

by highly compensated Employees if the Plan discriminates in favor of highly compensated Employees in terms of eligibility or benefits. The Employer should discuss these rules with appropriate counsel.

B. Participant Eligibility

1. Minimum period of service required for participation is N/A (write N/A if an Employee is eligible to participate or to elect to participate immediately upon employment).
2. Minimum age required for eligibility to participate is N/A (write N/A if no minimum age is required).

VI. Contribution Sources and Amounts

A. Mandatory Contributions

1. Direct Employer Contributions

The Employer shall contribute on behalf of each Participant 1 % of earnings or \$ --- for the Plan Year.

Definition of earnings:

Base salary as established in the City's basic salary administration plan for the employee's job classification and pay step attained within the assigned pay range, excluding any and all special or additional pay to which the employee may be entitled.

2. Mandatory Leave Contributions

The Employer will make mandatory contributions of leave as follows:

Accrued Sick Leave* Yes No

Accrued Vacation* Yes No

Other* (describe) _____ Yes No

* Please provide the formula for determining the Accrued Leave contribution:

An Employee shall not have the right to discontinue or vary the rate of annual leave contributions.

3. Mandatory Employee Compensation Contributions

The Employer will make mandatory contributions of Employee compensation as follows:

Reduction in Salary - 1 % of earnings (as defined in VI.A.1.) or \$ --- will be contributed for the Plan Year.

Decreased Merit or Pay Plan Adjustment - All or a portion of the Employees' annual merit or pay plan adjustment will be contributed as follows:

An Employee shall not have the right to discontinue or vary the rate of mandatory contributions of Employee compensation.

B. Elective Contributions

1. Elective Pre-Tax Contributions

The Employer will permit each Employee to make the following elections to make pre-tax contributions to the Plan, effective January 1, 2005:

- a. Irrevocable Election for Pre-Tax Contributions from Compensation: A one-time, irrevocable election of the amount of Employer contributions of compensation made on his or her behalf.

The Employer limits the amount elected to either a fixed percentage or a range of percentages of an Employee's earnings

_____ % of earnings (as defined in VI.A.1.) or up to 15 % of earnings (as defined in VI.A.1) for the Plan Year.

Newly eligible Employees shall be provided an election window of 30 days (no more than 60) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 30 days (no more than 60) shall be provided during which the election may be made. The election window shall run from 11/15 to 12/15 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

- b. Irrevocable Election for Pre-Tax Contributions of Accrued Leave: A one-time, irrevocable election of the amount of employer contributions of Employee accrued

sick vacation other Holiday (describe) leave made on his or her behalf.
 Yes No

The Employer limits the amount elected as shown below:

The cash value of the accrued sick, vacation, and holiday leave for which the employee would be eligible to receive cash payout at separation from employment.

Newly eligible Employees shall be provided an election window of 30 days (no more than 60 calendar days) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 30 days (no more than 60 calendar days) shall be provided during which the election may be made. The election window shall run from 11/15 to 12/15 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

- c. Annual Prospective Election for Pre-Tax Contributions of Leave: An annual, Irrevocable election to have his or her sick vacation other holiday (describe) leave to be accrued in the next calendar year contributed to the Plan on his or her behalf.

"Holiday" shall be defined as 100% of annual bank for 24/7 shift personnel; 100% of floating holidays for all other employees.

The Employer limits the amount elected as shown below:
Sick leave is up to 50% of amount that exceeds primary bank accrual limit ("the portion not credited to the secondary sick leave bank"). Vacation leave is up to 50% of hours to be accrued, subject to requirement to maintain minimum balance of 80 hours in bank (112 hours required for sworn fire personnel).

Contributions of future leave accruals will be remitted to the Plan

as earned at the end of the calendar year.

The election to contribute must be made in the calendar year before the year in which contributions are to begin. Once made, the election shall apply to succeeding calendar years unless otherwise revised or revoked by the Employee on an annual basis.

An annual election window of 30 days (no more than 60 calendar days) is provided during which eligible Employees may make the election to contribute. The election window shall run from 11/15 to 12/15 (insert your annual time frame for the election window).

In adopting section a, b, and/or c, the Employer acknowledges that the Internal Revenue Service has not ruled on irrevocable election contributions in an integral part trust. ICMA-RC has obtained the advice of counsel that such contributions are allowable under the conditions outlined in this Adoption Agreement. The Employer should discuss this issue with appropriate counsel.

2. Voluntary After-Tax Contributions

Each Employee may contribute up to _____% of earnings (as defined in VI.A.1.) or \$_____ for the Plan Year on a voluntary after-tax basis. In no event may aggregate Employee voluntary after-tax contributions exceed 25% of total contributions in any Plan Year.

An Employee shall have the right to discontinue or vary the rate of elective after-tax contributions of Employee earnings.

By adopting this section, the Employer acknowledges that the Internal Revenue Service has declined to rule on Employee after tax contributions in an integral part trust. ICMA-RC has obtained the advice of counsel that such contributions are allowable in an insubstantial amount (i.e. no more than 25% of total contributions in any Plan Year). The Employer should discuss this issue with appropriate counsel.

C. Limits on Total Contributions

The total contribution on behalf each Participant (including both Mandatory and Elective Contributions) for each Plan Year shall not exceed the following limit(s):

- _____% of earnings (as defined in VI.A.1.).
- \$_____.
- There is no Plan-defined limit on the percentage or dollar amount of earnings that may be contributed.

Limits on individual contribution types are defined within the appropriate section above.

See Section V.A. for a discussion of nondiscrimination rules that may apply to non-collectively bargained self-insured Plans.

VII. Vesting Schedule

A. The account is 100% vested at all times, unless specified otherwise in B. below.

B. The following vesting schedule applies to Direct Employer Contributions outlined in VI.A.1:

Years of Service Completed	Specified Percent Vesting
1-9	0 %
10	100 %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

C. The account will become 100% vested upon the death, disability, retirement, or attainment of benefit eligibility by a Participant.

Definition of retirement: Separation from City employment with immediate commencement of receipt of retirement allowance from the Public Employees Retirement System (PERS)

D. Any period of service by a Participant prior to a rehire of the Participant by the Employer shall not count toward the vesting schedule outlined in B. above.

VIII. Forfeiture Provisions

Upon separation from the service of the Employer or upon reversion to the Trust of a Participant's account assets remaining upon the participant's death (as outlined in Section XI), a Participant's non-vested funds shall:

- Remain in the Trust to be reallocated among all Plan Participant's as Direct Employer Contributions for the next and succeeding contribution cycle(s).
- Remain in the Trust to be reallocated on an equal dollar basis among all Plan Participants.
- Remain in the Trust to be reallocated among all Plan Participants based upon Participant account balances.
- Revert to the Employer.

In the case of separation from service, the Participant's non-vested funds shall be applied as shown above. In the case of reversion due to the Participant's death under Section XI, the remaining account assets shall be applied as shown above.

IX. Eligibility Requirements to Receive Medical Benefit Payments from the VantageCare Retirement Health Savings Plan

A. A Participant is eligible to receive benefits:

- _____ At retirement only (as defined in Section VII.C.)
- XX At separation from service with the following restrictions
after 24 hours from official last day of employment
- _____ At age _____ only
- _____ At retirement and age _____
- _____ At retirement or age _____

B. Termination prior to general benefit eligibility: A Participant who separates from the service of the Employer prior to attaining benefit eligibility as outlined in Section IX.A. or C. will be eligible to receive benefits: N/A

- Immediately upon separation from service.
- At age _____.

C. A Participant who dies or becomes totally and permanently disabled (as defined by the Social Security Administration) will become immediately eligible to receive medical benefit payments from his/her VantageCare Retirement Health Savings Plan account.

X. Permissible Medical Benefit Payments

Benefits eligible for payment consist of:

- A. XX All Medical Expenses eligible under IRC Section 213* other than direct long-term care expenses, OR
- B. The following Medical Expenses (select only the expenses you wish to cover under the VantageCare Retirement Health Savings Plan):

- _____ Medical Insurance Premiums
- _____ Medical Out-of-Pocket Expenses*
- _____ Medicare Part B Insurance Premiums
- _____ Medicare Supplement Insurance Premiums
- _____ COBRA Premiums
- _____ Dental Insurance Premiums
- _____ Dental Out-of-Pocket Expenses*
- _____ Long Term Care Insurance Premiums
- _____ Other (Must be eligible under IRC Section 213)*

* See Section V.A. for a discussion of nondiscrimination rules which may apply to non-collectively bargained, self-insured Plans.

XI. Death Benefit

In the event of a Participant's death, the following shall apply:

Account Transfer: The surviving spouse and/or surviving eligible dependents (as defined in Section XIII.F.) of the deceased Participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits specified in Section X above.

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund*. The account balance may be reallocated by the surviving spouse or dependents.

** Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.*

If a Participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits of eligible dependents. Upon the death of all eligible dependents, the balance will be available for medical benefits for the designated beneficiary of the last dependent or spouse to die. Assets remaining upon the death of a designated beneficiary shall be available for medical benefits of the beneficiary's designated beneficiary. If there is no living beneficiary(ies), the account will revert to the Plan to be applied as specified in Section VIII.

There will be no elective withholding of federal, state, or local taxes for medical benefit payments to the Participant's spouse's or dependent's designated beneficiary(ies).

If there are no living spouse or dependents at the time of death of the Participant, the account will be available for medical benefits for the designated beneficiary(ies) of the Participant. Assets remaining upon the death of all designated beneficiaries shall be available for medical benefits of the beneficiary's beneficiary. If there is no living beneficiary(ies), the account will revert to the Plan to be applied as specified in Section VIII. There will be no elective withholding of federal, state, or local taxes for medical benefit payments to the Participant's beneficiary(ies) or any beneficiary's beneficiary.

XII. De Minimis Accounts

Upon separation from the service of the Employer prior to a Participant becoming eligible for medical benefits from a VantageCare Retirement Health Savings Plan account, Participant accounts that are considered de minimis as specified below will be paid to the Participant.

- The de minimis account value shall be \$5,000 or less.
- The de minimis account value shall be \$_____ (insert dollar amount between \$0 and \$5,000) or less.
- The Plan shall not allow de minimis account distributions.

XIII. The Plan will operate according to the following provisions:

A. Employer Responsibilities

1. The Employer will submit all VantageCare Retirement Health Savings Plan contribution data via electronic submission.
2. Participant status updates and/or changes or personal information updates and/or changes (Participants' termination dates, Participants' benefit eligibility dates, etc.) will be provided via electronic submission.

B. Participant account administration fees will be paid through the redemption of Participant account shares, unless agreed upon otherwise in the Administrative Services Agreement.

C. Employer plan fees will be paid by the Employer as outlined in the Administrative Services Agreement.

D. Assignment of benefits is not permitted.

E. Payments to an alternate payee (payee other than a Participant) are not permitted with the exception of reimbursement of health insurance premiums to the Employer.

F. An eligible dependent is the Participant's lawful spouse and any other individual who is a person described in IRC Section 152(a).

G. The Employer will be responsible for withholding, reporting and remitting any applicable taxes, as outlined in the VantageCare Retirement Health Savings Plan Employer Manual.

XIV. The Employer hereby acknowledges it understands that failure to properly fill out this Employer VantageCare Retirement Health Savings Plan Adoption Agreement may result in the loss of tax exemption of the Trust and/or loss of tax-deferred status for Employer contributions.

EMPLOYER

CITY OF COSTA MESA,
A municipal corporation

Mayor of the City of Costa Mesa

Date: _____

ATTEST:

Deputy City Clerk and ex-officio Clerk
of the City of Costa Mesa

APPROVED AS TO FORM:

Kerilyn Hall Carlson

City Attorney

Date: 11-30-04

APPROVED AS TO CONTENT:

Date: _____

APPROVED AS TO CONTENT:

J.S. Juyll
for Risk Manager

Date: 11-30-04

VANTAGEPOINT TRANSFER AGENTS, LLC

Corporate Treasurer

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, ADOPTING AN AMENDMENT TO THE VANTAGECARE RETIREMENT HEALTH SAVINGS PROGRAM ADOPTION AGREEMENT AND AUTHORIZING THE CITY'S FINANCE DIRECTOR TO SERVE AS PLAN ADMINISTRATOR AND TO IMPLEMENT THE AMENDED PLAN.

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, on January 5, 2004, the City Council Adopted Resolution No. 04-2 adopting the Vantagecare Retirement Health Savings Program ("the Plan") to implement its prior approval of certain enhancements to the City's retiree medical program; and

WHEREAS, it was subsequently determined that certain clerical errors were made in the Vantagecare Adoption Agreement which have or potentially have the effect of causing the Plan not to conform to the City Council's intent and to City employees' understanding as to the benefits and options to be provided by the Vantagecare Retirement Health Savings Program; and

WHEREAS, the Plan may be amended by action of the City Council retroactively to its effective date of January 1, 2004 in order to ensure that all employees participating in the Plan have the same options and benefits;

NOW, THEREFORE, BE IT RESOLVED that the City hereby adopts the Amended Employer Vantagecare Retirement Health Savings (RHS) Plan Adoption Agreement, retroactive to January 1, 2004 to conform to the original intent of the Council in approving the Plan; and

BE IT FURTHER RESOLVED that the City's Finance Director shall be the Administrator of the Plan. The Plan Administrator shall have the power and authority to implement the terms of the Plan for the benefit of the Plan beneficiaries and is hereby authorized to take such steps and to do such things as may be reasonably necessary to implement the Plan, as amended, without further authorization from the City Council; and

BE IT FURTHER RESOLVED that except as provided for in this Resolution and the Amended Employer Vantagecare Retirement Health Savings (RHS) Plan Adoption Agreement, all other provisions of the Plan documents shall continue in full force and effect.

PASSED AND ADOPTED this 6th day of December, 2004.

ATTEST:

Deputy City Clerk of the City of Costa Mesa

Mayor of the City of Costa Mesa

APPROVED AS TO FORM



City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, JULIE FOLCIK, Deputy City Clerk and ex-officio Clerk of the City Council of the City of Costa Mesa, hereby certify that the above and foregoing Resolution No. _____ was duly and regularly passed and adopted by the said City Council at a regular meeting thereof held on the 6th day of December, 2004, by the following roll call vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City of Costa Mesa this 7th day of December, 2004.

Deputy City Clerk and ex-officio Clerk of
the City Council of the City of Costa Mesa