additional $7,500 if you are age 50 or older (or $11,250 if you are ages 60-63) – 2025 limits – subject to change thereafter) or your annual compensation minus your employee contributions to PERS, LEOFF and/or PSERS. It is your responsibility to monitor that you are within Internal

Revenue Code limits

Illustration: IRS Annual Additions Limit, Applied to MEBT

Joan Whitley is 25 years old. Her annual compensation is $20,000.This year she contributed $400 to PERS II.

Total Pay	$20,000
PERS Contribution	-400
Net Compensation	$19,600

The 415 limit is the lesser of $70,000 or net compensation, so Joan's limit is $19,600. In this example, Joan can have total employee and employer contributions up to $19,600 to MEBT (the lesser amount of the Annual Additions Limit). Note: If Joan was in PERS 3, her total employee and employer contributions would be limited to $19,200 since the $400 PERS 3 contributions count against the overall limit.

Juan Garcia is 49 years old and wants to put as much money into his retirement as possible. His annual compensation is $80,000. This year he contributed $3,200 to LEOFF II.

Compensation	$80,000
LEOFF II Contribution	-3,200
Net Compensation	$76,800

The 415 limit is the lesser of $70,000 or net compensation, so Juan's limit is $70,000. In this example, Juan can have total employee and employer contributions up to $70,000 to MEBT (the lesser amount of the Annual Additions Limit).

Benefits of Making After-tax Contributions

Internal Revenue Code Section 402(g) limits the amount you can defer each tax year (pre-tax or Roth deferrals). Once the limit has been met, you may defer contributions in the City's 457 Plans, and/or you may contribute to MEBT on an after-tax basis. Any investment earnings on your after-tax contributions will accumulate tax-deferred until you take your money out of MEBT.

You may make withdrawals *for any reason* from your after-tax contributions and earnings while you are employed. (See the "For Withdrawals During Employment: Hardship and Non-hardship" section for more details.)

Rolling Over Distributions from a Former Employers' Retirement Plan

You may roll over distributions from a former employer's eligible retirement plan into your MEBT account if they meet the following criteria:

- The amount must be an "eligible rollover distribution." An eligible rollover distribution comes from another qualified, employer-sponsored retirement plan or certain individual retirement accounts (IRAs). IRAs must be "conduit IRAs," funded as a result of a prior rollover from an employer. Qualified plans must meet certain federal requirements under section 401(a) of the Internal Revenue Code. These plans include profit sharing, 401(k) plans and pension plans, among other plans. *Please contact the MEBT Service Center for current types of rollovers accepted by the Plan.*

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

These savings remain tax deferred and become eligible for withdrawals according to the MEBT rules for Rollover Accounts. Rollover contributions are not eligible for City contributions. If you were employed previously by another entity that participates in MEBT, you may make a direct transfer to your new Redmond MEBT account via direct rollover.

City of Redmond Contributions

Calculating the City's Contribution

The City's contribution to MEBT for all employees equals the sum of what it would have paid for each employee under Social Security.

The City contribution is reduced by insurance premiums to pay for the Survivor & Disability Benefits Plan and Medicare contributions. The remaining amount is deposited to an employer contribution account in the Trust, from which the following is deducted:

- Administrative expenses of the Plan and Trust not otherwise paid by participants' quarterly administrative fees.
- Pension Continuation Benefits for disabled participants.

To this result, add back into the City's Contribution Account:

- Forfeitures of non-vested employer accounts from separating employees.

This becomes the City contribution that is allocated each pay period to contributing participants who have made the Basic contribution. In general, the City contribution is expected to be roughly $0.95 per dollar contributed by participants. However, if Plan expenses or insurance premiums are unexpectedly high, the amount of the match could be less. Note: employer contributions are always pre-tax even if they may be related to Roth employee contributions.

Employee Contributions Eligible for City Contributions

Depending on your hire date at the City of Redmond, your allocation of City contributions may be different.

If you were hired before April 1, 1986, your Basic contributions up to 7.65% of compensation are eligible for City contributions until your compensation equals the Social Security Wage Base (SSWB) ($176,100 in 2025). You are not eligible for Medicare through the City of Redmond. (Medicare eligibility may have been earned through another employer or through a spouse or former spouse's participation in Medicare.)

If you were hired on or after April 1, 1986, your Basic contributions up to 6.2% of compensation are eligible for City contributions until your compensation equals the Social Security Wage Base ($176,100 in 2025). You are earning credits for Medicare through the City of Redmond. Both you and the City each contribute 1.45% for Medicare coverage, whether or not you enroll in the MEBT Retirement Plan.

Redmond: MEBT Contribution Matrix[1]			
	Maximum Percentage of Employee Basic Contributions (Pre-Tax, Roth & After-Tax)	Maximum Percentage Eligible for City Contribution	Medicare Percentage (Paid by both City and Employee)
Pre 4/1/86 Hire			
Compensation Under SSWB	7.65%	7.65%	0%
Compensation Over SSWB	0%	0%	0%
Post 4/1/86 Hire			
Compensation Under SSWB	6.20%	6.20%	1.45%
Compensation Over SSWB	0%	0%	1.45%

[1]City contributions are allocated pro-rata based on employee contributions up to these participant contribution rates.

Illustration: City Contributions Allocated According to Employee Contributions

Sally Olson was hired in 1985. She earned $30,000 per year and contributed 7.65% of her pay to MEBT. This example shows how the City's contribution added to Sally's MEBT account in one year if the City's matching contribution was 80%:

Sally's Contribution: $30,000.00	City's Contribution: $2,295.00 $ 2,295.00
X 7.65%	X 80%
$ 2,295.00	$1,836.00

Total Contributions to Sally's Account:	$2,295.00	(Sally)
	+ $1,836.00	(City)
	$4,131.00	retirement savings before earnings/losses

Result: With the City of Redmond's allocation, Sally's contribution of $2,295.00 grew to $4,131.00 in one year. If she did not participate, Sally would give up $1,836.00 in additional contributions from the City, as well as future tax-deferred earnings on her account. Note: City contributions are subject to a 3-year vesting schedule. (See "About Vesting" section.)

About Vesting

"Vested" is a word for ownership. The portion of your benefit in which you are "vested" is the portion you can take with you when you leave employment with the City. You are always 100% vested in your own employee contributions to MEBT.

MEBT has a 3-year vesting schedule that applies to contributions made by the City. After 12 months of participation, you become 33.3% vested in your Employer Account, and your vesting increases at 2.78% per month (33.3% per year) after that. After three years you become 100% vested in your employer contributions.

You will become 100% vested prior to three years of service if, while employed by the City, you die, become disabled or are laid off.

You also become 100% vested when you reach your Normal Retirement Date (the earlier of age 65 or the earliest service retirement date under any other retirement benefit program to which the City contributes on your behalf). See chart that follows for PERS, LEOFF, and PSERS current retirement dates for 2025. See Department of Retirement Services website (www.drs.wa.gov) for any changes.

If you separate from the City prior to three years of participation for any other reason, you will forfeit the unvested portion of your City contributions, based on the vesting schedule.

Current Retirement Dates under PERS and LEOFF		
	Earliest Service Retirement (may have reduced benefits)	**Normal Retirement**
PERS 1	Not available	• Age 60 with 5 years of service. • Age 55 with 25 years of service. • Any age with 30 years of service.
PERS 2	Age 55 with 20 years of service	• Age 65 with 5 years of service. • Age 62 with 30 years of service.
PERS 3	Age 55 with at least 10 years of service credit.	• Age 65 with at least 10 years of service. • Age 65 with 5 years of service, if at least 12 months were earned after reaching age 44. • Age 65 with 5 years of service credit earned under PERS 2 by June 1, 2003 and then transferred to PERS 3.
LEOFF 1	Not available	• Age 50 with 5 years of service.
LEOFF 2	Age 50 with 20 years of service	• Age 53 with 5 years of service.
PSERS	Age 53 with 20 years of service.	• Age 65 with 5 years of service. • Age 60 with 10 years of PSERS service.

Illustration: Graduated Vesting for City Contributions

Roberta Owen has participated actively in MEBT for one year and 10 months. She is 100% vested in the employee contributions she made to her account: $11,000.

The City has contributed an additional $10,000 to her account. According to the 3-year vesting schedule for City contributions, Roberta is 61.1% vested in the City's contributions (33.3% for each full year of participation plus 2.78% for each of the additional 10 months). Her total vesting credit in City contributions is calculated as follows:

1 year (33.3% per year)	33.3%
Plus 10 months x 2.78%	27.8%
Total Percentage Vested	61.1%
City Contributions	$10,000.00
Vested Percentage	X .611
Vested Account Balance	$ 6,110.00

If Roberta were to terminate employment today, she would have 100% of her own contributions ($11,000) and $6,110.00 from the City's contributions. (The unvested difference of $3,890.00 would be forfeited.)

Leaving the City before Full Vesting

As in the above example, if you leave City employment before you are 100% vested, the portion of your City contributions that are not vested will be forfeited. If you return to City of Redmond employment, that money will not be returned to your account.

Forfeitures are put into an unallocated matching employer contribution account. If there is remaining money in the account at the end of the year, that money is allocated to the accounts of eligible MEBT Retirement Savings Plan participants who are employed as of December 31 or retired during the year. The amount of a participant's allocated share is based on the amount of the City's matching contribution on his/her behalf.

MEBT Investments

MEBT Investment Decisions

The MEBT Trust Committee makes investment decisions for the Trust. The Committee is guided by the MEBT Investment Policy Statement (IPS) and recommendations from the Investment Advisory Committee, which is composed of one representative from each MEBT-member entity and advised by a professional investment manager hired by the MEBT Trust Committee.

MEBT Investment Policy Statement

Investments in the fund are made according to the MEBT Investment Policy Statement. Assets are diversified based on asset-class targets that are established in the IPS. Investments are periodically “re-balanced” when the value of the investments varies from the established targets.

MEBT is generally invested in domestic equities (stocks), foreign equities (stocks) and fixed-income investments (bonds). Because the Trust is a vehicle for long-term retirement savings, the Trust Committee has established a relatively moderate, balanced investment philosophy.

MEBT Account Value

The value of your MEBT Plan account is based on contributions, any amounts rolled over from prior plans, any distributions or withdrawals and the Trust’s investment results. Your account is tracked in units and a unit value is calculated each day based on the underlying value of the Trust’s investments. Your account will be valued on a daily basis. Your transactions are processed using the unit values in place on the day they were made. It is important to remember that market or economic conditions could result in losses to your accounts. As with all investments, past performance is not indicative of future results.

You may review the following information about your account online at www.mebt.org:

- Contributions (yours and the City’s).
- Distributions and withdrawals
- Rollovers
- Increases or decreases due to investment returns (interest, dividends, capital appreciation and depreciation, realized and unrealized gains or losses).

MEBT Valuation after Leaving Employment

If you leave all or part of your account balance in the main Trust account, your balance may increase or decrease over time, depending on investment results. If you are eligible to transfer your account into MEBT’s Money Market Fund (or other cash equivalent investment), your account value will start from the value of your account on the date the transfer occurs, plus variable money market interest less any periodic account administrative fees. Administrative fees may be assessed periodically to help pay for the costs of maintaining the account. The amount is based on annual plan administrative expenses.

Distributions and Withdrawals

You (or your beneficiaries) can take distributions from your vested contributions and earnings after any of the following events: retirement; separation from employment with the City; attaining age 59 ½ (while still employed by the City of Redmond), disability; or death.

While still working for the City, you may take a hardship withdrawal (restrictions are discussed under the "Tax Consequences Distributions and Withdrawals" section) or a non-hardship withdrawal for any reason from your after-tax accounts.

Distribution Options

If your vested account balance is $1,000 or less:

When you leave employment, you will receive distribution forms from the MEBT Service Center to describe your distribution options. You are required to receive a distribution in the form of a direct rollover or a lump sum payment. Failure to elect a distribution option could result in subsequent forfeiture of your account (see the "Unclaimed Accounts" section) and maintenance fees may be deducted periodically until an election is made. You have 30 days to decide whether to elect a direct rollover of your distribution. You may waive this right if you desire to expedite a payment. The non-vested portion of your employer account will be forfeited. If you are under age 59½ and you take a distribution, you may owe the IRS a 10% tax penalty, in addition to ordinary federal income taxes (see the "Tax Consequences of Taking Money from MEBT" section).

If your vested account balance is more than $1,000:

When you leave employment, you will receive distribution forms from the MEBT Service Center to describe your distribution options. You have 30 days to decide whether to elect a direct rollover of your distribution, take a distribution, or keep your money in MEBT. You may waive this right if you desire to expedite a payment. The non-vested portion of your employer account will be forfeited. If you are under age 59½ and you take a distribution, you may owe the IRS a 10% penalty, in addition to ordinary income taxes (see the "Avoiding the Early Withdrawal 10% Penalty" section). Maintenance fees will be deducted periodically until an election is made.

If your account balance is greater than $1,000 and $7,000 or less you may remain in MEBT and your account balance will be transferred to a Money Market (or other cash equivalent) account. Maintenance fees will be deducted periodically until an election is made.

Benefit Payment Options, by Circumstance[1]			
	Leave City with > $1,000 vested balance	**Leave City with ≤ $1,000 vested balance**	**Death (Payment to Beneficiary)[2]**
Single Lump-Sum Payment	X	X	X
Direct Rollover (at least $200)	X	X	X
Partial Distribution	X	n/a	X
Installment Payments	X	n/a	X
Annuity Contract	X	n/a	X
Defer Payment	X	n/a	X[3]

[1] Combinations of these benefit-payment options are possible. Read the IRS Special Tax Notice Regarding Plan Payments and consult your tax advisor prior to taking a distribution.
[2] The rules for beneficiaries are highly complex, and there are certain dates by which decisions must be made to assure appropriate benefits are received.
[3] Limited to 10 years for a non-spouse beneficiary.

MEBT Distribution Options, Defined

- **Lump-Sum Payment** – You receive a single payment of the entire distribution amount.

- **Direct Rollover** – MEBT will pay the distribution amount directly to another eligible plan or individual retirement account (IRA) that will accept the rollover. The distribution amount must be at least $200. If you die, a rollover is available for a spouse or non-spouse beneficiary. (See the “Rolling over Distributions from a Former Employers’ Retirement Plan section.)

- **Partial Distribution** – You receive a single payment of the amount you choose to have distributed. The rest remains in MEBT until you choose another distribution option.

- **Installment Payments** – MEBT will make periodic payments (monthly, quarterly or annually) from your account balance over a specified period of time. You may choose to take your installments either:
  - Over a fixed number of years.
  - For a specific dollar amount per payment.
  - Over your life expectancy.
  - As a joint and survivor option (over your life and your beneficiary’s life expectancy).
  - You may reduce, accelerate or defer installments on all or a portion of your remaining account balances.

- **Annuity Contract** – You may elect to have MEBT use your account balance to purchase a non-transferable annuity contract from an insurance company. The insurance company takes on the contractual obligation to provide you income in installment distributions, for life or for a fixed period.

- **Payment Deferral** – You may elect to keep your money in MEBT. However, the Internal Revenue Code requires that you take your money from MEBT or start receiving the minimum benefit payment by a “required beginning date” which is based on your age. This generally means April 1 of the year following the year you reach age 73, or if you continue working for the City of Redmond past age 73, you can leave your money in MEBT until April 1st following the year of your retirement. At that time you must begin receiving at least a minimum benefit payment from MEBT.

For all distribution options, your account balance will be subject to the gains and losses in the Trust unless you elect and are eligible to segregate your account balance in a money market type account. (See the “MEBT Valuation after Leaving Employment” section.) You will be charged an administrative fee to help pay for the costs of maintaining your account. The amount is based on annual plan administrative expenses. As a result, the total amount paid to you could be more or less than the value of your account balance when you are first eligible to take a distribution.

If you are a beneficiary:

If you still have an account balance when you die, additional complex restrictions and deadlines apply. For more detail, see also the “For Death” section.

Distribution Options for Rehired Participants

You may stop distributions or continue to receive distributions previously elected but may not alter a prior election after rehire. However, once you are age 59 ½, you may elect any form of distribution available to a terminated participant.

For Disability

If you become disabled

If you become disabled and are unable to continue your employment with the City of Redmond and are eligible for benefits under the long-term disability policy, your account will become 100% vested. If you terminate employment because of disability, you may elect to have your account paid out. Another option is to keep your money in MEBT and receive a Pension Continuation Benefit, if you qualify.

Pension Continuation Benefit:

In addition to being eligible for benefits from the long-term disability policy, you may be eligible to receive monthly Pension Continuation Benefits.

The purpose of the Pension Continuation Benefit is to allow you to continue to accumulate retirement savings in MEBT, while you are not working because of your disability. Under this option, you keep your money in MEBT and each month you will receive an allocation to your account equal to 180% of your Basic Contributions (whether After-Tax, Roth or pre-tax deferrals) actually made in the calendar month immediately prior to your disability. Note the only Basic Contributions (whether After-Tax or pre-tax deferrals) that qualify are those that are eligible for employer matching contributions (generally the first 6.2% or 7.65% if hired before April 1, 1986). These contributions are 100% vested.

To qualify for this benefit, you must:

- Have been actively making contributions to MEBT immediately before your disability; and
- Keep your money in MEBT until you are eligible to retire; and
- Meet the definition of disability, as defined below. Note: this is a more stringent definition than under the long-term disability policy.

If you take a distribution before you are eligible to retire, Pension Continuation Benefits cease. However, you may take in-service withdrawals without jeopardizing your Pension Continuation Benefit. (In-service withdrawals include non-hardship from your After-Tax Extra (voluntary) and Rollover accounts and hardship withdrawals from your After-Tax Basic accounts.)

The Pension Continuation Benefit contribution to your account will continue until the *earlier of*:

- Your 65th birthday.
- Your earliest service retirement date under any other retirement-benefit program (such as, PERS, LEOFF, or PSERS) where you can receive full benefits (i.e., not actuarially reduced).
- The date you receive a retirement distribution.
- The date you are no longer disabled, as defined below.

Disability for Pension Continuation Benefit defined

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

For Death

Beneficiary options

If you die while employed by the City of Redmond, your City contributions will become 100% vested. All of your accounts become payable to the beneficiary(ies) named on your current Beneficiary Designation form. Since every situation is unique, your beneficiary(ies) should contact Human Resources as soon as possible, after your death, to apply for information on all City benefits. Beneficiaries will receive a packet of information to share with their financial or tax advisors before making benefit-payment decisions. Contact the MEBT Service Center for more information.

Decision Deadlines for Beneficiaries

Your spouse or other beneficiary(ies) must make decisions by key dates to be sure to receive the benefits to which they are entitled. Failure to meet these dates and take minimum required distributions may result in an excise tax of 25% of the amount that should have been distributed. The rules are complex and are described in a separate memorandum included in the survivor's information packet.

Payment Options for My Surviving Spouse

A primary beneficiary who is your spouse has the following payment options:

- Rollover the entire rollover-eligible balance.
- Rollover a portion and receive the balance in a lump sum.
- Lump-sum distribution (any time before you would have reached age 73).
- Installment payments.
- Partial distribution.
- Defer receipt of payment. Payments must begin by the later of either:
    - The end of the year following the year of your death; or
    - By the time you would have reached age 73.

Any rollover-eligible amount is subject to a mandatory 20% withholding unless it is rolled over.

Payment Options for Other Beneficiaries

Non-spouse beneficiaries have the following payment options:

- Rollover the entire rollover eligible balance to an inherited IRA.
- Rollover a portion to an inherited IRA and receive the balance in a lump sum or other form.
- Lump-sum distribution.
- Installment payments.
- A combination of lump sum with the remainder in installments.

Beneficiaries or their representatives should consult tax advisors to be fully aware of the tax consequences of any payment option selected and when elections must be made. Beneficiaries are responsible for requesting payment within the proper timeframe.

For Withdrawals during Employment: Hardship and Non-hardship

If you have attained age 59 ½, you have the right to withdraw all or part of any of your MEBT accounts (including your employer accounts) while still employed by the City of Redmond. You may choose to receive the in-service distribution in any of the optional forms of benefit provided for under the plan.

If you have not yet attained age 59 ½, within certain restrictions, you may withdraw money from your Employee Contribution Accounts while you still are employed. You may not repay any money withdrawn, however, and you are limited in the number of withdrawals permitted. During employment (and before age 59 ½), you cannot make a withdrawal from your City Contributions account or related earnings. MEBT has two types of withdrawals during your employment: non-hardship and hardship. Each type of withdrawal has different rules. In addition, the Plan Committee has adopted administrative rules which may limit the number of withdrawals you may take each year.

Taking a Non-Hardship Withdrawal

You may take a non-hardship withdrawal from your after-tax employee contribution accounts (contributions plus earnings) only.

After-tax Basic Contributions:

- You may withdraw 100% of your after-tax Basic contributions (any associated pretax earnings will be included with the withdrawal).
- A distribution processing fee applies.
-

After-tax Extra Employee Contributions:

- You may withdraw 100% of your after-tax extra employee contributions (any associated pretax earnings will be included with the withdrawal).
- A distribution processing fee applies.

Taking a Hardship Withdrawal

Under certain conditions you may take a hardship withdrawal from your After-Tax Basic Account (after-tax contributions plus earnings), Pre-Tax 401(k) Salary Reduction Deferral Account (pre-tax contributions, plus any earnings as of December 31, 1988) and Roth 401(k) Salary Reduction Deferral Contribution Account provided that the distribution is a “qualified distribution” within the meaning of Code Section 402A(d)(2).

Limitations:

Hardship withdrawals are for situations that constitute an immediate and heavy financial need that you are unable to satisfy from other sources, for the following reasons:

- Uninsured medical expenses for yourself, your spouse, your dependents or your beneficiary.
- Purchase of your principal residence (limited to once per lifetime).
- Payment of post-secondary educational expenses for yourself, your spouse, your dependents or your beneficiary.
- Need to prevent eviction from your principal residence or to prevent foreclosure on the mortgage on your principal residence.
- Substantial improvement, alteration or reconstruction of your principal residence or the need to repay a loan for the foregoing (available only from your After-Tax Basic Account).
- Payment for funeral expenses of a parent, your spouse, your child, your dependents or your beneficiary.
- Payment for certain expenses relating to the repair of damage to a principle residence that would qualify for the casualty loss deduction under Code Section 165 on your federal income tax return.
- Payment for expenses and losses (including loss of income) incurred by the employee on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act provided that the employee's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

To apply for a hardship withdrawal, you also must submit an affidavit, in writing that your situation falls under one of the categories above and that the financial need *cannot be met by any other means*, including any of the following:

- Reimbursement or compensation by insurance.
- Reasonable liquidation of your assets (to the extent such liquidation would not itself cause an immediate financial hardship).
-
- Receipt of other distributions from plans maintained by the City of Redmond or any other employer.
-

Note: If you could relieve your need by one of the above means, but the effect would be to increase the amount of your need, you still may make the assertion that your financial need cannot be met by any other means.

Taking a Loan from the Plan

The Plan permits the Plan Committee to adopt a policy under which the Plan may make loans to participants. A copy of the loan policy adopted by the Plan Committee is available upon request from the MEBT Service Center.

Qualified Reservist Distribution

If you are a reservist or National Guardsman who after September 11, 2001, was called to active duty for at least 180 days (or indefinitely), you may take a distribution of your elective deferrals under the Plan while you are on active duty, regardless of your age. The 10% premature distribution penalty tax, normally applicable to Plan distributions made before you reach age 59 ½, will not apply to the distribution. You also may repay the distribution to an IRA, without limiting amounts you otherwise could contribute to the IRA, provided you make the repayment within two years following your completion of active duty.

Qualified Disaster Distribution

If your principal residence is located in an area which has been declared a disaster area by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act after December 27, 2020 and you sustained an economic loss by reason of the disaster, you may be eligible to take a distribution from the Plan.

Domestic Abuse Distribution

If you have experienced domestic abuse from your spouse or domestic partner, you may be eligible to take an in-service distribution of up to $10,000 from the Plan.

Tax Consequences Distributions and Withdrawals

Tax Consequences of Taking Money from MEBT

When you take withdrawals or distributions from your MEBT accounts, there are likely to be tax consequences. You are responsible for reporting any withdrawal to the Internal Revenue Service (IRS) as income on your federal income-tax filing. MEBT will provide you and the IRS with a Form 1099-R to report any distributions.

If you are under age 59 ½ when you take the withdrawal, you may owe both ordinary income taxes and an additional 10% tax penalty to the IRS. Under limited circumstances you may qualify for an exemption from the tax penalty, described in the "Special Circumstances" section.

Consult with a qualified tax advisor to determine the proper method of reporting any distributions or withdrawals you receive from MEBT. Internal Revenue Code rules are complex, change periodically, and vary according to individual circumstances.

Here is a brief summary of the taxes you may incur when taking money from MEBT:

- **Loans** – Loans are not taxable if they are repaid in accordance with the Plan's loan policy while you are working for the City.

- **In-service Withdrawals after Age 59 ½** -- In-service withdrawals may be taken from any of your MEBT accounts after you have attained age 59 ½. Because you already have paid federal income tax on after-tax contributions, you pay taxes only on the associated investment earnings, which were tax-deferred. If the withdrawal is not being rolled over, the distribution is subject to mandatory 20% federal income tax withholding on the pre-tax amounts and any earnings on the after-tax amounts. Withholding is a pre-payment of potential taxes. Depending on your other circumstances, your actual tax liability may be more or less than this amount. Note, that a withdrawal which includes any Roth amounts may have income tax consequences unless the withdrawal is a *qualified* distribution. See the paragraph "Distribution of Roth Amounts" on the next page for additional information regarding Roth deferral distributions.

- **Non-hardship Withdrawals** – Non-hardship withdrawals can be taken only from your Rollover Account, After-Tax Basic and After-Tax Extra accounts (unless you are 59 ½ or older). Since you already have paid federal income tax on after-tax contributions, you pay taxes only on the associated investment earnings, which were tax-deferred. If the withdrawal is not being rolled over, you will incur a mandatory 20% federal income tax withholding on the earnings. This withholding is a pre-payment of potential taxes. Your actual tax liability may be more or less than this amount. The 10% tax penalty for early withdrawal also may apply if you are younger than 59 ½. (See the "For Withdrawals during Employment: Hardship and Non-hardship" section.)

- **Hardship Withdrawals** – Hardship withdrawals can be taken only from your After-tax Basic Account (after-tax contributions, plus earnings), Pre-Tax 401(k) Salary Reduction Deferral Account (pre-tax contributions, plus any earnings as of December 31, 1988) and Roth 401(k) Salary Reduction Deferral Contribution Account provided that the distribution is a "qualified distribution" within the meaning of Code Section 402A(d)(2). See the paragraph "Distribution of Roth Amounts" below for additional information regarding Roth deferral distributions. . Your

Employer Contribution Account is not available for Hardship Withdrawals. You will owe federal income taxes on the pre-tax contributions and on any investment earnings. Withholding is optional. You may elect to have a portion of your withdrawal withheld for income taxes that you will owe and for the 10% tax penalty for early withdrawal you may owe if you are younger than 59 ½. These withdrawals are not eligible for rollover. (See the "For Withdrawals during Employment: Hardship and Non-hardship" section.)

- **Distributions when Leaving Employment** – You will owe federal income taxes on distributions from your Pre-Tax, City Contribution and Rollover accounts, and investment earnings on all your accounts. There is a 20% mandatory withholding of your tax-deferred money for federal income tax if the amount is eligible for rollover. Your actual tax liability for the year could result in a tax rate that is higher or lower than 20%. Withholding does not apply to amounts directly rolled over to an IRA or an eligible plan. When you receive tax-deferred money from MEBT before age 59 ½, you may be required to pay the IRS a 10% tax penalty on the untaxed money.
- **Distribution of Roth Amounts** – The principal amount of your designated Roth deferral contributions may be distributed tax-free. In addition, the accumulated earnings on your designated Roth contributions may also be distributed tax-free in a *qualified* distribution. To be a *qualified* distribution, the distribution must occur after one of the following: (1) your attainment of age 59½, (2) your disability, or (3) your death. *In addition*, the distribution must occur after the expiration of a 5-year participation period. The 5-year participation period is the 5-year period beginning with the calendar year in which you first make a Roth contribution to our Plan (or to another 401(k) plan or 403(b) plan if such amount was rolled over into our Plan) and ending on the last day of the calendar year that is 5 years later. For example, if you make your first Roth deferral under this Plan on November 30, 2025, your participation period will end on December 31, 2029. It is not necessary that you make a Roth contribution in each of the five years.

  If a distribution from your Roth deferral account is *not* a qualified distribution, the distributed earnings on the Roth deferrals will be taxable to you at the time of distribution (unless you roll over the distribution to a Roth IRA or other 401(k) plan or 403(b) plan that will accept the rollover). In addition, in some cases, there may be a 10% excise tax on the earnings that are distributed.

Avoiding the Early Withdrawal 10% Penalty

If you take a distribution or withdrawal prior to age 59 ½, the Internal Revenue Code generally applies a 10% penalty. However, you may qualify for an exception if the withdrawal meets at least one of the following conditions. The distribution or withdrawal was:

- Paid after you separate from service after you reach age 55 (age 50 for qualified public safety employees) [1]
- Paid because you retire due to disability as defined by the Code.
- Paid as equal (or almost equal) payments over your life expectancy (or you and your beneficiary's life expectancy).
- Rolled over in a timely manner to either a qualified individual retirement account (IRA) or another employer's eligible retirement plan that accepts rollover contributions.
- Used to pay deductible medical expenses.
- Paid to an alternate payee (e.g., a former spouse), under a Qualified Domestic Relations Order.
- Paid to a participant with a terminal illness.
- Paid to a participant who took a qualified disaster distribution.
- Paid to a participant who took a domestic abuse distribution.

Illustration: Early Retirement with Installments over Life Expectancy
If you retire or terminate employment before the calendar year in which you reach age 55, you can avoid the 10% tax penalty by electing to take installments over your life expectancy. Once you have reached age 59 ½ and have received such installments for at least five years, you can change your payment option and continue to avoid the tax penalty. The MEBT Service Center can provide tables that calculate your life expectancy for federal income tax purposes, or the life expectancy of you and your beneficiary. If you change your payment option before reaching age 59 ½, or, if you change your payment option before receiving proper installments for at least five years, you will owe the 10% penalty (plus interest) on any amounts received before age 59 ½. If you retire or terminate between ages of 55 and 59 ½, you may take a distribution at any time and avoid the 10% penalty.[1] [1] The IRS Model Tax Notice, IRS Publication 575 and IRS Notice 87-13 indicate that the tax does not apply to payments to you "that are paid after you separate from service with your employer during or after the year you reach age 55."

Summary of Tax Consequences of Withdrawals and Distributions				
	In-Service After Age 59 1/2	**Non-Hardship In-Service**	**Hardship In-Service**	**Distributions Following Separation**
Accounts Available	All MEBT Accounts.	Rollover, After-Tax Basic or After-Tax Extra contributions plus earnings.	Pre-tax contributions (Tax-Deferred plus pre-1989 earnings) and After-Tax Basic contributions plus earnings.	All vested account balances plus earnings.
Taxable?	**Yes** Pre-tax contributions and any earnings on after-tax contributions are taxable.	**Yes** The after-tax contributions have already been taxed, but the earnings are taxable.	**Yes** Pre-tax contributions and earnings are taxable. The after-tax contributions have already been taxed, but the earnings are taxable.	**Yes** Pre-tax contributions and earnings are taxable. The after-tax contributions have already been taxed, but the earnings are taxable.
Subject to Mandatory 20% Federal Tax Withholding?	**Yes** On taxable amounts and all tax-deferred earnings.	**Yes** On taxable amounts (rollover contributions and all tax-deferred earnings).	**No** May elect **optional** withholding on pre-tax contributions and on tax-deferred earnings.	**Yes** On taxable amounts if paid in a lump sum or over a period less than 10 years.
Subject to 10% Penalty Tax Before Age 59½?	**Not Applicable.**	**Yes** On taxable amounts and earnings unless you qualify for an exception.	**Yes** On pre-tax contributions and all tax-deferred earnings unless you qualify for an exception.	**Yes** If paid directly to you in a lump sum or in installments over a period less than life expectancy, unless you qualify for an exception.
*** However, in addition to meeting the conditions of this Section, you may only receive an in-service distribution from your Roth deferral account if the distribution would also be considered a qualified distribution as described above**				

Special IRS rules that apply to distributions where the account has after-tax and pre-tax contributions

The general rule is that all distributions must include a pro rata share of taxable and after-tax amounts. MEBT has divided its accounts into two separate accounts under a special IRS rule. One account consists of all the after-tax amounts plus earnings and the other consists of all other contributions, including pre-tax contributions plus earnings. When you elect to take a distribution, you may designate which account it should come from. This will allow you to recover your after-tax contributions more quickly, if you wish. For example, you could elect a partial distribution from your after-tax account, rollover the earnings or taxable amounts into an individual retirement account (IRA) or other eligible employer plan and keep the after-tax amounts. In this way you would pay no tax on the distribution and recover your after-tax amounts first. You can do this with installments, too. This allows you more control over when you receive your after-tax dollars.

Special Circumstances

What Happens During Military Leave

The Uniformed Services Employment and Reemployment Rights Act (USERRA) permits contributing participants called up for military leave to make contributions to MEBT upon their return to work and to receive City contributions. A number of specific timelines must be met for USERRA benefits to apply. There may also be benefits for employees who die or become disabled while on active duty. Employees who receive wage continuation payments while in the military may benefit from law changes effective in 2009. Contact the MEBT Service Center for an information packet.

Vesting Between MEBT Entities

One of three situations may apply for vesting between MEBT Entities:

1. Leaving the City of Redmond and immediately going to work for another MEBT entity.
2. Begin working for Redmond immediately following employment at another MEBT entity.
3. Rehired by the City of Redmond.

Leaving the City of Redmond for Employment at another MEBT Entity

If you leave the City of Redmond and immediately go to work for another MEBT entity, your months of participation in Redmond's MEBT may be counted toward your vesting at your new MEBT entity. The non-vested portion of your Redmond MEBT Employer Account (City contributions) will be forfeited, but you will be 100% vested in the remaining portion.

Depending on the rules of the other MEBT entity's Plan to which you are transferring, you may be given credit for your months of MEBT participation with the City of Redmond. Most MEBT plans credit participation with other MEBT entities, but some may not. If you do receive credit, you begin vesting in the Employer Contributions at the new MEBT entity based on the months of service for participation in Redmond's MEBT. Check with the MEBT Service Center for requirements.

Illustration: Transferring to another MEBT Entity with a 5-year Vesting Schedule

Matt Erikson worked and participated in MEBT for two years at the City of Redmond before accepting a position at a different MEBT entity. During that time, he contributed $3,200 from his own salary into his MEBT Employee Account. The City allocated another $3,000 in City Contributions.

The City of Redmond has a 3-year MEBT vesting schedule, so Matt was 66.6% vested in his City Contributions Account of $3,000, for $2,000 (66.6% of $3,000). When Matt terminated employment, he forfeited $1,000 of his City Contributions, the remaining unvested portion (33.3% of $3,000).

When he went to work for a different MEBT Entity, Matt was eligible to transfer 100% of his employee contributions ($2,200) and 66.6% ($2,000) of his City Contributions.

Matt immediately transferred his MEBT accounts (100% of his employee contributions and the vested portion of his City Contributions) to his new MEBT employer. The $2,000 vested employer contributions that Matt transferred to his new MEBT employer remained 100% vested in his new employer contributions account.

Because his new employer has a 5-year vesting schedule, Matt's two years at the City of Redmond translated to 40% vesting credit in the new plan.(This new plan provides for 20% vesting per year.) Future employer contributions Matt will receive from the new employer will begin at 40% vesting.

Begin working for Redmond Immediately Following Employment at another MEBT Entity

If you begin employment at Redmond immediately following employment at another MEBT entity, you receive vesting credit for your months of participation in the MEBT Plan of the other entity, if you:

- Enroll in the MEBT Retirement Benefit Plan as soon as you are eligible.

- Were participating in the other MEBT entity's Plan immediately prior to coming to Redmond.
- Rollover or directly transfer your current MEBT account to the City of Redmond Plan.

Illustration: Transferring to Redmond from another MEBT Entity
Ashley Carter worked and participated for one year at the City of Federal Way before accepting a position at the City of Redmond. She had contributed $2,200 to her MEBT Employee Account. The City of Federal Way allocated another $2,000 in City Contributions. The City of Federal Way has a 5-year vesting schedule in its MEBT plan, so Ashley was 20% vested in Federal Way's City Contributions Account at the time she left. Ashley forfeited $1,600, or 80% of her City Contributions Account, but was fully vested in the remaining 20%, or $400. Ashley immediately transferred her MEBT accounts (100% of her employee contributions and the vested portion of her City Contributions) to the City of Redmond MEBT Plan. The $400 vested City Contributions that Ashley transferred from the City of Federal Way MEBT to the City of Redmond MEBT remained 100% vested in her new City Contributions account. Because the City of Redmond has a 3-year vesting schedule, Ashley's one year at the City of Federal Way translated to 33.3% vesting credit at the City of Redmond. Future City Contributions Ashley will receive from the City of Redmond will begin at 33.3% vesting.

Rehired by the City of Redmond

If you are rehired by the City of Redmond, the vesting schedule for new allocations from City contributions credit your months of prior participation in Redmond's MEBT (provided you enroll in the MEBT Benefit Plan as soon as you are eligible). However, any previously forfeited amounts are not returned to you.

Illustration: Rehired by the City of Redmond
Larry Smith worked and participated for one year at the City of Redmond. During that time he contributed $2,200 to his Employee Account. The City allocated another $1,500 in City Contributions. Larry was 100% vested in all MEBT contributions he made into his Employee Accounts. Because Redmond's MEBT Plan has a 3-year vesting schedule, he was 33.3% vested in his City Contributions Account at the time he separated. At separation, he forfeited $1,000(66.6% of his City Contributions). He was vested in the remaining amount of $500. Later, Larry Smith was rehired by the City of Redmond and immediately re-enrolled in the Plan. Because he received credit for one year of prior participation, Larry restarted his MEBT participation at 33.3% vesting for all new City Contributions. The $1,000 previously forfeited is not reinstated into Larry's account.

Nearing Retirement

If you are within three years of your Normal Retirement Date (see the "About Vesting" section) or after, and intend to retire or are no longer working at the City, you may wish to reduce the level of investment risk of your MEBT investment by transferring your money into MEBT's Money Market Fund (or other cash equivalent investment). You may make up to three irrevocable transfer elections to the Money Market Fund (or other cash equivalent) prior to payment of your entire account.

The rate of return in the Money Market Fund (or other cash equivalent) may be less volatile. Over a longer term, its rate of return also may be lower than the rate of return in the main Trust account. However, there is no guarantee that either will have positive returns.

Contact the MEBT Service Center for information regarding these transfers.

Assigning My MEBT Account to Someone Else

Retirement benefits provided under MEBT are for you and your beneficiaries alone. You cannot assign your MEBT account to someone else in order to settle a debt, nor can you use your MEBT account as collateral to secure a loan, nor may creditors reach these accounts. The only exception is in the case of a Qualified Domestic Relations Order.

Qualified Domestic-Relations Order (QDRO)

An "alternate payee" for your MEBT accounts must be a spouse, former spouse, child or other dependent that is recognized by a Domestic Relations Order as having the right to receive all, or a portion of, your benefits under MEBT. MEBT specifically permits an alternate payee to request an immediate distribution of retirement benefits if stated in the QDRO. This request must comply with federal and state domestic-relations laws. You may use MEBT's sample order to expedite approval. Expenses incurred in connection with processing the Order and determining its qualification will be charged to your (or the alternate payee's) account. The MEBT Service Center will work with your legal counsel to pre-approve the order and minimize your costs.

Claims Procedures

If My Claim is Denied

The Plan Committee has discretionary authority to interpret Plan provisions and determine benefit eligibility. It must perform its duties legally and prudently, for the exclusive benefit of participants and their beneficiaries. The Committee attempts to make all decisions in good faith and in a uniform and nondiscriminatory manner. If you disagree with the MEBT Committee's determination of the amount of your benefits under MEBT or with respect to any other decision the MEBT Committee may make regarding your interest in MEBT, there is an appeal procedure you may follow. In brief, if you are denied benefits in whole or in part, you may submit a formal claim in writing to the MEBT Committee. The MEBT Committee will then provide you:

- A specific, written explanation of why your claim was denied and the pertinent provisions of the MEBT Plan supporting the decision.
- Details about additional information that may be required in order to receive your payment.
- Details about how MEBT's appeal procedures work.

Appeal Procedure

If you want the MEBT Committee to hear your appeal of its decision, you or your authorized representative must make a written request for the denied benefits to the MEBT Committee within 90 days of receiving your denial. Your request must present all of the grounds on which your appeal is based, including all relevant facts. The MEBT Committee will:

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

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

General Information

Background

In 1970, the federal government gave all governmental organizations a window of time to decide whether to continue participating in Social Security for employee retirement and insurance or to offer an alternative plan. MEBT was designed to provide such a plan to equal or exceed expected Social Security benefits.

In 1975, City of Redmond employees voted to withdraw from Social Security, and to participate in the Municipal Employees Benefit Trust. Today Bellevue, Edmonds, Federal Way, Kirkland, Mill Creek, Woodinville and North East King County Regional Public Safety Communication Agency (NORCOM) also participate in this Trust, with somewhat varying retirement and benefit program elements.

MEBT has three different Plans
The City of Redmond MEBT Plan has three parts:

- **The City of Redmond Employees' Benefit Plan** – to help you save for retirement, covered in this Summary Plan Description (SPD); and

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

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

If you are eligible for the MEBT Plan, you are covered automatically under the City of Redmond Survivor Income Plan and Long-Term Disability Plan, even if you don't enroll in the MEBT Retirement Benefits Plan. The details of these plans are included in a different Summary Plan Description produced by the insurance company providing these benefits.

Administrative Charges to My Account

Plan expenses may be deducted from your account balance whether or not you are actively contributing.

Expenses allocated to all accounts. MEBT can pay its expenses from the Plan's assets. If expenses are paid using Plan assets, the expenses will generally be allocated among the accounts of all MEBT participants. These expenses will be allocated either proportionately based on the value of the account balances or as an equal dollar amount based on the number of participants in MEBT. The method of allocating the expenses depends on the nature of the expense and may be changed by the Committee.

- *Value of the Account* - Investment Management expenses would typically be allocated proportionately based on the value of the account. If MEBT pays $1,000 in such expenses and total MEBT assets equal $1,000,000 and your account is $10,000 your account would be charged $10 ($1,000 X $10,000/$1,000,000).

- *Number of Accounts* - Recordkeeping expenses would typically be allocated proportionately to each participant. If MEBT pays $1,000 in such expenses and there are 100 participants, your account balance would be charged $10 ($1,000/100) of the expense.

Expenses allocated to individual accounts. There are certain other expenses that may be paid just from your account. These are expenses that are specifically incurred by, or attributable to you. For example, if you take a distribution, you may be charged for the cost of the wire transfer or check. Also, if you are married and get divorced, the Plan may incur additional expenses if a court mandates that a portion of your account be paid to your ex-spouse. These additional expenses may be paid directly from your account (and not the accounts of other participants) because they are directly attributable to you under the Plan. The Plan Committee will inform you when there will be a charge (or charges) directly to your account.

Terminated employee. After you terminate employment, your account may be charged your pro-rata share of the Plan's administration expenses, regardless of whether the City of Redmond pays some of these expenses on behalf of current employees.

The Plan Committee may from time to time change the manner in which expenses are allocated.

Designating or Changing a Beneficiary

You designate a beneficiary (or beneficiaries) by completing the Beneficiary Designation form and indicating to whom you want your account paid when you die. If you do not designate a beneficiary(ies), your account balance may not be paid to the person(s) you want to receive it.

Submit a new Beneficiary Designation form if you have a family change, such as the birth of a child or a divorce, or want to change your beneficiary designation.

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

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

If you divorce or legally separate, a divorce decree or decree of legal separation will revoke a prior designation of your spouse or former spouse. Your new spouse or RDP automatically will become the primary beneficiary unless he/she signs the waiver.

Unclaimed Accounts

If we are unable to locate you at your last address of record, your account may be forfeited. If you later make a claim for this account, it will be restored at the same dollar amount as the amount forfeited, unadjusted for any subsequent income, gains and losses. It is very important to update your mailing address even after you have terminated employment.

Plan Committee

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

Employer

City of Redmond
15670 NE 85th Street
P.O. Box 97010
Redmond, WA 98073
EIN: #91-6001492

Trustee

Matrix Trust Company
P.O. Box 52129
Phoenix, AZ 85072-2129

More information about MEBT

Read this Summary Plan Description, for the best resource of information visit www.mebt.org or call the MEBT Service Center at (877) 690-5410.