

CITY OF RUTLAND, VERMONT

DEFERRED COMPENSATION SECTION 457(b) PLAN DOCUMENT



Restated as of February 4, 2008
Amended February 8, 2011

City of Rutland

DEFERRED COMPENSATION SECTION 457 PLAN

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ARTICLE ONE

INTRODUCTION AND PURPOSE OF PLAN

1.01 ESTABLISHMENT OF PLAN

The City of Rutland (the "City"), a governmental entity under the Internal Revenue Code of 1986, as amended (the "Code"), originally established the City of Rutland Deferred Compensation Section 457 Plan (the "Plan") as of January 23, 1974. Effective February 4, 2008, the Plan is hereby amended and restated in its entirety to reflect changes to the Code and regulations thereunder, and changes with respect to the administration of the Plan and the investment of the assets of the Plan. The Plan shall be maintained for the exclusive benefit of participants and their beneficiaries, and is intended to comply with the requirements for an eligible deferred compensation plan under Code Section 457(b) and the regulations thereunder.

1.02 PURPOSE OF THE PLAN

The purpose of the Plan is to enable Eligible Employees who become covered under the Plan to enhance their retirement security by permitting them to enter into agreements with the Employer to defer a portion of their compensation. Participation in this Plan shall not be construed to establish or create an employment contract between any Eligible Employee and the Employer. All plan assets shall be held in trust for the exclusive benefit of Participants and their Beneficiaries.

ARTICLE TWO

DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings as set forth in this Article unless a different meaning is clearly required by the context.

2.01 ACCOUNT

“Account” means the account maintained for each Participant, Beneficiary and Alternate Payee under the Plan that reflects the cumulative amount of contributions, and earnings and/or losses thereon, and is also adjusted to reflect any distributions. Said Account shall be invested in accordance with Article Eight. The Account may be divided into sub-accounts which may include a Deferral Account, and, if applicable, a Non-457 Rollover Contribution Account, and a 457 Rollover Account. An Account shall be maintained for the benefit of a Beneficiary, after a Participant's death, and for an Alternate Payee, pursuant to a qualified domestic relations order.

2.02 ALTERNATE PAYEE

“Alternate Payee” means any spouse, former spouse, child or other dependent of a Participant who is recognized by a qualified domestic relations order as having a right to receive all, or a portion of, the Participant's Account under the Plan as determined in accordance with Section 11.07 of the Plan.

2.03 BENEFICIARY

“Beneficiary” means any person, persons, or legal entity designated by a Participant, in accordance with the rules set forth in Article Seven, to receive all or any portion of the Participant's Account in the event of a Participant's death.

2.04 CITY

“City” means the City of Rutland, Vermont, a political subdivision of the State of Vermont.

2.05 CODE

“Code” means the Internal Revenue Code of 1986, as amended.

2.06 COMPENSATION

“Compensation” means all cash compensation paid to a Participant for services to the Employer, including salary, wages, fees, commissions, bonuses, and overtime pay that is includible in the Employee's gross income for the calendar year, plus amounts that would be cash compensation for services to the Employer includible in the Employee's gross income for the calendar year but for a compensation reduction election under Code Sections 125 (including, effective for Plan Years beginning after December 31, 1997, amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify

that he or she has other health coverage), 132(f), 401(k), 403(b), or 457(b) (including an election to defer compensation under this Plan).

2.07 DEFERRAL

“Deferral” means the amount credited to a Participant’s Deferral Account pursuant to a Participation Agreement as provided in Section 3.02, except for any such amounts that are distributed to a Participant as an excess deferral under Section 4.03.

2.08 DEFERRAL ACCOUNT

“Deferral Account” means the sub-account established and maintained within an Eligible Employee’s Account to which any Deferrals contributed at the Eligible Employee’s election and any Transfer Contributions pursuant to Section 3.11, and any earnings and losses attributable thereon, are credited.

2.09 EFFECTIVE DATE

“Effective Date” means the effective date of this restatement, February 4, 2008. The original effective date of the Plan was January 23, 1974. The effective date of Plan sections 4.01(a), (b) and (c) is January 1, 2002.

2.10 ELIGIBLE EMPLOYEE

“Eligible Employee” means any Employee who is designated eligible to participate in the Plan by the Employer. Without limitation, an Employee, who has retired from employment with the Employer, regardless of whether or not he or she subsequently returns to work for such Employer, is not an Eligible Employee. For purposes of execution of a Participation Agreement, the term “Eligible Employee” shall include an individual who has been retained to perform services for the Employer but who has not yet begun performing such services.

2.11 EMPLOYEE

“Employee” means any full time, non-seasonal common law employee of the Employer and any full time, non-seasonal individual performing services for the Employer either by appointment or election. Full time employees are employees eligible to receive benefits from the Employer. “Employee” shall not include employees of the Rutland City School Department.

2.12 EMPLOYER

“Employer” means the City of Rutland, Vermont, a governmental entity within the meaning of Code Section 457(e)(1)(A), a Participating Employer, and any successors of the City or of a Participating Employer; provided, however, that for purposes of Articles 8, 9 and 10, Employer shall mean the City and its successors.

2.13 FINANCE COMMITTEE

“Finance Committee” means the Finance Committee of the Rutland City Board of Aldermen.

2.14 INCLUDIBLE COMPENSATION

“Includible Compensation” means wages, salaries and fees for services to the extent that such amounts are includible in gross income, and increased by any compensation reduction election under Code Sections 125 (including effective for Plan Years beginning after December 31, 1997, amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage), 132(f), 401(k), 403(b), or 457(b) (including an election to defer Compensation under this Plan), but subject to a maximum of \$210,000 (or such higher maximum as may apply under Code Section 401(a)(17)).

2.15 INVESTMENT FUND

“Investment Fund” means an investment alternative authorized by the Plan Administrator, that is available to a Participant for investing amounts credited to his or her Account under the Plan.

2.16 INVESTMENT PROVIDER

“Investment Provider” means an individual or entity designated by the Plan Administrator to provide investment management services to Participants.

2.17 NON-457 ROLLOVER ACCOUNT

“Non-457 Rollover Account” means the sub-account established and maintained within a Participant’s Account to which any Rollover Contributions received from an eligible retirement plan other than from another governmental employer’s eligible deferred compensation plan within the meaning of Code Section 457(b), and any earnings and losses attributable thereon, are credited in accordance with Section 3.12.

2.18 NORMAL RETIREMENT AGE

“Normal Retirement Age” means any age designated by an Eligible Employee that is on or after the earlier of: (i) the age at which he or she has the right to retire and receive, under the Employer’s basic defined benefit pension plan in which the Eligible Employee also participates (or a money purchase pension plan in which the Eligible Employee also participates, if he or she is not eligible to participate in the defined benefit plan), immediate retirement benefits without actuarial or similar reduction because of retirement before some later specified age, or (ii) age sixty-two (62), but in no event earlier than age 40 or later than age 70 ½. The designation of Normal Retirement Age is made solely for purposes of determining the period during which an Eligible Employee may make increased contributions pursuant to Section 4.01(c) and shall not be interpreted as requiring a Severance from Employment on or after such Eligible Employee’s attainment of Normal Retirement Age. The election of a Normal Retirement Age is irrevocable.

2.19 PARTICIPANT

“Participant” means an Eligible Employee or former Eligible Employee who has a balance in an Account in this Plan.

2.20 PARTICIPATING EMPLOYER

“Participating Employer” means any political subdivision of the City that: (a) is a governmental entity within the meaning of Code Section 457(e)(1)(A), and (ii) has adopted the Plan in accordance with the terms and conditions of the Plan.

2.21 PARTICIPATION AGREEMENT

“Participation Agreement” means the agreement between the Eligible Employee and the Employer to defer receipt by the Eligible Employee of Compensation. Such agreement shall state the Deferral amount to be withheld from an Eligible Employee’s paycheck. Notwithstanding anything in the Plan to the contrary, the minimum amount an Eligible Employee may defer under the Plan is twenty dollars (\$20) per pay period.

2.22 PLAN

“Plan” means the City of Rutland Deferred Compensation Section 457 Plan, as it may be amended from time to time.

2.23 PLAN ADMINISTRATOR

“Plan Administrator” means the City Treasurer, or his/her designee.

2.24 PLAN YEAR

“Plan Year” means the twelve (12) month period beginning on January 1 and ending on December 31 of each year during which the Plan is in effect.

2.25 REGULATION

“Regulation” means the federal income tax regulations issued under the Code, as amended from time to time.

2.26 ROLLOVER CONTRIBUTIONS

“Rollover Contributions” means the rollover contributions, if any, described in Section 3.12.

2.27 SEVERANCE FROM EMPLOYMENT

“Severance from Employment” means, with respect to an Employee, the severance of his or her employment with the Employer, including retirement or death. Any Employee granted a leave of absence by the Employer will not be treated as having incurred a Severance from Employment as long as the Employer approves such leave of absence. If, without resumption of the employment relationship, the Employer terminates an approved leave of absence, the Employee shall be treated as having incurred a Severance from Employment under this Plan as of the date of termination of such leave.

2.28 TRANSFER CONTRIBUTIONS

“Transfer Contributions” means the transfer contributions, if any, described in Section 3.11.

2.29 TREASURER

“Treasurer” means the City’s Treasurer or any person or group of persons authorized by the Treasurer in writing to act on the Treasurer’s behalf in carrying out the Treasurer’s duties and responsibilities under this Plan.

2.30 TRUST

“Trust” means the trust fund established pursuant to Article Eleven of the Plan.

2.31 TRUSTEE

“Trustee” means the trustee or insurance company appointed by the Employer as provided in Article Eleven.

2.32 UNFORESEEABLE EMERGENCY

“Unforeseeable Emergency” means a severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant’s spouse or the Participant’s dependent (as defined in Code Section 152 and, for taxable years beginning on or after January 1, 2005, without regard to subsections 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner’s insurance, e.g., as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an “Unforeseeable Emergency” will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved:

- (i) through reimbursement or compensation by insurance or otherwise;
- (ii) by liquidation of the Participant’s assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or
- (iii) by cessation of Deferrals under the Plan.

Without limiting the generality of the foregoing, the term “Unforeseeable Emergency” shall not include foreseeable personal expenditures, such as a down payment on a home, a purchase of an automobile, college or other educational expenses, and the like. The amount necessary to relieve an Unforeseeable Emergency may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution. Terms and conditions that are applicable to an Unforeseeable Emergency distribution are set forth in Section 5.02.

2.33 457 ROLLOVER ACCOUNT

“457 Rollover Account” means the sub-account established and maintained within a Participant’s Account to which any Rollover Contributions received from another governmental employer’s eligible deferred compensation plan within the meaning of Code Section 457(b), and any earnings and losses attributable thereon, are credited in accordance with Section 3.12.

ARTICLE THREE

PARTICIPATION IN THE PLAN

3.01 ELIGIBILITY

Each Eligible Employee shall become eligible to participate in the Plan and defer Compensation hereunder upon becoming employed by the City. His or her participation shall commence in accordance with the terms of Section 3.02.

3.02 ELECTION REQUIRED FOR PARTICIPATION

An Eligible Employee may become a Participant by making a written election to defer a portion of his or her Compensation and filing it with the Plan Administrator. This participation election shall be made on the Participation Agreement or any other forms required by the Plan Administrator under which the Eligible Employee agrees to be bound by all the terms and conditions of the Plan. Such election shall become effective no earlier than the first day of the calendar month following the month in which the election is made.

3.03 INFORMATION PROVIDED BY THE PARTICIPANT

Each Eligible Employee who elects to participate in the Plan will be requested to provide to the Plan Administrator any information necessary or advisable for the Plan Administrator to administer the Plan.

3.04 CONTRIBUTIONS MADE PROMPTLY

Deferrals by the Participant under the Plan shall be transferred to the Trust, within a period that is not longer than is reasonable for the proper administration of the Plan, and credited to such Participant's Deferral Account.

3.05 AMENDMENT OF ELECTION OTHER THAN A REDUCTION TO ZERO

A Participant may at any time amend his or her Participation Agreement to change the amount of his or her Deferrals. Unless the Participation Agreement specifies a later effective date, a change in the amount of the Deferrals, other than a reduction to zero, shall take effect as of the first day of the next following month or, if later, as soon as administratively practicable thereafter. A change in the investment direction shall take effect as soon as administratively practicable.

3.06 AMENDMENT OF DEFERRAL ELECTION TO ZERO

A Participant may at any time terminate his or her Deferral election by notifying the Plan Administrator in writing. Unless the Participation Agreement specifies a later effective date, such termination shall take effect as soon as administratively practicable. Notwithstanding this section, the Participant's Account under the Plan shall be paid only as provided in Articles Six and Seven.

3.07 SUSPENSION OF DEFERRAL ELECTION

A Participant will not be permitted to defer Compensation for a period of six months, commencing as of the first payroll following the date on which a distribution due to Unforeseeable Emergency under this Plan is approved.

3.08 DEEMED TERMINATION OF DEFERRAL ELECTION

Except as provided in Section 3.10, upon a suspension or cessation of Deferrals under the Plan for any reason, including but not limited to (i) receipt of an Unforeseeable Emergency distribution or (ii) attainment of the maximum deferral limit for a Plan Year (as set forth in Section 4.01), a Participant shall be deemed to have terminated his or her Deferral election. In order to recommence Deferrals, the Participant must complete a new Participation Agreement in accordance with Section 3.02, which shall not be effective prior to the date on which Deferrals would otherwise be permitted to recommence under the Plan and applicable law.

3.09 DURATION OF DEFERRAL ELECTION

Once a Deferral election has been made by a Participant, the election shall continue in effect until the Participant's Severance from Employment, unless the Participant modifies the Deferral election in accordance with Section 3.05, terminates the Deferral election in accordance with Section 3.06 or the election otherwise terminates in accordance with Section 3.08.

3.10 LEAVE OF ABSENCE

Unless the Participation Agreement is otherwise amended, if a Participant is absent from work by leave of absence (including a leave of absence while performing qualified military service), Deferrals under the Plan shall continue to the extent that he or she continues to have Compensation paid by the Employer from which to make contributions to the Plan and has not had a Severance from Employment. In the event that Deferrals cease due to a lack of Compensation, Deferrals shall recommence upon the termination of the leave of absence without further action by the Participant.

3.11 PLAN-TO-PLAN TRANSFERS INTO THE PLAN

To the extent permitted under Code Section 457, the Plan shall accept the transfer into the Plan of amounts deferred by a Participant or Beneficiary to another eligible governmental deferred compensation plan, within the meaning of Code Section 457 (the "transferring plan"), provided:

- (a) The transferring plan permits such a transfer;
- (b) In the case of a transfer made on behalf of a Participant, such Participant has had a Severance from Employment from his or her former government employer and is performing services for the Employer;
- (c) The amount received by the Plan in such transfer (the "Transfer Contribution") is equal to the amount deferred with respect to such Participant or Beneficiary in the transferring plan immediately prior to the transfer; and

- (d) The Participant or Beneficiary consents to the transfer.

The Plan Administrator may require such documentation from the transferring plan as it deems appropriate or necessary to comply with this Section (for example, to confirm that the transferring plan is an eligible governmental plan, and to assure that the transfer is permitted under the transferring plan) or to effectuate the transfer pursuant to Regulation Section 1.457-10(b). Notwithstanding the foregoing, this Plan shall not accept amounts transferred from the eligible or ineligible deferred compensation plan of a tax-exempt entity described in Code Section 457(e)(1)(B). The Transfer Contribution shall be credited to the Deferral Account and shall be subject to the restrictions on distributions under Article Five as if such Transfer Contribution had been originally deferred under this Plan.

3.12 ROLLOVER CONTRIBUTIONS TO THE PLAN

(a) A Participant, Alternate Payee or Beneficiary who is entitled to receive an eligible rollover distribution from another eligible retirement plan may request to have all or a portion of the eligible rollover distribution paid to the Plan. The Plan Administrator may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with Code Section 402 and to confirm that such plan is an eligible retirement plan within the meaning of Code Section 402(c)(8)(B).

(b) For purposes of this Section, an eligible rollover distribution means any distribution of all or any portion of an account balance under another eligible retirement plan, except that an eligible rollover distribution does not include: (1) any installment payment for a period of 10 years or more, (2) any distribution made as a result of an Unforeseeable Emergency or other distribution which is made upon hardship of the employee, or (3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under Code Section 401(a)(9). In addition, an eligible retirement plan means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), a qualified trust described in Code Section 401(a), an annuity plan described in Code Sections 403(a) or 403(b), or an eligible governmental plan described in Code Section 457(b), that permits the eligible rollover distribution.

(c) Any eligible rollover distribution paid to the Plan from any eligible retirement plan that is not an eligible governmental plan under Code Section 457(b) shall be credited to the Participant's Non-457 Rollover Account. Any eligible rollover distribution paid to the Plan from any eligible retirement plan that is an eligible governmental plan under Code Section 457(b) shall be credited to the Participant's 457 Rollover Account.

ARTICLE FOUR

LIMITATIONS ON CONTRIBUTIONS

4.01 MAXIMUM DEFERRAL

(a) Primary Limitation. The maximum amount of a Participant's Deferrals made on such Participant's behalf under the Plan for any calendar year shall not exceed the lesser of: (i) the Applicable Dollar Amount, or (ii) 100% of the Participant's Includible Compensation for the calendar year. The Applicable Dollar Amount is the amount established under section 457(e)(15) of the Code applicable as follows:

<u>Years:</u>	<u>Applicable Dollar Amount:</u>
2002	\$ 11,000
2003	\$ 12,000
2004	\$ 13,000
2005	\$ 14,000
2006	\$ 15,000
Thereafter	\$ 15,000, adjusted for cost-of-living to the extent provided under Code Section 415(d).

(b) Age 50 Catch-up Contributions. A Participant who will attain age 50 or older by the end of the calendar year is permitted to elect an additional amount of Annual Deferrals, up to the maximum Age 50 Catch-up Annual Deferrals for the year. The maximum dollar amount of the Age 50 Catch-up Annual Deferrals for a year is as follows:

<u>Years:</u>	<u>Maximum Age 50 Catch-up Dollar Amount:</u>
2002	\$ 1,000
2003	\$ 2,000
2004	\$ 3,000
2005	\$ 4,000
2006	\$ 5,000
Thereafter	\$5,000, as adjusted for cost-of-living to the extent provided under Code Section 415(d).

(c) Special Section 457 Catch-up Limitation. If the applicable year is one of such Participant's last 3 calendar years ending before the year in which he or she attains Normal Retirement Age and the amount determined under this subsection (c) with respect to such Participant exceeds the sum of the amounts determined under subsections (a) and (b), then the limit under this Section 4.01 on Deferrals shall be the lesser of:

- (i) an amount equal to two (2) times the Applicable Dollar Amount for such year; or
- (ii) the sum of:
 - (A) an amount equal to (i) the aggregate limit for the current year under subsection (a) plus each prior calendar year beginning after December 31, 2001 during which the

Participant was an Eligible Employee under the Plan, minus
(ii) the aggregate amount of Compensation that the
Participant deferred under the Plan during such years, plus

- (B) an amount equal to (i) the aggregate limit referred to in Code Section 457(b)(2) for each prior calendar year beginning after December 31, 1978 and before January 1, 2002 during which the Participant was an Eligible Employee (determined without regard to subsections (b) and (c)), minus (ii) the aggregate contributions to Pre-2002 Coordination Plans for such years.

However, in no event shall the deferred amount be more than the Participant's Compensation for the year. The special section 457 catch-up limitation under this subsection (c) is available to a Participant for only one three-year period which shall be determined based upon his or her irrevocable election of a Normal Retirement Date. If the Participant uses the special section 457 catch-up limitation under this subsection (c) and then postpones his or her retirement or returns to work after retirement, the special section 457 catch-up limitation shall not be available again.

4.02 SPECIAL RULES

(a) Participant Covered By More Than One Eligible Plan. If the Participant is or has been a participant in one or more other eligible plans within the meaning of Code Section 457(b), then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of Section 4.01. A Participant who participates in one or more other eligible plans within the meaning of Code Section 457(b) shall be responsible for complying with the limitations of Section 4.01.

(b) Pre-Participation Years. In applying subsection 4.01(c), a year shall be taken into account only if: (i) the Participant was eligible to participate in the Plan during all or a portion of the year and (ii) Compensation deferred, if any, under the Plan during the year was subject to the primary limitation described in subsection 4.01(a) or any other plan ceiling required by Code Section 457(b).

(c) Pre-2002 Coordination Years. For purposes of subsection 4.01(c)(ii)(B), "contributions to Pre-2002 Coordination Plans" means any employer contribution, salary reduction or elective contribution under any other eligible Code Section 457(b) plan, or a salary reduction or elective contribution under any Code Section 401(k) qualified cash or deferred arrangement, Code Section 402(h)(1)(B) simplified employee pension (SARSEP), Code Section 403(b) annuity contract, and Code Section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in Code Section 501(c)(18), including plans, arrangements or accounts maintained by the Employer or any employer for whom the Participant performed services. However, the contributions for any calendar year are only taken into account for purposes of subsection 4.01(c)(ii)(B) to the extent that the total of such contributions does not exceed the aggregate limit referred to in Code Section 457(b)(2) for that year.

(d) Disregard Excess Deferral. For purposes of Section 4.01, an individual is treated as not having deferred compensation under a plan for a prior taxable year to the extent of Excess

Deferrals under the plan that are distributed, as described in Section 4.03. To the extent that the combined deferrals for pre-2002 years exceeded the maximum deferral limitations, the excess shall be treated as Excess Deferrals for those prior years.

(e) Participants eligible for Age 50+ and Special 457 Catch-Up. For any calendar year, if a Participant is eligible to make deferrals in excess of the regular deferral limit under both the Age 50+ provision in Section 4.01(b) and the Special 457 Catch-Up provision in 4.01 (c), the Participant may make additional deferrals equal to either the Age 50+ or the Special 457 Catch-Up provision, whichever amount is greater. However, a Participant may not utilize both the Age 50+ deferrals and Special 457 Catch-Up deferrals in the same calendar year.

4.03 CORRECTION OF EXCESS DEFERRALS

If the Deferrals made to the Plan on behalf of a Participant for any calendar year exceed the applicable limitation described in Section 4.01 above, or such amount exceeds the limitation described above when combined with other amounts deferred by the Participant under another eligible deferred compensation plan under Code Section 457(b) for which the Participant provides information that is accepted by the Plan Administrator, then the Deferrals, to the extent in excess of the applicable limitation in Section 4.01 (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant. In the event that such Participant defers an amount in excess of the limitations described in Section 4.01, the Participant shall notify the Plan Administrator so that such amount may be distributed as soon as practicable.

4.04 DEFERRAL OF SICK, VACATION OR BACK PAY AFTER SEVERANCE FROM EMPLOYMENT

A Participant may elect to defer payments of his or her accumulated bona fide sick, vacation or back pay, if any, which are payable within the two and a half (2½) month period commencing upon the date on which such Participant severs employment if he or she: enters into a new Participation Agreement before the beginning of the month in which the amounts would otherwise be paid or made available, and would otherwise have been able to use the leave if his or her employment had continued.

4.05 PROTECTION OF PARTICIPANTS WITH QUALIFIED MILITARY SERVICE

A Participant whose employment is interrupted by qualified military service, as defined in Code Section 414(u), may elect to make additional Deferrals upon resumption of employment with the Employer equal to the maximum amount of Deferrals that the Participant could have elected during that period if the Participant's employment with the Employer had continued (at the same level of Compensation) without the interruption, reduced by the Deferrals, if any, actually made during the period of the interruption. This right applies for the lesser of: five years following the resumption of employment, or, a period equal to three times the period of the interruption. The Plan Administrator may require such documentation as it considers necessary to confirm that a Participant is eligible to make additional Deferrals under this Section.

ARTICLE FIVE

DISTRIBUTION OF BENEFITS

5.01 ELIGIBILITY FOR PAYMENT

Except as otherwise provided in Article Six, distribution of an Account shall not be made before the earliest of the following distributable events: (i) the calendar year in which the Participant attains age seventy and one-half (70 ½), (ii) the Participant's Severance from Employment, or (iii) the date on which the Participant incurs a financial hardship due to an Unforeseeable Emergency. Notwithstanding the preceding, a Participant shall be permitted to receive an in-service distribution of his or her Account under the Plan as provided in, and subject to the conditions of, Section 5.03.

5.02 DISTRIBUTION DUE TO UNFORESEEABLE EMERGENCY

A Participant may request a distribution due to a severe financial hardship by submitting a written request, on a form approved by the Plan Administrator, accompanied by evidence to demonstrate that the circumstances being experienced qualify as an Unforeseeable Emergency. The Plan Administrator shall have the authority to require such evidence as he/she deems necessary to determine if such a distribution is warranted. The Plan Administrator solely determines if each distribution is warranted. If the Plan Administrator requests an emergency distribution for him/herself, the Finance Committee shall determine if such distribution is warranted. If an application for a hardship distribution due to an Unforeseeable Emergency is approved, the distribution shall be limited to an amount sufficient to meet the emergency as set forth in Section 2.30 herein and the regulations under Code Section 457.

5.03 IN-SERVICE DISTRIBUTIONS

(a) Voluntary In-Service Distributions of Small Accounts. A Participant may request a distribution from the Plan of his or her Account prior to the occurrence of a distributable event as set forth in Section 5.01 above, if the following conditions are satisfied (i) the total amount payable under the Plan to such Participant (i.e. his or her Account balance) does not exceed the dollar limit under Code Section 411(a)(11)(A) (i.e., five thousand dollars (\$5,000) as of the Effective Date hereof), (ii) the Participant has not, during the two (2) year period ending on the date of the distribution under this Section, made any contributions to his or her Account, and (iii) the Participant has not received a prior distribution under this subsection of the Plan.

(b) In-Service Distributions Upon Attainment of Age 70 ½. A Participant who has attained age seventy and one-half (70 ½) and who remains actively employed by the Employer may elect to receive distribution of all or a portion of his or her Account under the Plan. A Participant who elects such a distribution shall no longer be eligible to defer Compensation into the Plan.

(c) In-Service Distribution from Rollover Account. If a Participant, Alternate Payee or Beneficiary has made a Rollover Contribution into the Plan pursuant to Section 3.12, then he or she may, at any time, elect to receive a distribution of all or a portion of such 457 or Non-457 Rollover Account.

5.04 COMMENCEMENT OF DISTRIBUTION FOLLOWING SEVERANCE FROM EMPLOYMENT

A Participant who has incurred a Severance from Employment may elect, on a form approved by the Plan Administrator, a distribution of his or her Account balance. Such distribution may commence as soon as administratively practicable following such Severance from Employment, but in no event later than April 1 of the calendar year following the calendar year in which he or she attains age 70 ½. Such distribution shall be in a lump sum unless the Participant elects an optional form of payment pursuant to Section 6.02.

5.05 LATEST DATE FOR COMMENCEMENT OF DISTRIBUTION

(a) Distribution of a Participant's Account balance must commence no later than his or her required beginning date, which shall be the first day of April following the calendar year in which the later of the Participant's Severance from Employment or attainment of age seventy and one-half (70 ½) occurs.

(b) During the Participant's lifetime, the minimum amount to be distributed for each distribution calendar year consistent with Code Section 401(a)(9) and the Regulations thereunder shall be the lesser of:

- (i) the quotient obtained by dividing the Participant's Account balance as of the December 31 of the preceding distribution calendar year by the distribution period in the Uniform Lifetime Table set forth in Regulation Section 1.401(a)(9)-9, A-2, using the Participant's age as of his or her birthday in the distribution calendar year; or
- (ii) if the Participant's sole, primary Beneficiary is the Participant's spouse and such spouse is ten (10) or more years younger than the Participant for the distribution calendar year, the quotient obtained by dividing the Participant's Account balance as of the December 31 of the preceding distribution calendar year by the factor in the Joint and Last Survivor Table set forth in Regulation Section 1.401(a)(9)-9, A-3, using the Participant's and his or her spouse's attained ages as of their respective birthdays in the distribution calendar year.

(c) Required minimum distributions will be determined under this Section 5.05 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death. If the Participant dies before receiving the minimum distribution payable for the distribution calendar year in the year of the Participant's death, such amount shall be distributed to the Beneficiary.

(d) For purposes of this Section 5.05, "distribution calendar year" means the calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date, as defined in subsection (a). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for

the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

(e) Notwithstanding the foregoing, payments made in accordance with Code Section 401(a)(9) to an Alternate Payee must begin at the Participant's required beginning date, as defined in subsection (a). In determining the minimum amount to be distributed in a distribution calendar year under subsection (b), such payment will be based on the Participant's life expectancy, and, if applicable under subsection (b)(ii), the Alternate Payee's life expectancy, treating the Alternate Payee who is a spouse or former spouse as the Participant's spouse for purposes of Code Section 401(a)(9).

(f) For any year, a Participant can elect distribution of a greater amount (not to exceed the amount of the remaining Account balance) in lieu of the amount calculated under this Section 5.05.

5.06 DEATH DISTRIBUTION PROVISION

(a) In general. If a Participant dies before distribution of his or her Account has commenced, then such Participant's Account shall be paid to his or her Beneficiary in the form determined under Section 6.02. Payment of a Participant's Account to the Beneficiary shall begin as soon as administratively practicable following the Plan Administrator's receipt of the Beneficiary's election to commence payment.

(b) Compliance with Code Section 401(a)(9). Notwithstanding any provision of this Plan to the contrary, payments under this Section 5.06 are intended to, and shall comply with Code Section 401(a)(9) and the Regulations thereunder.

(c) If minimum payments under Code Section 401(a)(9) have not begun upon the death of a Participant and the designated Beneficiary is not the Participant's surviving spouse, death benefit payments must, at the election of the Beneficiary:

- (i) begin to be distributed to the designated Beneficiary no later than the December 31 of the calendar year immediately following the calendar year of the Participant's death payable over a period not to exceed the life expectancy of the Beneficiary; or
- (ii) be distributed no later than the December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the designated Beneficiary is the Participant's surviving spouse and minimum payments under Code Section 401(a)(9) have not begun upon the death of a Participant, minimum payments must begin, at the election of the Beneficiary, by the later of the:

- (i) December 31 of the calendar year immediately following the calendar year in which the Participant dies, or
- (ii) December 31 of the calendar year in which the Participant would have attained age 70 ½.

The payments to the surviving spouse as the designated Beneficiary must be made over a period not to exceed the surviving spouse's life expectancy. For purposes of this subsection, an Alternate Payee who is a spouse or former spouse will be treated as a Participant's surviving spouse.

(e) If the Participant dies before distribution of his or her Account has commenced and the Beneficiary satisfies the special rule set forth in Section 7.02(a) but dies before payments begin, the Participant's entire interest will be distributed to the Beneficiary's estate in a single cash lump sum within 60 days of the date on which the Plan Administrator receives notice of the Beneficiary's death.

(f) If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, distributions shall be based on the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Beneficiary.

(g) Life expectancy calculations will be computed using the factors in the Single Life Table set forth in Regulation Section 1.401(a)(9)-9, A-1, as follows:

- (i) the Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
- (ii) if the Participant's surviving spouse is the Participant's sole, primary Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
- (iii) if the Participant's surviving spouse is not the Participant's sole, primary Beneficiary, the Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.
- (iv) if the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(h) For any year, a Beneficiary can elect distribution of a greater amount (not to exceed the amount of the remaining Account balance) in lieu of the amount calculated using this formula.

5.07 PERMISSIVE SERVICE CREDIT TRANSFERS

(a) If a Participant, Alternate Payee or Beneficiary is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code Section 414(d)) that provides for the acceptance of plan-to-plan transfers, then he or she may elect to have any portion of his or her Account balance in the Plan transferred to the defined governmental plan. A transfer under this Section 5.07(a) may be made before the Participant has had a Severance from Employment.

(b) A transfer may be made under Section 5.07(a) only if the transfer is either for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).

ARTICLE SIX

FORM OF PARTICIPANT'S BENEFIT DISTRIBUTION

6.01 ELECTION

A Participant or, if applicable, Beneficiary or Alternate Payee, may elect the form of distribution of his or her Account or may revoke that election prior to the commencement of benefits (and with or without a new election) by notifying the Plan Administrator in writing on a form approved by the Plan Administrator; provided, however, an election of an annuity pursuant to Section 6.02(c) may not be revoked after payments have commenced. Notwithstanding any provision of this Plan to the contrary, all forms of distribution hereunder shall comply with Code Section 401(a)(9) and the Regulations thereunder.

6.02 FORMS OF DISTRIBUTION

Distributions may be made in accordance with one of the following payment options, as elected by the Participant or, if applicable, Beneficiary or Alternate Payee:

- (a) a lump sum;
- (b) monthly, quarterly, semi-annual, or annual installment payments over a specified period; provided, however, that such period shall not exceed the applicable distribution period determined in accordance with Section 5.05 or 5.06, as applicable; and, provided, further, that if the Participant and his or her Beneficiary die before the end of such period, the remaining balance shall be paid in a lump sum to the estate of the last to die of the Participant and his or her Beneficiary as soon as practicable after the date of such death;
- (c) annuity payments (payable on an annual, quarterly or monthly basis) for the accountholder's lifetime, or for the lifetime of the accountholder and the accountholder's Beneficiary; provided, however, that such payments shall not be made over a period that exceeds the applicable distribution period determined in accordance with Section 5.05 or 5.06, as applicable;
- (d) a partial lump sum payment of a designated amount, with the balance payable as described in paragraph (a), (b) or (c); or
- (e) such other form as may be permitted by the Plan Administrator.

6.03 DIRECT ROLLOVER DISTRIBUTIONS

(a) A Participant or a Beneficiary who is the Participant's surviving spouse (or a Participant's former spouse who is an Alternate Payee) who is entitled to an eligible rollover distribution may elect, at the time and in the manner prescribed by the Plan Administrator, to have all or any portion of the distribution paid directly to an eligible retirement plan in a direct rollover.

(b) For purposes of this Section, an eligible rollover distribution means any distribution of all or any portion of an Account, except that an eligible rollover distribution does not include (i) any installment payment under Section 6.02 for a period of ten (10) years or more (ii) any unforeseeable emergency distribution made under Section 5.02, or (iii) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under Code Section 401(a)(9). In addition, an eligible retirement plan means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), a qualified trust described in Code Section 401(a), an annuity plan described in Code Sections 403(a) or 403(b), or an eligible governmental plan described in Code Section 457(b), that accepts the eligible rollover distribution.

6.04 FAILURE TO MAKE ELECTION

If a Participant or Beneficiary fails to elect a form of distribution after becoming eligible to receive a distribution pursuant to Section 5.01, then the Account shall remain in the Plan until an election is made at a later date, subject to the requirements of Sections 5.04 and 5.05.

6.05 PLAN-TO-PLAN TRANSFERS OUT OF THE PLAN

Notwithstanding any other provision under the Plan, to the extent permitted by Code Section 457, a Participant or Beneficiary may elect to transfer his or her Account in the Plan to an eligible governmental deferred compensation plan within the meaning of Code Section 457(b) in which he or she has become a Participant (the "receiving plan") provided:

- (a) the receiving plan accepts such transfers;
- (b) in the case of a transfer made on behalf of a Participant, such Participant has had a Severance from Employment and he or she is an employee performing services for the eligible governmental employer, as defined in Code Section 457(e)(1)(A), who sponsors the plan receiving such transfer;
- (c) the amount received by the receiving plan in such transfer is equal to the Account balance in this Plan immediately prior to the transfer; and
- (d) the Participant or Beneficiary consents to the transfer.

Upon the transfer of assets under this Section, the Plan's liability to pay benefits to the Participant or Beneficiary under this Plan shall be discharged to the extent of the amount so transferred. The Plan Administrator may require such documentation from the receiving plan as it deems appropriate or necessary to comply with this Section (for example, to confirm that the receiving plan is an eligible governmental plan, and to assure that the transfer is permitted under the receiving plan) or to effectuate the transfer pursuant to Regulation Section 1.457-10(b). Notwithstanding the foregoing, this Plan shall not transfer an Account to the eligible or ineligible deferred compensation plan of a tax-exempt entity described in Code Section 457(e)(1)(B).

ARTICLE SEVEN

BENEFICIARY INFORMATION

7.01 DESIGNATION

A Participant shall have the right to designate a Beneficiary or Beneficiaries, and to amend or revoke such designation at any time, in writing on a form approved by the Plan Administrator. Such designation, amendment or revocation shall be effective upon receipt by the Plan Administrator provided such written designation is in good order. Except to the extent provided under Section 6.02, an Alternate Payee or a Beneficiary shall not have the right to designate a Beneficiary.

7.02 SPECIAL RULES

(a) The designated Beneficiary or Beneficiaries must survive the Participant for a period of 30 days or more in order to receive a benefit under the Plan.

(b) Participants may designate one or more primary and contingent Beneficiaries. A contingent Beneficiary will become entitled to a distribution of any remaining balance of the Participant's Account only in the event of the death of any and all primary Beneficiaries prior to the death of the Participant.

(c) A person, trustee, estate or other legal entity may be designated as a Beneficiary.

(d) If a Beneficiary has not been designated, or if the Plan Administrator determines that a designation is ineffective due to the death of all Beneficiaries prior to the death of the Participant or for any other reason, then the Participant's Account shall be paid to his or her estate.

ARTICLE EIGHT

PLAN ADMINISTRATION AND INVESTMENTS

8.01 PLAN ADMINISTRATOR

The Plan Administrator shall have responsibility for the operation and administration of the Plan and shall direct payment of Plan benefits. The Plan Administrator shall administer the Plan for the exclusive benefit of the Participants and their Beneficiaries. The Plan Administrator may appoint such agents, attorneys, actuaries, accountants, auditors and other persons or entities as the Plan Administrator deems necessary or desirable in connection with the administration of the Plan.

The Plan Administrator shall administer the Plan in accordance with its terms and shall have the power and sole discretion to construe the terms of the Plan and determine all questions arising in connection with the administration, interpretation, and application of the Plan. Any such determination by the Plan Administrator shall be conclusive and binding upon all persons. The Plan Administrator may establish procedures, correct any defect, supply any information, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan; provided, however, that any procedure, discretionary act, interpretation or construction shall be done in a nondiscriminatory manner based upon uniform principles consistently applied and shall be consistent with the intent that the Plan shall continue to comply with the requirements of Code Section 457, and the terms of the Regulations issued pursuant thereto.

The Plan Administrator shall have all powers necessary or appropriate to accomplish his/her duties under this Plan, including, but not limited to, the power to:

- (a) determine all questions relating to the eligibility of Employees to participate, or remain a Participant hereunder, and to receive benefits under the Plan;
- (b) determine the amounts to be contributed to each Account;
- (c) authorize and direct the Trustee with respect to all disbursements to which a Participant, Beneficiary or Alternate Payee is entitled under the Plan;
- (d) maintain all necessary records for the administration of the Plan;
- (e) maintain practices and procedures necessary to administer the Plan as are consistent with the terms hereof;
- (f) determine which investment alternatives shall be available under the Plan;
- (g) assist any Participant, Beneficiary or Alternate Payee regarding his or her rights, benefits, or elections available under the Plan;
- (h) obtain by employment, contract or otherwise all the services necessary or appropriate to administer the Plan, including actuarial, auditing, custodial, financial, investment, legal and record keeping services.

8.02 INVESTMENT DIRECTIONS

Each Participant shall be allowed to direct the manner in which his or her Account will be invested among the Investment Funds, and to change the manner in which future contributions and/or existing balances will be invested among the Investment Funds. A Participant shall be permitted to invest such contributions in any Investment Fund or combination of Investment Funds, as determined pursuant to his or her investment elections. Investment elections must be filed with the Plan Administrator in accordance with the provisions of Article Three.

8.03 ALTERNATE PAYEES AND BENEFICIARIES

(a) An Alternate Payee who is entitled to receive payment from an Account shall be permitted to direct the investment of such Account among the Investment Funds in accordance with the rules and procedures established by the Plan Administrator.

(b) A Beneficiary who is entitled to receive payment from an Account shall be permitted to direct the investment of such Account among the Investment Funds in accordance with the rules and procedures established by the Plan Administrator.

8.04 INVESTMENT DIRECTION RESPONSIBILITY OF PARTICIPANTS

(a) Notwithstanding any provisions of the Plan or trust agreement, the Trustee, Employer and Plan Administrator shall not have any authority, discretion, responsibility or liability with respect to the Participant's selection of an Investment Fund(s) in which his or her Account will be invested. The Participant shall have the entire authority, discretion and responsibility for the investment of his or her Account.

(b) Investment directions shall be communicated by the Participant in accordance with reasonable procedures established by the Plan Administrator.

8.05 INVESTMENT RESTRICTIONS

All Investment Funds available under the Plan shall be subject to any issuer imposed restrictions or limitations. Other restrictions or limitations may be imposed by the Plan Administrator including, but not limited to, equity wash rules as promulgated from time-to-time to restrict the transfer of such portion of a Participant's Account that is invested in a restricted Investment Fund from being reinvested in another Investment Fund emphasizing fixed income investments.

ARTICLE NINE

AMENDMENT OR TERMINATION OF PLAN

9.01 AMENDMENT OF PLAN

The Employer, by written instrument, shall have the right to amend the Plan, in whole or in part, at any time and retroactively if deemed necessary or appropriate; provided, however, that no such amendment shall be made that has the effect of impairing the right of any Participant, Alternate Payee or Beneficiary to amounts credited to his or her Account, unless such an amendment is required under the Code. Amendments shall be authorized by the Rutland City Board of Aldermen.

9.02 TERMINATION/CESSATION OF CONTRIBUTIONS

Although the Employer has established the Plan with the intention and expectation to maintain the Plan indefinitely, the Employer may terminate or discontinue the Plan in whole or in part at any time without any liability for such termination or discontinuance. Upon Plan termination or discontinuance, all Deferrals shall cease and no further Rollover or Transfer Contributions shall be accepted into the Plan. Notwithstanding the above, benefits shall not be distributed at such time, accounts in the Plan shall be distributed in accordance with Articles Five and Six.

ARTICLE TEN

THE TRUST

10.01 ESTABLISHMENT OF A TRUST

The Employer shall establish a Trust and appoint a Trustee, pursuant to such terms and conditions as are set forth in a trust agreement or other governing document to be entered into between the Employer and the Trustee, which agreement shall constitute a part of the Plan. All amounts of Deferrals, Rollover Contributions and Transfer Contributions, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held and invested in the Trust in accordance with this Plan and the trust agreement. Prior to the satisfaction of all liabilities to Participants and Beneficiaries, no portion of the Trust shall be used for, or diverted to, purposes other than the exclusive benefit of Participants and Beneficiaries.

ARTICLE ELEVEN

MISCELLANEOUS

11.01 LIMITATIONS OF RIGHTS

Neither the establishment of this Plan nor any modification hereof, nor the creation of any fund or account under the Plan, nor the payment of any benefits under the Plan, shall be construed as giving to any Participant or Eligible Employee or any other person any legal or equitable right against the Employer or any officer or employee thereof, except as provided by law or by any Plan provision.

11.02 NO CONTRACT OF EMPLOYMENT

Nothing in this Plan shall be deemed to be an agreement, consideration, inducement or condition of employment, nor shall the rights or obligations of the Employer or any employee employed by the Employer to continue or terminate employment at any time be affected hereby.

11.03 LIMITATION ON ASSIGNMENT

A Participant, Alternate Payee or Beneficiary may not assign, sell, transfer, or encumber his or her Account in any way, and any attempt to do so shall be void. A Participant's, Alternate Payee's or Beneficiary's interest in benefits under the Plan shall not be subject to his or her debts or liabilities of any kind and shall not be subject to attachment, garnishment or other legal process. Notwithstanding the foregoing, all or a portion of a Participant's Account may be paid in accordance with a qualified domestic relations order pursuant to Section 11.07 below, or paid pursuant to an IRS levy in accordance with Section 11.08 below.

11.04 SEVERABILITY

If a court of competent jurisdiction holds any provisions of this Plan to be invalid or unenforceable, the remaining provisions of the Plan shall continue to be fully effective.

11.05 APPLICABLE LAW

This Plan shall be construed in accordance with applicable federal law and, to the extent not preempted by applicable federal law, the laws of the State of Vermont.

11.06 LITIGATION

In any action or judicial proceeding affecting the Plan, it shall be necessary to join as a party only the Employer. Except as may be otherwise required by law, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

11.07 QUALIFIED DOMESTIC RELATION ORDERS

Notwithstanding Section 11.03, if a judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or the marital property rights of an Alternate Payee is made pursuant to the domestic relations law of any State ("domestic relations order") and the Plan Administrator has determined that such judgment, decree or order is a "qualified domestic relations order" that satisfies the requirements of Code Section 414(p), then the Participant's Account shall be paid at the time and in the manner so directed in the qualified domestic relations order to the Alternate Payee. The Plan Administrator shall establish reasonable procedures for determining the status of any such decree or order and for making distribution pursuant to the qualified domestic relations order.

11.08 IRS LEVY

Notwithstanding Section 11.03, the Plan Administrator may pay from a Participant's or Beneficiary's Account the amount that the Plan Administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service with respect to that Participant or Beneficiary or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant or Beneficiary.

11.09 PAYMENTS TO MINORS AND INCOMPETENTS

If a Participant, Beneficiary or Alternate Payee entitled to receive distribution of all or any portion of an Account in this Plan is a minor or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is deemed so by the Plan Administrator, benefits will be paid to such person's legal guardian or custodian for the benefit of such individual. Such payments shall be considered a payment to such Participant, Beneficiary or Alternate Payee and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

11.10 CONFLICT OF INTEREST

The Treasurer, or any Eligible Employee acting on behalf of the Treasurer or any Participating Employer, shall be eligible to participate in the Plan, but such person shall not be entitled to participate in discretionary decisions under the Plan relating to such person's participation in the Plan.

11.11 LIMITATION OF LIABILITY

The Treasurer, a Participating Employer and any official, employee or agent of the City shall not incur any liability individually or on behalf of any other individuals or on behalf of the Participating Employer for any act or failure to act, made in good faith in relation to the Plan or the Trust, to the extent permitted under applicable law.

AMENDMENT NO. 1

CITY OF RUTLAND DEFERRED COMPENSATION PLAN TRUST
UNDER I.R.C. SECTION 457

The City of Rutland's Deferred Compensation Plan Trust under I.R.C. Section 457 (the "Trust") is hereby amended effective February 7, 2011, pursuant to Article 9.01 of the Trust as follows:

I.

DEMUTUALIZATION AND ALLOCATION OF PROCEEDS

- A. On December 18, 2001, the Prudential Insurance Company of America, a mutual insurance company, converted its ownership structure to a stock company owned by its shareholders.
- B. At the time of Prudential's conversion, participants in the City of Rutland's Section 457(b) Plan ("Plan") were eligible to invest their account balances in annuities provided by Prudential. As an eligible holder of Prudential annuities, the Trust received demutualization compensation for the loss of its interest in the mutual insurance company in the form of shares of stock of Prudential Financial, Inc.
- C. The Trustees will sell these shares in 2011. The Trustees determined that the proceeds of the sale of such shares would be allocated among Plan participants whose accounts were invested in Prudential annuities on December 18, 2001.
- D. The Trustees determined that such proceeds will be allocated among eligible participants by:
 - (1) determining each eligible participant's percentage share of the total amount invested in Prudential annuities on December 18, 2001;
 - (2) multiplying that percentage by the total demutualization proceeds; and
 - (3) contributing the resulting amount of such participant's account. If a participant no longer has an account in the Plan on the allocation date, his or her account will be reestablished for purposes of receiving this contribution. If the participant is retired and no longer has investment in the Plan then the amount can be given directly to the participant or directed to an IRA or other retirement plan.
- E. The Trustees will allow the demutualization proceeds to be distributed as described in Section D above.
- F. If an eligible participant cannot be located after a reasonably diligent search, as determined by the Trustees in their sole discretion, any amounts payable to such participant shall be allocated among the eligible participants who can be located using the same procedure described in Section D above.

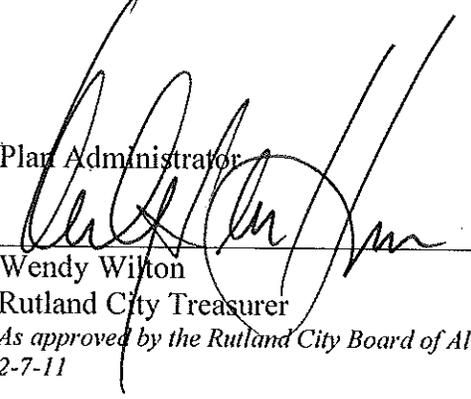
II.

This Amendment No. 1 shall be added following the last page of the Trust.

If there shall be any inconsistency between the provisions of this Amendment No. 1 and the provisions of the Trust, this Amendment No. 1 shall control.

Executed this 8th day of February, 2011

Plan Administrator



Wendy Wilton

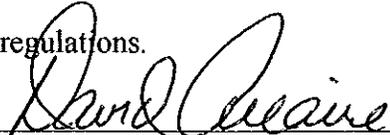
Rutland City Treasurer

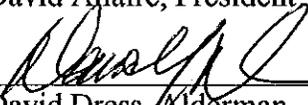
*As approved by the Rutland City Board of Aldermen
2-7-11*

APPENDIX A

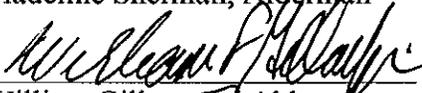
Adoption Resolution

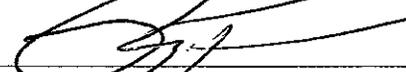
Resolved, that effective February 4, 2008 the City of Rutland Board of Aldermen has adopted the foregoing amended and restated Section 457 Deferred Compensation Plan. The Plan is intended to satisfy the requirements of Section 457(b) of the Internal Revenue Code of 1986, as amended, and its associated regulations.

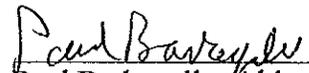

David Allaire, President

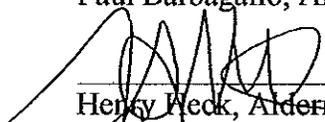

David Dress, Alderman


Madeline Sherman, Alderman

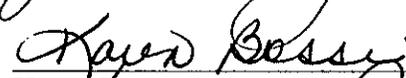

William Gillam, Jr., Alderman

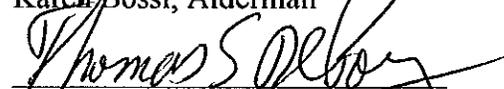

Roy Thomas, Alderman

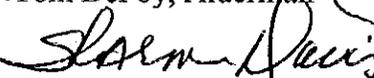

Paul Barbagallo, Alderman


Henry Heck, Alderman


Joanne Slattery, Alderman


Karen Bossi, Alderman


Tom DePoy, Alderman


Sharon Davis, Alderman

APPENDIX B



**City of Rutland, Vermont
457(b) Plan
Procedure for Enrollment**

When an employee/plan participant elects to enroll in the city's 457 Plan, they must first complete the City of Rutland Deferred Compensation Plan Participation Agreement. A copy of this agreement is included in this appendix. In addition, the employee must complete the enrollment form from their investment services provider. As of February 4, 2008, the Plan Administrator may elect to move new participants to a single provider.

The completed city enrollment form should be brought or mailed to the Human Resources Coordinator. The HR Coordinator will verify that the form was accurately completed and will check to make sure that the requested deferral amount is within the limits set by current IRS code. The HR Coordinator will then notify the payroll clerk that deferrals should begin from the enrollee's paycheck starting no sooner than the first pay period of the month following submission of the enrollment form.

The completed vendor form should be mailed by the enrollee to their chosen vendor.



**CITY OF RUTLAND, VERMONT
DEFERRED COMPENSATION §457 PLAN
PARTICIPATION AGREEMENT**

MAIL COMPLETED FORM TO:

Office of the City Treasurer
1 Strongs Avenue
Rutland, VT 05701

Read the reverse side of this form and the Plan document carefully before completing this agreement. Please type or print clearly. The Office of the City Treasurer must approve all requests. You may not alter any of the printed information on this document. If you make a mistake, please complete a new form.

Type of Agreement	New Participant		Existing Participant - 457 Change Request			
	<input type="checkbox"/> I am a New Participant	Date of Hire	<input type="checkbox"/> Name	<input type="checkbox"/> Address	<input type="checkbox"/> Deferral Amount	<input type="checkbox"/> Suspend
Participant Information Please Print	Name & Address of Employing Agency			Social Security Number		Department ID
	Participant (last, first, middle initial)			Former name (if applicable)		Employee Number
	Street Address			Sex <input type="checkbox"/> F <input type="checkbox"/> M		Date of Birth
	City, State, Zip Code			Office Telephone No.		Home Telephone No.
Deferral Amount	DEFERRAL AMOUNT: Minimum \$20.00 per pay period. Deferral amount must be in whole dollars. Complete Catch-up Contribution Section below, if applicable.					
	I elect to defer from my total compensation \$ _____ per pay period, effective check dated ____/____/____					
	I understand my deferral election will remain in effect until I separate from City service, change or suspend my deferral amount by completing a new Participation Agreement, the maximum annual limit is reached, or my deferrals are suspended following an unforeseeable emergency withdrawal under the Plan.					
Catch-Up Contribution Election	You must elect your Normal Retirement Age before you will be permitted to make any Catch-up Contributions under the Plan.					
	I hereby elect age _____ as my Normal Retirement Age, which I will attain in 20____. I understand that this election is irrevocable and cannot be changed (See reverse side for definition of Normal Retirement Age).					
	<input type="checkbox"/> SPECIAL SECTION 457(b) CATCH-UP OPTION – Only available during the three consecutive years before but not including the year you attain Normal Retirement Age. You must complete the Special § 457(b) Catch-up Underutilization Worksheet to demonstrate eligibility for this option.					
	457(b) Catch-up Start Date _____ 457(b) Catch-up End Date _____					
	<input type="checkbox"/> AGE 50+ CATCH-UP OPTION – Available to employees who will be at least age 50 by December 31 st of the calendar year.					
Investment Provider	New Participants – Post 2/4/08		Existing Participants – Pre 2/4/08			
	<input type="checkbox"/> _____		<input type="checkbox"/> _____			

I understand that Deferred Compensation § 457 Plan (Plan) benefits are only payable (1) upon retirement or separation from City service; (2) due to death; (3) for an unforeseeable emergency as defined in the Plan document or (4) for a one-time in-service distribution where the total value of my account under the Plan is less than \$5,000 and I have not deferred any compensation into the Plan for at least a two-year period ending on the date of the withdrawal request. **THIS IS NOT A SAVINGS ACCOUNT.** I acknowledge receipt of the Plan document and confirm I understand the terms, provisions and conditions thereof, which terms, provisions and conditions are hereby incorporated into this Participation Agreement and constitute my entire rights and obligations under the Plan. I understand the Plan is administered in accordance with Section 457 of the Internal Revenue Code and any applicable regulations. I acknowledge that as a Participant, I am solely responsible for any investment gain or loss, charge or expense of any kind under this Plan, by virtue of my account upon which benefits under the Plan are based. I agree that neither the City nor my employing department represents or guarantees any tax consequence will occur because of my participation in this Plan and I shall be responsible to consult with and rely upon my own legal, accounting or other representative concerning all questions about tax and investment consequences arising from my participation in this Plan. I understand participation in this Plan is voluntary. In return, I, my heirs and successors hold harmless the City, my employing department, its employees, officials, assignees, and successors from any and all liability for all acts in good faith. I understand my deferral election can be suspended at any time by completing a new Participation Agreement; however, compensation already deferred into the Plan cannot be withdrawn except for the benefit payment reasons noted above.

Participant's Signature	Date	Office of the City Treasurer (Authorized Signature/Date)
Representative's Signature	Rep Code	
	Date	

Type of Agreement	<p>This agreement must be completed to enroll in the Plan, to make changes to an existing Participation Agreement or to modify the amount of your deferral.</p> <p>To designate a beneficiary or change a beneficiary designation, contact the Office of the City Treasurer. .</p> <p>To apply for benefit payments/withdrawals or an Unforeseeable Emergency withdrawal, contact the Office of the City Treasurer. If certain conditions are met, transfers to/from other plans or IRA's may be allowed. For information, contact the Office of the City Treasurer.</p>
Deferral Amount	<p>Complete this section only if you are enrolling or changing your deferral amount (including any Catch-up contributions). Any amounts deferred must be made through payroll deductions from future compensation only.</p> <p>Consult your Plan Registered Representative (Registered Representative) regarding restrictions that may apply if you participate in any other salary reduction plan, such as a 403(b) plan or a 401(k) plan.</p> <p>Unless you specifically elect and use one of the available Catch-up provisions, the maximum you can defer in any calendar year is the amount specified under § 457(c) and § 457(e) (15) of the Internal Revenue Code (as adjusted for cost-of-living). Your Registered Representative can explain the limitations applicable to your situation; however, it is ultimately your responsibility to make sure that you do not defer more than is allowed in any calendar year.</p> <p>The effective date of any enrollment or change of deferral amount cannot be earlier than the first pay period following the month in which this form is completed or the earliest date thereafter consistent with processing requirements and § 457 of the Internal Revenue Code.</p>
Catch-Up Contribution Election	<p>Before you can make any Catch-Up contributions, you must first elect a Normal Retirement Age. Under the City of Rutland Deferred Compensation 457 Plan "Normal Retirement Age" is age 62. However, you can elect an alternate Normal Retirement Age that is on or after the earlier of: (i) age 65 or (ii) the earliest date you will become eligible to retire and receive immediate, unreduced benefits under the defined benefit plan or the Alternate Retirement Program in which you also participate. The Normal Retirement Age you select cannot be earlier than age 40 or later than 70 ½. This is a one-time election and cannot be changed.</p> <p>The Special § 457(b) Catch-up option is available only during the three-year period before, but not including, the year in which you will attain Normal Retirement Age. You cannot make these contributions unless you have underutilized prior year contributions under the Plan. Complete the Special § 457(b) Catch-up Underutilization Worksheet to determine if you are eligible to use this option.</p> <p>The Age 50+ Catch-up contribution is available to those participants who are or will be at least age 50 by December 31st and who have also elected to defer the maximum amount permitted under §457(e)(15), as adjusted for cost-of-living.</p> <p>Your Registered Representative can help you determine whether the Age 50+ Catch-up provision [under IRS regulation § 1.457-4(c)(2)(i)] or the Special § 457(b) Catch-up Option [under IRS regulation § 1.457-4 (c)(2)(ii)] will provide the greater deferral amount. You cannot use both the Special § 457(b) Catch-up and the Age 50+ Catch-up options during the same year. Consult with your Registered Representative for further information.</p>
Participant Signature	<p>Your signature acknowledges (1) receipt of the City of Rutland Deferred Compensation § 457 Plan document and agreement to the terms, provisions and conditions thereof; which terms, provisions and conditions are hereby incorporated into this Participation Agreement and constitute your entire rights and obligations under the Plan; (2) that you have received and read an investment option summary or a prospectus for each of the investment options you have elected to invest in; (3) that the City of Rutland, your Employing Department and its agents are not required to invest deferred compensation in any manner whatsoever. You understand and acknowledge that all Plan assets shall be held in trust by the trustee for the exclusive benefit of the Participant in accordance with the Plan document and the Internal Revenue Code. You understand that participation in the City of Rutland Deferred Compensation § 457 Plan is voluntary. In return, you, your heirs, successors and assignees shall hold harmless the City of Rutland, its employees, officials, agents, assignees and successors from any and all liability for all acts in good faith.</p>
Investment Provider	<p>All participants who enroll in the City of Rutland Deferred Compensation § 457 Plan after February 4, 2008 may be subject to the selection of an investment provider as determined by the Plan Administrator. Participants who enrolled prior to February 4, 2008 may continue to utilize any investment provider.</p>

Keep a copy of this Agreement for your records. Return the original signed form to the Office of the City Treasurer.

NOTE: THIS IS NOT A SAVINGS ACCOUNT. THIS IS A DEFERRED COMPENSATION §457 RETIREMENT PLAN.



**Participant Enrollment
Governmental 457(b) Plan**

State of Vermont Deferred Compensation Plan

98980-01

Participant Information

Last Name	First Name	MI	Social Security Number	
Address - Number & Street			E-Mail Address	
City	State	Zip Code	Mo	Day
Year	<input type="checkbox"/> Female <input type="checkbox"/> Male		Date of Birth	
Home Phone	Work Phone	<input type="checkbox"/> Married <input type="checkbox"/> Unmarried		

Payroll Information

I elect to contribute \$ _____ (per pay period) of my compensation as before-tax contributions to the Governmental 457(b) Deferred Compensation Plan until such time as I revoke or amend my election.

Payroll Effective Date: _____
Mo Day Year

Date of Hire: _____
Mo Day Year

To be completed by Representative:	
Division Name	Division Number

Investment Option Information (applies to all contributions) - Please refer to your marketing communication materials for information regarding each investment option.

I understand that funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held less than the period stated in the fund's prospectus or other disclosure documents. I will refer to the fund's prospectus and/or disclosure documents for more information.

<u>INVESTMENT OPTION NAME</u>	<u>INVESTMENT OPTION CODE</u>	<u>INVESTMENT OPTION NAME</u>	<u>INVESTMENT OPTION CODE</u>
T. Rowe Price Retirement 2010 Fund.....	TRRAX _____%	Vanguard FTSE Social Index Instl.....	VFTNX _____%
T. Rowe Price Retirement 2020 Fund.....	TRRBX _____%	T. Rowe Price Equity Income Fund.....	TR-EIF _____%
T. Rowe Price Retirement 2030 Fund.....	TRRCX _____%	Vanguard Institutional Index Fund.....	VG-IND _____%
T. Rowe Price Retirement 2040 Fund.....	TRRDY _____%	Dodge & Cox Balanced Fund.....	DC-BAL _____%
T. Rowe Price Retirement Income Fund.....	TRRIX _____%	Pax World Balanced Fund - Ind.....	PX-WOR _____%
Dodge & Cox International Stock Fund.....	DODFX _____%	Calvert Income Fund.....	CINCX _____%
Lazard Emerging Markets Inst.....	LZEMX _____%	FPA New Income Fund.....	FPNIX _____%
T. Rowe Price Small-Cap Stock Fund.....	TR-OTC _____%	Calvert Social Investment Bond Fund A.....	CSIBX _____%
Vanguard Mid Cap Index - Instl.....	VMCIX _____%	State of Vermont Stable Value Fund.....	VTSVF _____%
American Funds Growth Fund R5.....	RGAFX _____%		
MUST INDICATE WHOLE PERCENTAGES			=100%

Plan Beneficiary Designation

This designation is effective upon execution and delivery to Service Provider at the address below. I have the right to change the beneficiary. If any information is missing, additional information may be required prior to recording my beneficiary designation. If my primary and contingent beneficiaries predecease me or I fail to designate beneficiaries, amounts will be paid pursuant to the terms of the Plan Document or applicable state law.

You may only designate one primary and one contingent beneficiary on this form. However, the number of primary or contingent beneficiaries you name is not limited. If you wish to designate more than one primary and/or contingent beneficiary, do not complete the section below. Instead, complete and forward the Beneficiary Designation form.

Primary Beneficiary

<u>100.00%</u>			
% of Account Balance	Social Security Number	Primary Beneficiary Name	Relationship
			Date of Birth

Contingent Beneficiary

<u>100.00%</u>			
% of Account Balance	Social Security Number	Contingent Beneficiary Name	Relationship
			Date of Birth



Last Name

First Name

MI

Social Security Number

Participation Agreement

Withdrawal Restrictions - I understand that the Internal Revenue Code (the "Code") and/or my employer's Plan Document may impose restrictions on transfers and/or distributions. I understand that I must contact the Plan Administrator/Trustee to determine when and/or under what circumstances I am eligible to receive distributions or make transfers.

Investment Options - I understand that by signing and submitting this Participant Enrollment form for processing, I am requesting to have investment options established under the Plan as specified in the Investment Option Information section. I understand and agree that this account is subject to the terms of the Plan Document. I understand and acknowledge that all payments and account values, when based on the experience of the investment options, may not be guaranteed and may fluctuate, and, upon redemption, shares may be worth more or less than their original cost. I acknowledge that investment option information, including prospectuses, disclosure documents and Fund Profile sheets, have been made available to me and I understand the risks of investing.

Compliance With Plan Document and/or the Code - I agree that my employer or Plan Administrator/Trustee may take any action that may be necessary to ensure that my participation in the Plan is in compliance with any applicable requirement of the Plan Document and/or the Code. I understand that the maximum annual limit on contributions is determined under the Plan Document and/or the Code. I understand that it is my responsibility to monitor my total annual contributions to ensure that I do not exceed the amount permitted. If I exceed the contribution limit, I assume sole liability for any tax, penalty, or costs that may be incurred.

Incomplete Forms - I understand that in the event my Participant Enrollment form is incomplete or is not received by Service Provider at the address below prior to the receipt of any deposits, I specifically consent to Service Provider retaining all monies received and allocating them to the default investment option selected by the Plan. If no default investment option is selected, funds will be returned to the payor as required by law. Once an account has been established on my behalf, I understand that the monies will be transferred from the default investment option and applied according to the allocations on my Participant Enrollment form. I understand that I will not be able to make any changes to my account until my completed Participant Enrollment form has been received.

Account Corrections - I understand that it is my obligation to review all confirmations and quarterly statements for discrepancies or errors. Corrections will be made only for errors which I communicate within 90 calendar days of the last calendar quarter. After this 90 days, account information shall be deemed accurate and acceptable to me. If I notify Service Provider of an error after this 90 days, the correction will only be processed from the date of notification forward and not on a retroactive basis.

Required Signature - I have completed, understand and agree to all pages of this Participant Enrollment form. I understand that Service Provider is required to comply with the regulations and requirements of the Office of Foreign Assets Control, Department of the Treasury ("OFAC"). As a result, Service Provider cannot conduct business with persons in a blocked country or any person designated by OFAC as a specially designated national or blocked person. For more information, please access the OFAC Web site at: <http://www.ustreas.gov/offices/eotffc/ofac>. Deferral agreements must be entered into prior to the first day of the month that the deferral will be made.

Participant Signature

Date

Participant forward to Service Provider at:
Great-West Retirement Services®
100 State Street, Suite 346
Montpelier, VT 05602
Phone #: 1-802-229-2391
Fax #: 1-802-229-2637
Web site: www.vermont457.com

This Participant Enrollment form is considered unsolicited unless accompanied by a signed Participant Suitability Profile form completed in the presence of a GWFS Equities, Inc. Registered Representative during a one-on-one meeting.

Solicited: Representative met with individual participant to solicit Plan enrollment and has verified suitability of the participant's investment allocation per the Participant Suitability Profile form.

(Representative and Principal must sign and check box for solicited business only, and must be accompanied by a completed and signed Participant Suitability Profile form.)

Registered Representative Signature

Date

Registered Principal Signature

Date

APPENDIX C



City of Rutland, Vermont
457(b) Plan
Procedure for Unforeseen Emergency Distributions

When an employee/plan participant requests an unforeseeable emergency distribution, an application must be completed and signed by the employee and submitted to the Plan Administrator for review and approval. In Rutland, the City Treasurer is the Plan Administrator.

The full application is a two-part document. Both components must be completed prior to submission of the application to the Plan Administrator. The first part (Part A) is the actual request that must be fully completed and signed by the employee. The second part (Part B) is a detailed explanation of the rules regarding hardship distributions. The employee must read and acknowledge their understanding of the relevant laws described in Part B.

Upon receipt of both Parts A and B the Plan Administrator will review the application. In the event the request is approved, copies of the completed and approved application will be given to the employee and their vendor. The city will also keep a copy on file. The 457(b) plan vendor will then process the request for the employee. The distribution of unforeseen emergency funds will result in the employee receiving an IRS 1099R form and being responsible to pay taxes on the distribution amount during the appropriate tax year. If the review results in the request being declined, the notification will be kept on file and provided to the employee in writing.

(Part A)

**REQUEST FOR AN UNFORESEEABLE EMERGENCY
DISTRIBUTION FROM 457(b) PLAN**

Owner's Name: _____

Plan Vendor: _____

Contract/Account Number(s): _____

I understand that IRS Code and the City of Rutland's 457(b) plan document prohibit distributions prior to the occurrence of certain triggering events. I am requesting a distribution due to an unforeseeable emergency within the meaning of section 457(b) of the IRS Code.

I have obtained all distributions, other than unforeseeable emergency distributions and all non-taxable loans currently available under all plans from my employer to the extent that liquidation of such assets would not itself cause financial hardship.

I certify that I cannot obtain the needed funds from any other available resources such as reimbursement or compensation from insurance or cessation of deferrals under my 457(b) plan.

I was advised to consult with a tax advisor regarding the tax laws governing an unforeseeable emergency distribution and the tax consequences of this transaction and I have done so to the extent I believe necessary.

I understand that this distribution may be a taxable event. I assume full responsibility for this transaction and I will be liable for any applicable federal and state income taxes and any applicable tax penalties.

Please check one:

Withhold taxes from the taxable amount of the distribution

Do not withhold taxes

I hereby request a withdrawal of \$ _____ as an unforeseeable emergency distribution from my 457(b) plan for the reason of (please check one and explain below):

Uninsured medical expenses for self, spouse or dependent(s)

Loss of property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster)

Prevention of eviction from or mortgage foreclosure on my primary residence

Need to pay for the funeral expenses of the Participant's spouse or dependent

Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant

(Part B)

Since you are applying for an Unforeseeable Emergency Distribution from your 457(b) Plan, it is important that you understand the relevant laws and their effect on you.

Rules applicable to Unforeseeable Emergency Distributions

A. Distribution. If the Participant has an unforeseeable emergency before retirement or other severance from employment, the Participant may elect to receive a lump sum distribution equal to the amount requested or, if less, the maximum amount determined by the Plan Administrator to be distributable.

B. Unforeseeable emergency defined. An unforeseeable emergency is defined as a severe financial hardship of the Participant resulting from: an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster); the need to pay for the funeral expenses of the Participant's spouse or dependent; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

C. Unforeseeable emergency distribution standard. A distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under the plan.

D. Distribution necessary to satisfy emergency need. Distributions because of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution).

E. The following events are normally not considered unforeseeable emergencies under the Plan except to the extent authorized in Treasury Regulations:

1. Enrollment in college or a trade school
2. Purchase of a house
3. Purchase or repair of an automobile
4. Repayment of a loan
5. Payment of income taxes, back taxes, or fines associated with back taxes
6. Unpaid expenses including rent, utility bills, mortgage payments, or medical bills
7. Marital separation or divorce
8. Bankruptcy except when resulting directly and solely from illness or casualty loss

If you are approved for an Unforeseeable Emergency Distribution it is important you understand the disadvantages.

- 1) If you receive an Unforeseeable Emergency Distribution, you are decreasing your retirement savings.
- 2) An Unforeseeable Emergency Distribution is taxable as income and may put you in a higher tax bracket

What occurs when you receive the Unforeseeable Emergency Distribution?

- 1) You will be issued a 1099R.
- 2) It will be your responsibility to pay the taxes on the Unforeseeable Emergency Distribution amount at the appropriate time of the tax season.

I have read this document and I understand it:

Participants Signature _____ Date _____

APPENDIX D



City of Rutland, Vermont
457(b) Plan
Procedure for Special 457 and Age 50+ Catch-Up Contributions

When an employee/plan participant elects to make a Special 457 or Age 50+ Catch-Up contribution, they must first submit an election form to the Treasurer's Office indicating their intent to change the deferral amount that they are currently contributing to their account. This election form is the same as is used for enrollment. A copy of this form can be found in appendix B.

Once a participant submits a form electing the Special 457 Catch-Up the Treasurer's Office will verify that the Human Resource Administrator has completed a Special 457 Catch-up Underutilization Worksheet which confirms that the participant has underutilization and is eligible to make Special 457 Catch-up deferrals. The Office of the City Treasurer then determines whether the participant is within three years of their selected NRA (normal retirement age) and verifies the amount of underutilization. If the participant meets all eligibility criteria for the Special 457 Catch-Up then the information is sent to the payroll department so that increased deferrals will begin with the next paycheck.

Once a participant submits a form electing the Age 50+ Catch-Up the Treasurer's Office will forward the form to the Human Resource Administrator to determine if the participant has elected a NRA. The Human Resource Administrator will also verify that the participant is within the applicable window for utilization of the Age 50+ Catch-Up. The Human Resource Administrator will also review the election form provided by the participant to verify that the amounts sought to be deferred are allowable under the city's Plan and current IRS regulations. If the participant meets all eligibility criteria for the Age 50+ Catch-Up, the information is sent to the payroll department so that increased deferrals will begin with the next paycheck.

Deferred Compensation 457(b) Plan Catch-up Contributions Explained

The City of Rutland Deferred Compensation Section 457(b) Plan allows eligible participants to contribute amounts in excess of the normal annual deferrals under certain circumstances. This booklet explains the eligibility requirements for making Age 50+ Catch-up Contributions or Special 457 Catch-up Contributions. You can use whichever catch-up provision provides the greater benefit. However, you cannot make both Age 50+ and Special 457 Catch-up Contributions in the same year.

- **Age 50+ Catch-up** is for participants who are at least age 50 or older by December 31st and are already making normal maximum deferrals in a given calendar year.
- **Special 457 Catch-up** is only available during the 3-year period before the year when a participant reaches normal retirement age. (Participants who are eligible for both the 403(b) and 457(b) Plans cannot use this option).

1. Getting Started - Selecting Your Normal Retirement Age

In order to defer additional income under the Age 50+ or Special 457 Catch-up provisions, you must first elect your normal retirement age. The Plan defines normal retirement age as age 62; however, it gives you the right to select another normal retirement age. *The date you select as your normal retirement age must be on or after age 65 or the earliest age you become eligible to retire and receive full benefits under the city's defined benefit pension plan in which you participate.* You cannot select a normal retirement age that is earlier than age 40 or later than 70 ½.

Your selection of a normal retirement age is a one-time, irrevocable election whose only purpose is to determine the period of time during which you can take advantage of the Special 457 Catch-up deferrals. You are not required to actually retire when you reach the normal retirement age you select.

The Normal Retirement Age You Select:

- Must be a year in which you are eligible to retire with unreduced benefits under the city's basic pension plan (see chart below);
- Is irrevocable, once made; and
- Will determine the eligibility period for making Special 457 Catch-up deferrals.

Pension Plan	Retirement Type	AGE & SERVICE REQUIREMENTS FOR COMMENCEMENT OF FULL PENSION BENEFITS
Police & Fire	Normal	Age plus credited service = 75, with mandatory retirement at age 60. If Rule of 75 is not met and employee was hired prior to 1-1-04, then mandatory retirement is at age 62.
DPW & Non-Union	Normal	Age plus credited service = 80

*The selection of your normal retirement age merely defines your eligibility period for using the special 457 catch-up provision. You are not required to retire at that age. The above summary is no substitute for an official determination of your retirement eligibility under the City of Rutland Employee Retirement System. The age and service requirements for commencement of full pension benefits may change. Please consult your current pension document for current age and service requirements.

2. Age 50+ Catch-up Deferrals

If you will be at least age 50 by December 31st and are deferring the maximum amount allowed under the Plan for the calendar year, you may also make Age 50+ Catch-up deferrals. This is in addition to the maximum deferral limit specified in Internal Revenue Code 457(e)(15). The normal deferral limits and Age 50+ Catch-up limits are as follows:

Year	Maximum Deferral Limit	Age-50 Catch-up Limit	Total Deferral
2004	\$13,000	\$3,000	\$16,000
2005	\$14,000	\$4,000	\$18,000
2006	\$15,000	\$5,000	\$20,000
2007	\$15,500	\$5,000	\$20,500
2008	\$15,500	\$5,000	\$20,500

Beginning with 2007, annual deferral limits are indexed for inflation. Any increases in the limits will be announced by the Internal Revenue Service (IRS) before the start of the Plan year.

3. Special 457 Catch-up Deferrals

This provision is only available during the three years before the year you will reach your normal retirement age. It allows you to make up amounts that you did not defer to the Plan in prior years. You are not permitted to make up deferrals to a prior employer's deferred compensation plan.

You can use the Special 457 Catch-Up if:

- You were eligible to participate in the Plan any time from January 1, 1979 to the present and you are currently participating in the Plan; and
- You did not defer the maximum allowable amount in one or more of those prior years (including years when you were eligible but did not join the Plan).

The IRS permits you to make Special 457 Catch-up deferrals during the three-year period before the year in which you will reach normal retirement age. The selection of your normal retirement age merely defines your eligibility period for using the 3-year catch-up provision. You are not required to retire at that age. You do not need to make 457 catch-up deferrals for all three years and can always defer less than the maximum amount that you are eligible to set aside.

4. Interaction between Age 50 and Special 457 Catch-up Provisions

You cannot make both Age 50+ and Special 457 Catch-up Deferrals in a single year. If you are in a calendar year that is one of your last 3 consecutive years before reaching normal retirement age and you want to defer more than is available under the Age 50+ Catch-up option, you should complete the worksheet to determine the amount of your unused deferrals. You are entitled to use the catch-up provision that will produce the higher deferral amount. However, you are not required to defer the maximum amount that you qualify for.

Sample Catch-up Analysis

Example 1: Mr. Paul Green is a D.P.W. employee with 10 years of credited service. Mr. Green wants to make the maximum deferrals for which he is eligible. He has elected a normal retirement age of 62, which he will attain in 2011. He has not participated in any other defined contribution plans with any other employer. 2008, 2009 and 2010 are the last three years before he reaches normal retirement age. He fills out the Special 457 Catch-Up underutilization worksheet (below) and sees that he has \$10,000 in unused deferrals from prior years. Here's how we would plan his deferrals:

Year	Normal Deferral	Catch-up Deferral	Deferral Type	Total Deferral	Unused Deferral Balance
					\$10,000
2008	\$15,500	\$10,000	457	\$25,500	0
2009	\$15,500	\$5,000	50+	\$20,500	N/A
2010	\$15,500	\$5,000	50+	\$20,500	N/A

Explanation: In 2008 he can set aside the normal limit of \$15,500 plus another \$10,000 (the amount of his unused deferrals) as a Special 457 Catch-Up deferral. Because Paul has exhausted his entire \$10,000 underutilization in 2008, he is no longer eligible to make Special 457 catch-up deferrals in 2009 and 2010. For those years, Paul can still make the normal maximum deferrals plus Age 50+ catch-up deferrals.

SAMPLE

SPECIAL 457 CATCH-UP UTILIZATION WORKSHEET

Employee Name: Paul Green Date of Hire: 02/02/85
 Date of Birth: 03/03/49 Retirement Plan: D.P.W.
 Normal Retirement Age: 62
 Year you will attain Normal Retirement Age: 2011

(A) Year	(B) Compensation Per W-2	(C) Compensation Limit 25% thru 2001 100% aft. 2002	(D) Dollar Limit per IRS	(E) Lower Limit (C or D)	(F) 457 (b) Deferral	(G) 403(b), etc. Deferrals Pre-2002	(H) Actual Deferral (F + G =)	(I) Unused Deferral (D - H =)
2007	\$40,000	\$40,000	\$15,500	\$15,500	\$15,500	N/A	\$15,500	\$0
2006	\$40,000	\$40,000	\$15,000	\$15,000	\$15,000	N/A	\$15,000	\$0
2005	\$40,000	\$40,000	\$14,000	\$14,000	\$14,000	N/A	\$14,000	\$0
2004	\$40,000	\$40,000	\$13,000	\$13,000	\$12,000	N/A	\$12,000	\$1,000
2003	\$40,000	\$40,000	\$12,000	\$12,000	\$10,000	N/A	\$10,000	\$2,000
2002	\$40,000	\$40,000	\$11,000	\$11,000	\$10,000	N/A	\$10,000	\$1,000
2001	\$40,000	\$10,000	\$8,500	\$8,500	\$8,000	N/A	\$8,000	\$500
2000	\$40,000	\$10,000	\$8,000	\$8,000	\$8,000	N/A	\$8,000	\$0
1999	\$40,000	\$10,000	\$8,000	\$8,000	\$8,000	N/A	\$8,000	\$0
1998	\$40,000	\$10,000	\$8,000	\$8,000	\$8,000	N/A	\$8,000	\$0
1997	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1996	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1995	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1994	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1993	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1992	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1991	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1990	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1989	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1988	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1987	\$40,000	\$10,000	\$7,500	\$7,500	\$7,000	N/A	\$7,000	\$500
1986	\$40,000	\$10,000	\$7,500	\$7,500	\$7,500	N/A	\$7,500	\$0
1985	\$36,400	\$9,100	\$7,500	\$7,500	\$7,500	N/A	\$7,500	\$0
1984	\$0	\$0	\$7,500	\$0	\$0	N/A	\$0	\$0
1983	\$0	\$0	\$7,500	\$0	\$0	N/A	\$0	\$0
1982	\$0	\$0	\$7,500	\$0	\$0	N/A	\$0	\$0
1981	\$0	\$0	\$7,500	\$0	\$0	N/A	\$0	\$0
1980	\$0	\$0	\$7,500	\$0	\$0	N/A	\$0	\$0
1979	\$0	\$0	\$7,500	\$0	\$0	N/A	\$0	\$0
(J) TOTAL UNDERUTILIZATION AVAILABLE FOR 457 CATCH-UP CONTRIBUTIONS								\$10,000

SPECIAL § 457 CATCH-UP UTILIZATION WORKSHEET

Employee Name: _____ Date of Hire: _____
 Date of Birth: _____ Retirement Plan: _____
 Normal Retirement Age: _____
 Year you will attain Normal Retirement Age: _____

(A) Year*	(B) Compensation Per W-2	(C) Compensation Limit 25% thru 2001 100% aft. 2002	(D) Dollar Limit per IRS	(E) Lower Limit (C or D)	(F) 457 (b) Deferral **	(G) 403(b), etc. Deferrals Pre-2002	(H) Actual Deferral (F + G =)	(I) Unused Deferral (D - H =)
2007			15500					
2006			15000					
2005			14000					
2004			13000					
2003			12000					
2002			11000					
2001			8500					
2000			8000					
1999			8000					
1998			8000					
1997			7500					
1996			7500					
1995			7500					
1994			7500					
1993			7500					
1992			7500					
1991			7500					
1990			7500					
1989			7500					
1988			7500					
1987			7500					
1986			7500					
1985			7500					
1984			7500					
1983			7500					
1982			7500					
1981			7500					
1980			7500					
1979			7500					
(J) TOTAL UNDERUTILIZATION AVAILABLE FOR 457 CATCH-UP CONTRIBUTIONS								\$ _____

* Begin calculating underutilization from the later of 1979 or your date of hire

** Only include 457 deferrals, do not include any Age 50 Catch-Up contributions you have made

Example 2: Assume Mr. Green, has \$25,000 of unused deferrals he can use during his last three years before attaining Normal Retirement Age in 2011. In 2008, he defers twice the normal limitation. In 2009, Paul sets aside \$8,000 as a Special 457 Catch-Up deferral. In 2010, Paul has only \$1,500 in unused deferrals remaining. In this situation, the Age 50+ Catch-Up of \$5,000 would provide him with the greater benefit, so he will use that.

Year	Normal Deferral	Catch-up Deferral	Deferral Type	Total Deferral	Unused Deferral Balance
					\$25,000
2008	\$15,500	\$15,500	457	\$31,000	\$9,500
2009	\$15,500	\$8,000	457	\$23,500	\$1,500
2010	\$15,500	\$5,000	50+	\$20,500	N/A

5. Determining How Much You Can Defer

The maximum amount that you can defer under the Special 457 Catch-Up provision is the lesser of:

- Two times the annual deferral limit (31,000 in 2008); or
- The annual deferral limit for the year (15,500 in 2008) plus underutilized amounts from prior years

To determine the underutilized amounts from prior years complete the Special 457 Catch-Up Underutilization Worksheet. You will need copies of your W-2s and retirement plan records showing compensation deferrals for each year (since 1979) in which you were eligible to participate in the Plan, even if you did not actually join until later. For years before 2002, you will also need to include information about contributions, if any, made by you or your employer to a 403(b), 401(k), SARSEP, or SIMPLE plan.

To calculate the underutilization amount, you must first list your salary for each year you were eligible to participate in the City of Rutland Plan. This will allow you to determine the maximum allowable deferral for that year. For most people, the annual dollar limit will be higher.

- From 1979 through 1997 the maximum was the lesser of \$7500 or 25% of your taxable income (before any deferrals);
- From 1998 through 2000, the maximum was the lesser of \$8000 or 25% of your taxable income (before any deferrals);
- In 2001, the maximum was the lower of \$8500 or 25% of your taxable income (before any deferrals);
- Since 2002, the maximum is the normal maximum limit contained in Internal Revenue Code § 457(e)(15) or 100% of your taxable income.

Next, list the amount that you deferred into the Plan for each of those years, plus any deferrals to other retirement plans, like a 403(b), 401(k), SARSEP or SIMPLE and add it to your Plan deferrals. Do not include any Age 50+ Catch-up contributions in these calculations.

For each year subtract the deferral total from the maximum permissible deferral and enter that in the column labeled "Unused Deferral" on the Worksheet. Add all the unused deferrals to get your underutilization amount (see Sample Utilization Worksheet above).