

RESOLUTION NO 10-09

A RESOLUTION OF THE RIDGECREST CITY COUNCIL OF THE CITY OF RIDGECREST APPROVING PARTICIPATION IN THE PUBLIC AGENCY RETIREMENT SYSTEM (PARS)

WHEREAS it has been determined to be in the best interest of the City of Ridgecrest and its employees to provide a Qualifying Retirement System for all its employees not currently eligible for such a Qualifying Retirement System, thereby meeting the requirements of Section 11332 of the Omnibus Budget Reconciliation Act (OBRA 90) and Section 3121(b)(7)(F) of the Internal Revenue Code (IRC);

WHEREAS the City has previously adopted the City of Ridgecrest PARS Alternate Retirement System effective December 9, 1991; and

WHEREAS the Internal Revenue Service implemented a new remedial amendment cycle in 2006 which requires employers to amend and restate their qualified plans every five to six years to comply with recent federal legislation and regulations applicable to the Plan; and

WHEREAS the cycle for amending and restating the PARS Alternate Retirement System is now open and the City is required to amend and restate the Plan; and if desired, reapply for an updated IRS Letter of Determination on the tax-qualified status of the Plan; and

WHEREAS in conjunction with amending and restating the Plan, the agreement covering the administrative services for the Plan ("Agreement for Administrative Services") has been amended and restated to clarify certain terms and provisions regarding Plan Distributions, Non-Contribution Reports and Escheatment of Unclaimed Accounts; the addition of a 2% annual cost of living adjustment to the minimum monthly fee, and an increase in the distribution fee from \$12.00 to \$20.00.

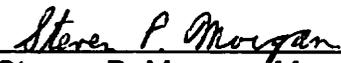
NOW THEREFORE, BE IT RESOLVED THAT:

1. The City Council, being a member of the PARS Trust, does hereby adopt the Amended and Restated PARS Alternate Retirement Systems (ARS) Plan, and the Amended and Restated Agreement for Administrative Services; and
2. The City Council hereby appoints the City Manager, or his/her successor or his/her designee as the City's Plan Administrator for the Public Agency Retirement System; and
3. The City's Plan Administrator is hereby authorized to implement the plan execute the PARS legal documents on behalf of the City and to take whatever additional actions are necessary to maintain the City's participation in PARS and to maintain PARS compliance of any relevant regulation issued or as may be

issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS plan.

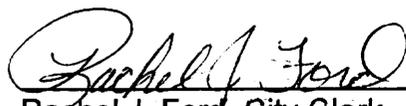
APPROVED AND ADOPTED this 3rd day of February 2010 by the following vote.

AYES: Mayor Morgan, Council Members Carter, Wiknich, Holloway, and Taylor
NOES: None
ABSENT: None
ABSTAIN: None



Steven P. Morgan, Mayor

ATTEST:



Rachel J. Ford, City Clerk

AMENDED AND RESTATED AGREEMENT FOR ADMINISTRATIVE SERVICES

This Amended and Restated Agreement for Administrative Services (“Agreement”) is made this _____ day of _____, 2009, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services (hereinafter “PARS”) and the City of Ridgecrest (“Agency”).

WHEREAS, the Agency adopted the City of Ridgecrest PARS Alternate Retirement System (the “Plan”) effective December 9, 1991 in conjunction with the PARS Trust Agreement (“Trust”), with PARS, as Trust Administrator to the Trust to provide administrative services on or about June 25, 1991 (“Initial Date”);

WHEREAS, it is necessary to amend and restate the terms of the original agreement to provide administrative services and clarify certain terms and conditions thereof, including but not limited to Plan Distributions, Non-Contribution Reports and Escheatment of Unclaimed Accounts;

WHEREAS, pursuant to Sections 3.4 and 3.5 of the Trust, the Agency has designated the City Manager to act on its behalf in all matters relating to the Plan pursuant to the PARS Trust Program (“Plan Administrator”);

WHEREAS, pursuant to Section 3.6 of the PARS Trust Agreement, the Agency has the power to delegate certain duties related to the Plan, and PARS accepts those duties pursuant to the terms contained in this Agreement, and that this Agreement represents the entire delegation of duties to PARS from the Agency with regards to the Plan;

WHEREAS, PARS accepts the terms of this Agreement with the understanding by the Agency and Plan Administrator that PARS does not hold custody of any assets of the Plan, and does not have any independent authority or discretion for the investment, distribution or escheatment of Plan assets without the express consent of, and direction from, the Plan Administrator.

NOW THEREFORE, the parties agree:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as “Exhibit 1A” (“Services”) in a timely manner, subject to the further provisions of this Agreement.
2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as “Exhibit 1B”.
3. **Payment Terms.** Payment for the Services will be remitted directly from Plan assets unless the Agency chooses to make payment directly to PARS. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets,

unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.

4. **Fees for Services Beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will obtain Agency authorization and provide the Agency with written notice of the subject services, terms, and an estimate of the fees therefore.
5. **Information Furnished to PARS.** PARS will provide the Services contingent upon the Agency providing PARS the information specified in the exhibit attached hereto as "Exhibit 1C" ("Data"). It shall be the responsibility of the Agency to certify the accuracy, content and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1A, PARS shall be under no duty to question Data received from the Agency, to compute contributions made to the Plan, to determine or inquire whether contributions are adequate to meet and discharge liabilities under the Plan, or to determine or inquire whether contributions made to the Plan are in compliance with the Plan or applicable law. In addition, PARS shall not be liable for non performance of Services if such non performance is caused by or results from erroneous and/or late delivery of Data from the Agency. In the event that the Agency fails to provide Data in a complete, accurate and timely manner and pursuant to the specifications in Exhibit 1C, PARS reserves the right, notwithstanding the further provisions of this Agreement, to terminate this Agreement upon no less than ninety (90) days written notice to the Agency.
6. **Suspension of Contributions.** In the event contributions are suspended, either temporarily or permanently, prior to the complete discharge of PARS' obligations under this Agreement, PARS reserves the right to bill the Agency for Services under this Agreement at the rates indicated in PARS' standard fee schedule in effect at the time the services are provided, subject to the terms established in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with written notice of the subject services, terms, and an estimate of the fees therefore.
7. **Plan Distributions.** The Plan Administrator is responsible for notifying PARS of any Participant's eligibility for a distribution, and PARS accepts the Plan Administrator's contractual delegation of distribution processing and certain escheatment responsibilities. PARS is entitled to rely on, and is under no duty whatsoever to audit the efficacy of the Agency's procedures for identifying an employee's change-in-status or eligibility for a distribution.
8. **Non-Contribution Reports.** PARS prepares and submits a periodic Non-Contribution report to the Plan Administrator which includes all Participants who have received no new contributions for a period of time, as specified by the Plan Administrator. PARS is not obligated by law or otherwise to provide a Non-Contribution report and this report in

no way obligates PARS to generate distributions without specific instruction from the Agency's Plan Administrator as outlined in Section 7.

9. **Escheatment of Unclaimed Accounts.** PARS will administer the escheatment of Participant accounts which are deemed unclaimed pursuant to applicable state and federal laws, under the conditions further described in the provisions of this Agreement. It is acknowledged by the Agency and Plan Administrator that any escheatment duties that PARS has arise only as a result of contractual, not statutory, obligations that PARS accepts as a delegatee of the Plan Administrator, as contained in this Agreement. For the purposes of determining the timing of distributability under any unclaimed property law, a Participant account becomes "payable or distributable" as of the date on which the Plan Administrator notifies PARS, in an acceptable form of notification, of a change-in-status together with the proper authorization to commence the distribution process.
10. **Records.** Throughout the duration of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of Agency access to all records and material relating to calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.
11. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency, subject to applicable law, and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.
12. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation and similar matters.
13. **Indemnification.** PARS and Agency hereby indemnify each other and hold the other harmless, including their respective officers, directors, employees, agents and attorneys, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of PARS' or Agency's, as the case may be, acts, errors or omissions with respect to the performance of their respective duties hereunder.
14. **Compliance with Applicable Law.** The Agency shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan.

PARS shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.

15. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.
16. **Force Majeure.** When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by such cause, including but not limited to: any incidence of fire, flood, acts of God, acts of terrorism or war, commandeering of material, products, plants or facilities by the federal, state or local government, or a material act or omission by the other party.
17. **Ownership of Reports and Documents.** The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to, and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.
18. **Designees.** The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Body of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.
19. **Notices.** All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:
 - (A) To PARS: PARS; 5141 California Avenue, Ste. 150; Irvine, CA 92617; Attention: President
 - (B) To Agency: City of Ridgecrest; 100 West California Avenue, Ridgecrest, CA 93555; Attention: City ManagerNotices shall be deemed given on the date received by the addressee.
20. **Term of Agreement.** This Agreement will continue unchanged for successive twelve month periods from the date first above written, unless either party gives written notice to the other party of the intent to terminate upon ninety (90) days written notice.
21. **Amendment.** This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.
22. **Entire Agreement.** This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement.

In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.

23. **Attorneys Fees.** In the event any action is taken by a party hereto to enforce the terms of this Agreement the prevailing party herein shall be entitled to receive its reasonable attorney's fees.
24. **Counterparts.** This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.
25. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
26. **Effective Date.** This Agreement shall be effective and control the obligations and duties of the parties hereto as of the Initial Date.

AGENCY:

BY: _____
TITLE: City Manager
DATE: _____

PARS:

BY: _____
TITLE: Chief Operating Officer
DATE: _____

EXHIBIT 1A

SERVICES

PARS will provide the following services for the City of Ridgecrest Plan:

1. Plan Installation Services:

- (A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, benefit communication strategies, data reporting and contribution submission requirements;
- (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;
- (C) Providing the documentation needed to establish the Plan for review by Agency legal counsel, which must be reviewed and approved by the Agency, as demonstrated by the execution of this Agreement prior to the commencement of PARS services;
- (D) Upon Agency authorization, preparing and submitting application to the Internal Revenue Service for a determination that the Plan is qualified (the application fee for which shall be paid by the Agency).

2. Plan Administration Services:

- (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Trust Program ("Trustee"), based upon information received from the Agency and the Trustee;
- (B) Performing periodic accounting of Plan assets, including the allocation of employer and employee contributions, distributions, investment activity and expenses (if applicable) to individual Participant ("Participant") accounts, based upon information received from the Agency and/or Trustee;
- (C) Acting as ongoing liaison between the Participant and the Agency in regard to distribution payments, which shall include use by the Participants of toll-free telephone communication to PARS;
- (D) Coordinating the processing of Participant distribution payments pursuant to authorized written Agency certification of distribution eligibility, authorized direction by the Agency, the provisions further contained in this Agreement, and the provisions of the Plan;
- (E) Directing Trustee to make Participant distribution payments, pursuant to the Agency authorization provisions in this Agreement, and producing required tax filings regarding said distribution payments;
- (F) Notifying the Trustee of the amount of Plan assets available for further investment and management, or, the amount of Plan assets necessary to be liquidated in order to fund Participant distribution payments;
- (G) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope this Agreement;

- (H) Preparing and submitting a periodic Non-Contribution report which includes all Participants who have received no new contributions for a period of time as specified by the Plan Administrator, unless directed by the Agency otherwise. PARS is not obligated by law or otherwise to provide a Non-Contribution report and this report in no way obligates PARS to generate distributions without specific instruction from the Agency Plan Administrator as outlined in Section 7 of this Agreement;
 - (I) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;
 - (J) Preparing and submitting an annual report of Plan activity to the Agency;
 - (K) Preparing individual annual statements and mailing in bulk to the Agency, unless directed by the Agency otherwise;
 - (L) Preparing and submitting the Annual Report of Financial Transactions to the California State Controller, as required by law, for the PARS Trust Program, including the required certified audit of the PARS Trust.
3. Plan Compliance Services: Coordinating and preparing changes to the Trust, Plan and other associated legal documents required by federal and state agencies to keep the plan in compliance.
 4. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.

EXHIBIT 1B
FEES FOR SERVICES

1. PARS will be compensated for performance of Services, as described in Exhibit 1A based upon the following schedule:

(A) A fee equal to the stated IRS application fees and legal fees related to any ongoing federal and/or state required Plan compliance changes. Such fees will not be charged to the Agency without prior authorization by the Plan Administrator.

(B) A distribution fee equal to \$20.00 per terminated Participant ("Distribution Fee"), which shall be deducted solely from the terminating Participant's account or paid by the Agency. Such fee will be effective January 1, 2010.

Distribution Fee Payment Option (Please select one option below):

- Distribution Fee shall be paid solely from the terminating Participant's account.
 Distribution Fee shall be paid by the Agency.

(C) An annual asset fee paid from Plan Assets or paid by the Agency based on the following schedule ("Asset Fee"):

<u>For Plan Assets from:</u>	<u>Annual Rate:</u>
\$1 to \$500,000	2.00%
\$500,001 to \$2,500,000	1.50%
\$2,500,001 to \$5,000,000	1.25%
\$5,000,001 to \$10,000,000	1.00%
\$10,000,001 to \$15,000,000	0.75%
\$15,000,001 to \$20,000,000	0.50%
\$20,000,001 and above	0.30%

Annual rates are prorated and paid monthly. The annual Asset Fee shall be calculated by the following formula [Annual Rate divided by 12 (months of the year) multiplied by the Plan asset balance at the end of the month within each asset range]. Asset based fees are subject to a \$300.00 monthly minimum. If the Asset Fee is taken from Plan Assets, the total Asset Fees due in a given month shall be allocated proportionately among Participants of the Agency's Plan in that month, based on account balance. Trustee and Investment Management Fees are not included. The monthly minimum is subject to an automatic cost-of-living increase of 2% per year effective July 1, 2010.

Annual Asset Fee Payment Option (Please select one option below):

- Annual Asset Fee shall be paid by the Agency.
 Annual Asset Fee shall be paid from Plan Assets.

(D) A fee equal to the out of pocket costs charged to PARS by an outside contractor for formatting contribution data on to a suitable magnetic media, charged only if the contribution data received by PARS from the Agency is not on readable magnetic media ("Data Processing Fee").

EXHIBIT 1C

DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information:

1. Contribution Data – readable magnetic media containing the following items of employee information related to the covered payroll period:
 - (A) Agency name
 - (B) Employee’s legal name
 - (C) Employee’s social security number
 - (D) Payroll date
 - (E) Employer contribution amount
 - (F) Employee contribution amount
2. Distribution Data – written Plan Administrator’s (or authorized Designee’s) direction to commence distribution processing, which contains the following items of Participant information:
 - (A) Agency name
 - (B) Participant’s legal name
 - (C) Participant’s social security number
 - (D) Participant’s address
 - (E) Participant’s phone number
 - (F) Participant’s birth date
 - (G) Participant’s condition of eligibility
 - (H) Participant’s effective date of eligibility
 - (I) Signed certification of distribution eligibility from the Plan Administrator, or authorized Designee
3. Executed Legal Documents:
 - (A) Certified Resolution
 - (B) Adoption Agreement
 - (C) Plan Document
 - (D) Trustee Investment Forms
4. Other information requested by PARS

THE CITY OF RIDGECREST
PUBLIC AGENCY RETIREMENT SYSTEM
ALTERNATE RETIREMENT SYSTEM
(PARS-ARS)

AMENDED AND RESTATED

EFFECTIVE JANUARY 1, 2002

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INTRODUCTION

The City of Ridgecrest (the "Employer") has adopted this tax qualified governmental volume submitter profit sharing plan for the benefit of its Eligible Employees. This document is a full and complete amendment and restatement of the City of Ridgecrest PARS Alternate Retirement System Plan.

It is intended that this Plan and the Trust established to hold the assets of the Plan shall be qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, together with any amendments thereto ("Code"). It is also intended that this Plan and the Trust established hereunder shall meet the requirements of a pension trust under California Government Code sections 53215 - 53224, or their successor sections. At any time prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries under the Trust created pursuant to this Plan, the Trust assets shall not be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries, as prescribed in Section 401(a)(2) of the Code.

It is intended that the Plan satisfy the requirements of the applicable provisions of the Uruguay Round Agreements Act, the Small Business Job Protection Act, the Taxpayer Relief Act of 1997, and the Uniformed Service Employment and Reemployment Rights Act of 1994 (commonly referred to as the "GUST" amendments) and that the provisions of this restated Plan reflecting the GUST amendments are hereby made effective as of the dates required by the legislation referred to in this sentence.

It is further intended that the Plan satisfy the requirements of the applicable provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 and the related requirements of the revisions to Section 401(a)(9) of the Code (commonly referred to

as "EGTRRA") and that the provisions of this restated Plan reflecting EGTRRA are hereby made effective as of the dates required by the legislation referred to in this sentence.

ARTICLE I

DEFINITIONS

- 1.1 "Act" means California Government Code Sections 53215 - 53224.
- 1.2 "Aggregate Account" means, with respect to each Participant, the value of all accounts maintained on behalf of the Participant, whether attributable to Employer or Employee contributions.
- 1.3 "Amended Effective Date" means January 1, 2002.
- 1.4 "Beneficiary" means the person, trust or other entity to whom a share of a deceased Participant's Aggregate Account is payable.
- 1.5 "Code" means the Internal Revenue Code of 1986 as amended from time to time.
- 1.6 "Compensation" means all compensation for that portion of the Plan Year during which the Employee was a Participant, paid in cash by the Employer to the Participant for personal services. Further, the Employer as defined in Section 1.12 hereof, defines compensation as base salary. Compensation in excess of \$150,000 shall be disregarded. Such amount shall be adjusted for increases in the cost of living in accordance with Code Section 401(a)(17)(B) except that the dollar increase in effect on January 1 of any calendar year shall be effective for the Plan Year beginning with or within such calendar year. For any short Plan Year, the compensation limit shall be an amount equal to the compensation limit for the calendar year in which the Plan Year begins multiplied by a ratio obtained by dividing the number of full months in the short Plan Year by twelve (12). The limitation on the maximum amount of compensation that may be taken into account under the Plan, as set forth in this definition of compensation, shall apply for Plan Years beginning after December 31, 1995, or 90 days after the opening of the first legislature session on or after January 1, 1996. The annual compensation of each Participant, as defined above by the Employer, taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. The preceding sentence shall not apply to any Participant eligible for a higher limit on annual compensation under the transition rule described in Section 1.401(a)(17)-1(d)(4)(ii) of the Treasury Regulations.
- 1.7 "Effective Date" means December 9, 1991.
- 1.8 "Eligible Class of Employees" means the eligible class of employees as provided herein and in the applicable governing board policies and regulations promulgated thereunder by the Employer.

- 1.9 **"Eligible Employee"** means all of those Employees of the Employer whose Participation in this Plan is not prohibited or restricted by the provisions of a collective bargaining agreement or another plan or retirement system maintained by the Employer. Employees who are exempt from coverage under Social Security by federal law or regulation shall not be eligible employees.
- 1.10 **"Employee"** means an employee of the Employer.
- 1.11 **"Employee Contribution Account"** means the account by that name established pursuant to Section 3.2 hereof.
- 1.12 **"Employer"** means the City of Ridgecrest that has adopted this Plan.
- 1.13 **"Employer Contribution Account"** means the account by that name established pursuant to Section 3.1 hereof.
- 1.14 **"Inactive Participant"** means a Participant who is no longer eligible to participate because he is no longer in a class of Employees eligible to participate in this Plan but is still employed by the Employer.
- 1.15 **"Ineligible Employee"** means all of those Employees of the Employer whose Participation in this Plan is prohibited or restricted by the provisions of a collective bargaining agreement, another plan or retirement system maintained by the Employer, or exempt from coverage under Social Security by federal law or regulation.
- 1.16 **"Investment Manager"** means the entity appointed by the Employer as the investment manager under the Plan.
- 1.17 **"Limitation Year"** means the limitation year under Section 3.5 hereof and shall mean the Plan Year.
- 1.18 **"Normal Retirement Age"** means sixty (60) years of age.
- 1.19 **"Normal Retirement Date"** means the first day of the month coincident with or next following the date on which the Participant attains Normal Retirement Age.
- 1.20 **"Participant"** means a Participant under Article II hereof.
- 1.21 **"Participant Aggregate Accounts"** means the accounts by that name established pursuant to Article III hereof.
- 1.22 **"Participant Contributions"** means contributions made on behalf of the Participant by the Employer as Pick Up Contributions.
- 1.23 **"Participant Contribution Account"** means the value of the Participant's interest in this Plan that is attributable to Pick Up Contributions and/or Participant after tax Contributions.

- 1.24 **"PERS"** means the California Public Employees' Retirement System.
- 1.25 **"Pick Up Contributions"** means Participant contributions made by the Employer on behalf of the Participant pursuant to Section 414(h) of the Internal Revenue Code. Pick Up Contributions shall not under any circumstances be paid to the Participant or be directed by the Participant for any purpose except as Pick Up Contributions to this Plan. The Employer may make Pick Up Contributions through a reduction in salary, an offset against future salary increases, or a combination of the two.
- 1.26 **"Plan"** means the City of Ridgecrest PARS Alternate Retirement System.
- 1.27 **"Plan Administrator"** means the individual or position designated by the Employer to act on behalf of the Employer in matters relating to this Plan. If no designation is made, the Employer shall be the Plan Administrator. If a Plan Administrator has been appointed, the word "Employer" as used in this Plan shall mean Plan Administrator unless the context indicates a different meaning is intended.
- 1.28 **"Plan Year"** means the consecutive twelve month period beginning on July 1 and ending on June 30.
- 1.29 **"Public Agency"** means an employer authorized under California Government Code Article 1.5, Sections 53215 through 53224 to establish a pension trust.
- 1.30 **"Regulations"** means the regulations adopted or proposed by the Department of Treasury from time to time pursuant to the Code.
- 1.31 **"Retirement System"** means any plan that meets the requirements for a retirement system under Section 3121(b)(7)(F) of the Code and the final regulations thereunder.
- 1.32 **"Social Security"** means the Social Security program as set forth in Title 42 of the United States Code, Section 301 et seq.
- 1.33 **"STRS"** means the California State Teachers' Retirement System.
- 1.34 **"Trust"** means the trust established as part of the Public Agency Retirement Trust to hold the assets of the Plan.
- 1.35 **"Trustee"** means the trustee of the Trust.
- 1.36 **"Valuation Date"** means the last day of the Plan Year or such other day on which the assets of the Trust are valued and the value of each Participant's Aggregate Account is determined.
- 1.37 **"Vested"** means the nonforfeitable portion of any account maintained on behalf of a Participant.

ARTICLE II

ELIGIBILITY REQUIREMENTS FOR PARTICIPATION

2.1 Time of Participation

An Eligible Employee shall participate in this Plan on each day during which the Employee is not accruing a benefit under Social Security or another Retirement System provided and maintained by the Employer.

2.2 Termination of Participation

A Participant shall cease to be a Participant on the date on which the Participant begins to participate in another Retirement System or the date of his termination of employment as determined by the Employer.

2.3 Effect of Transfer to Ineligible Employment

If a Participant is no longer an Eligible Employee and becomes an Ineligible Employee, such Employee will participate immediately upon returning to the Eligible Class of Employees. Such participation shall commence as of the first day of such eligible employment.

2.4 In Service Distributions

A Participant who is no longer eligible to participate because he is no longer in the class of eligible employees, but who has not terminated employment with the Employer, shall become an Inactive Participant and shall remain such for twenty-four (24) months after which his interest in the Plan will be distributed to him.

ARTICLE III
CONTRIBUTIONS

3.1 Amount of Employer Contributions

There is hereby created and established and shall be maintained by the Plan Administrator the Employer Contribution Account. For each day that an Employee remains a Participant under this Plan, the Employer shall make a contribution of three and seventy-five hundredths percent (3.75%) of Compensation. Such contribution shall be made no later than the close of the Plan Year. This amount shall be credited to the Employer Contribution Account. Employer Contributions will be allocated to each Participant in the ratio that such Participant's compensation bears to the compensation of all Participants.

3.2 Amount of Employee Contributions

There is hereby created and established and shall be maintained by the Plan Administrator the Employee Contribution Account. For each day that an Employee remains a Participant under this Plan, the Employee shall make a contribution of three and seventy-five hundredths percent (3.75%) of Compensation. Such contribution shall be credited to the Employee Contribution Account. In accordance with Section 414(h) of the Code and Sections 1.22 and 1.25 of this Plan, the contributions required under this Section 3.2 shall be Pick Up Contributions.

3.3 Administrative Expenses

In accordance with Section 53217 of the Act the Employer may make contributions to the Trust sufficient to defray all or part of the expenses of administering the Plan or may pay such expenses directly.

3.4 Allocation of Administrative Expenses

If the Employer chooses not to pay the expenses of administering this Plan, such expenses shall be charged ratably against the Participants' Aggregate Accounts.

3.5 Limits on Annual Additions

(a) Notwithstanding anything else to the contrary, annual additions credited to a Participant's Account during a Limitation Year (i.e. Plan Year) shall not exceed the lesser of \$30,000 (adjusted as permitted by Section 415(d)(1) of the Code and Regulations issued thereunder) or 25 percent of the Participant's Compensation. This Section 3.5 shall be construed and interpreted in accordance with the provisions of Appendix A attached hereto.

(b) Effective for the Plan Years beginning after December 31, 2001, annual additions credited to a Participant's Account during a Limitation Year shall not exceed the lesser of \$40,000 (adjusted as permitted by Section 415(d) of the Code and Regulations issued

thereunder) or 100 percent of Section 415 Compensation (provided that such 100 percent limitation shall not apply to any contributions for medical benefits after separation from service, within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) including compensation not includible in the Participant's taxable income by reason of Code Sections 125, 132(f)(4) or 457.

3.6 Vesting

A Participant will be fully vested in his Aggregate Account at all times. If the Plan's vesting schedule is amended or the Plan is amended in any way that directly or indirectly affects the computation of a Participant's nonforfeitable percentage, or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant with at least three years of service with the Employer may elect within a reasonable period of time after the adoption of the amendment or change to have his nonforfeitable percentage computed under the Plan without regard to the amendment or change.

3.7 Investment in Accordance With Act

All contributions, interest earned, and any assets of the Plan shall at all times be invested and managed in accordance with the requirements of the Act.

3.8 Reversions

The Employer shall have the right to a reversion of assets from this Plan if (1) a contribution is conditioned upon the initial qualification of the Plan, a timely determination letter request is filed, and the Plan receives an adverse determination, or (2) the reversion is due to a good faith mistake of fact, or (3) the contribution is conditioned on its deductibility under Section 404 of the Code.

ARTICLE IV

FUNDING AND VALUATION

4.1 Funding

In accordance with Section 53216 of the Act, the assets of the Plan shall be held in a trust or invested in an insurance contract which may or may not be held in a trust. Subject to Sections 53216.1, 53216.5 and 53216.6 of the Act for the purpose of funding this Plan, the Employer shall provide the Trustee or investment manager with written direction on how to invest the assets of the Plan. Notwithstanding anything to the contrary contained in the trust agreement, in-kind contributions shall not be permissible under the Plan.

4.2 Valuation

The value of a Participant's Employer Contribution Account and Employee Contribution Account shall be determined annually on a date hereafter referred to as a Valuation Date. As of each Valuation Date there shall be determined the amount of the investment gain or loss to be credited to the total of all assets held for Employer Contribution Accounts and Employee Contribution Accounts during the period since the preceding Valuation Date. The total adjustment shall be allocated among all of the individual Participant and Inactive Participant Accounts as of the current Valuation Date. The assets of the Trust shall be valued annually at fair market value. On the Valuation Date, the earnings and losses of the Trust will be allocated to each Participant and Inactive Participant.

4.3 Type and Nature of Plan and Trust

Neither the faith and credit nor the taxing power of the Employer, the State of California or any other political subdivision thereof other than the Employer is pledged to the distribution of benefits hereunder. Except for contributions and other amounts hereunder, no other amounts are pledged to the distribution of benefits hereunder. Distributions of benefits are neither general nor special obligations of the Employer, but are payable solely from contributions, as more fully described herein. No Employee or Beneficiary may compel the exercise of the taxing power by the Employer. Distributions of benefits are not a debt of the Employer, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. Distributions are not a legal or equitable pledge, charge, lien or encumbrance, upon any of the Employer's property, or upon any of its income, receipts or revenues, except amounts in the accounts which are, under the terms of this Plan and the Act, set aside for distributions of benefits. Neither the Participants of the legislative body of the Employer nor its officers, employees, agents or volunteers are liable hereunder. Benefits under the Plan may not be assigned or alienated except to the extent allowable under IRC Sections 401(a)(13) and 414(p).

ARTICLE V

VESTING

5.1 Vesting in Employer Contribution Account

Each Participant shall be one hundred percent (100%) Vested in his Employer Contribution Account at all times.

5.2 Vesting in Employee Contribution Account

Each Participant shall be one hundred percent (100%) Vested in his Employee Contribution Account at all times.

5.3 Full or Partial Termination

Notwithstanding the vesting schedule in 5.1 and 5.2, upon the complete discontinuance of Employer contributions to the Plan or upon any full or partial termination of the Plan, all amounts credited to the account of any affected Participant shall become one hundred percent (100%) Vested and shall not thereafter be subject to forfeiture for any reason.

ARTICLE VI

DISTRIBUTION OF BENEFITS

6.1 Incidental Death Benefits

(a) Distributions from the Plan shall be made in accordance with Section 401(a)(9) of the IRC, including the incidental death benefits under Section 401(a)(9)(G) and the regulations thereunder. The required beginning date of benefit payments that represent the entire interest of the Participant shall be as follows:

(b) Effective January 1, 1997, a Participant shall have the option of commencing distributions by April 1 following age 70½ or deferring payment until actual retirement.

(c) Except as otherwise provided, this Section 6.1 shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. All distributions required under this Section 6.1(c) will be determined and made in accordance with the Treasury Regulations promulgated under Section 401(a)(9) of the Code.

(i) Time and Manner of Distribution.

(A) Required Beginning Date. The Participant's entire interest will be distributed to the Participant no later than the Participant's Required Beginning Date.

(B) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed no later than December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) Forms of Distribution. The Participant's interest shall be distributed in the form of a single sum on or before the Required Beginning Date.

(D) Required Beginning Date. The April 1 of the calendar year following the calendar year in which the Participant attains age 70½ or, if the Participant opts to defer payment until retirement, the April 1 of the calendar year following the calendar year in which the Participant actually retires.

6.2 Amount of Distribution

A Participant who terminates employment for any reason shall be entitled to one hundred percent (100%) of the value of his Aggregate Account determined as of the most current Valuation Date.

6.3 Lump Sum Distributions

All distributions shall be made in a lump sum payment in cash constituting the entire value of the distributee's Aggregate Account.

6.4 Time of Distribution

Unless otherwise specified herein, benefits shall become distributable to a Participant (or the Participant's Beneficiary in any case of the Participant's death) upon any termination of the Participant's employment by reason of resignation, discharge, retirement, disability, or death. This Plan does not provide for mandatory distributions of any amount. Therefore, no distribution is made (regardless of the amount of the distribution) without the consent of the Participant (or the Participant's Beneficiary in any case of the Participant's death).

6.5 Participant's Rights Not Subject To Execution

The right of a Participant to a benefit under this Plan is not subject to execution or any other process whatsoever, except to the extent permitted by Section 704.110 of the Code of Civil Procedure of the State of California and is unassignable.

6.6 Unclaimed Benefits

Each Participant and Beneficiary of a deceased Participant shall file with the Plan Administrator from time to time in writing, his or her home address and each change of home address. Any communication shall be addressed to the Participant or the Beneficiary at his or her last home address filed with the Plan Administrator, or if no such address was filed, then at his or her last home address as shown on the Agency's records, shall be binding on the Participant or Beneficiary for all purposes of the Plan. The Plan Administrator shall not be obligated to search for or ascertain the whereabouts of any Participant or Beneficiary, and the Participant's Accrued Benefit shall be subject to the abandoned property law of the applicable jurisdiction.

6.7 Direct Rollovers

This section applies to all distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Plan, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(a) Definitions

(i) Eligible Rollover Distribution

An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee including hardship amounts received after December 31, 1998, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Section

401(a)(9) of the Internal Revenue Code, any hardship distribution, and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(ii) **Eligible Retirement Plan**

An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, or a qualified trust described in Section 401(a) of the Code that accepts the distributee's eligible rollover distribution. An eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan.

(iii) **Distributee**

A distributee includes an Employee or former Employee, the Employee's or former Employee's surviving spouse, and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(iv) **Direct Rollover**

A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

6.8 Military Service

Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

ARTICLE VII
DEATH BENEFITS

7.1 Designation of Beneficiary

Each Participant and Inactive Participant shall have the right to designate a Beneficiary to receive the death benefits that are payable from this Plan. Such designation must be evidenced by a written instrument filed with the Employer on a form prescribed by the Employer and signed by the Participant.

7.2 Married Participant

The Beneficiary for a married Participant shall at all times be the Participant's spouse and may not be changed to someone other than such spouse unless the consent of such spouse is provided upon a written form witnessed by a duly authorized Plan representative or a notary public and acceptable to the Employer. If no such designation is on file with the Employer at the time of the death of the Participant, or if for any reason at the sole discretion of the Employer such designation is defective, then the spouse of such Participant shall be conclusively deemed to be the Beneficiary designated to receive such benefit.

7.3 Spouse's Signature

The signature of the Participant's spouse shall be required on a designation of beneficiary form if the spouse is not the Beneficiary, unless the Participant declares in writing that one of the following conditions exists:

- (a) The Participant is not married;
- (b) The Participant does not know and has taken all reasonable steps to determine the whereabouts of the spouse;
- (c) The spouse is incapable of executing the acknowledgement because of an incapacitating mental or physical condition.

7.4 Default Beneficiary

In the event the Participant dies and is not survived by a spouse, the Aggregate Account shall pass by the laws of intestacy.

7.5 Domestic Partners

Effective as of January 1, 2005, for purposes of this Article VII only: (1) all references to 'marriage' shall also include 'registered domestic partnerships,' (2) individuals in a 'registered domestic partnership' shall be considered 'married,' and (3) all references to a 'spouse' shall

also include a registered domestic partner. A 'registered domestic partner' and a 'registered domestic partnership' refer to persons and partnerships satisfying the requirements of the California Family Code and officially registered as of the date of death with the Secretary of State as such in accordance with Section 298.5 of the California Family Code.

ARTICLE VIII

ADMINISTRATION AND AMENDMENT OF PLAN

8.1 Designation of Plan Administrator

The Employer is the Plan Administrator under this Plan unless an individual employed by, or a position within the Employer, has been appointed by the Employer as Plan Administrator. In addition to a Plan Administrator the Employer may designate a delegatee to perform those activities relating to the Plan as specified in the written appointment of such delegatee. The term "Employer" as used in this Article shall mean the Plan Administrator or delegatee where responsibility for administration of the Plan has been given to such parties.

8.2 Rules and Regulations

The Employer shall supervise and control the operation of this Plan in accordance with its terms and may make rules and regulations for the administration of this Plan that are not inconsistent with the terms and provisions hereof. The Employer shall determine any questions arising in connection with the interpretation, application or administration of the Plan (including any question of fact relating to age, employment, compensation or eligibility of Employees) and its decisions or actions in respect thereof shall be conclusive and binding upon any and all persons and parties. The Employer's interpretations, determinations and actions taken under the Plan shall in all cases result in like treatment for Employees who are similarly situated.

8.3 Amendment and Termination

The Employer shall have the right to amend, modify or terminate this Plan at any time. In the event of the complete discontinuance of this Plan, the entire interest of each Participant affected thereby shall immediately become 100% Vested. The Employer shall not be liable for the payment of any benefits under this Plan and all benefits hereunder shall be payable solely from the assets of the Trust.

APPENDIX A

ANNUAL ADDITION LIMITS

Section 3.5 of the Plan shall be construed in accordance with this Appendix A. Unless the context clearly requires otherwise, words and phrases used in this Appendix A shall have the same meanings that are assigned to them under the Plan.

A.1 Definitions

As used in this Appendix A, the following terms shall have the meanings specified below.

"Annual Additions" shall mean the sum credited to a Participant's Accounts for any Plan Year of (i) Employer contributions, (ii) Employee contributions, (iii) forfeitures, and (iv) amounts credited after March 31, 1984, to an individual medical account, as defined in Section 415(1)(2) of the Code which is part of a pension and annuity maintained by the Employer.

"Defined Benefit Plan" means a plan described in Section 414(j) and 414(k)(2) of the Code.

"Defined Contribution Plan" means a plan described in Section 414(i) and 414(k)(2) of the Code.

"Defined Benefit Plan Fraction" shall mean a fraction, the numerator of which is the projected annual benefit (determined as of the close of the relevant Plan Year) of the Participant under all Defined Benefit Plans maintained by the Employer, and the denominator of which is the lesser of (i) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for the Plan Year, or (ii) the product of 1.4 multiplied by the amount which may be taken into account under Section 415(b)(1)(B) of the Code with respect to the Participant for the Plan Year.

"Defined Contribution Plan Fraction" shall mean a fraction, the numerator of which is the sum of the annual additions to a Participant's accounts under all Defined Contribution Plans maintained by the Employer, and the denominator of which is the sum of the lesser of (i) or (ii) for such Plan Year and for each prior Plan Year of service with the Employer, where (i) is the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for the Plan Year (determined without regard to Section 415(c)(6) of the Code), and (ii) is the product of 1.4 multiplied by the amount which may be taken into account under Section 415(c)(1)(B) of the Code (or Section 415(c)(7) of the Code, if applicable) with respect to the Participant for the Plan Year. Solely for purposes of this definition, contributions made directly by an Employee to a Defined Benefit Plan which maintains a qualified cost-of-living arrangement as such term is defined in Section 415(k)(2) shall be treated as Annual Additions. Notwithstanding the foregoing, the numerator of the Defined Contribution Plan Fraction shall be adjusted pursuant to Regulation Section 1.415-7(d)(1), Questions T-6 and T-7 of Internal Revenue Service Notice 83-10, and Questions Q-3 and Q-14 of Internal Revenue Service Notice 87-21.

"Section 415 Compensation" shall mean a Participant's wages within the meaning of Code Section 3401(a) and all other payments of compensation to the Participant by the Employer (in the course of the Employer's business) for which the Employer is required to provide the Participant a written statement under Code Sections 6041(d), 6051(a)(3) and 6052. Section 415 Compensation shall be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed. Compensation for any limitation year is the compensation actually paid or includible in gross income during such year. Effective January 1, 1998, "Section 415 Compensation" shall include elective deferrals as defined in Section 402(g)(3) of the Code and any amount which is contributed or deferred by the Employer at the election of an Employee and which is not includible in the gross income of the Employee by reason of Code Section 125, 132(f)(4) or 457.

A.2 Annual Addition Limitations

(a) The compensation limitation of Section 3.5 of the Plan shall not apply to any contribution for medical benefits (within the meaning of Section 419A(f)(2)) after separation from service which is treated as an Annual Addition. In the event that Annual Additions to all the accounts of a Participant would exceed the limitations of Section 3.5 of the Plan, they shall be reduced in the following priority: (i) return of Employee contributions to the Participant; (ii) reduction of Employer contributions.

(b) If any Employer contributes amounts on behalf of Participants covered by the Plan to other Defined Contribution Plans, the limitation on Annual Additions provided in Article III of the Plan shall be applied to Annual Additions in the aggregate to the Plan and such other plans. Reduction of Annual Additions, where required, shall be accomplished by reducing contributions under such other plans pursuant to the directions of the fiduciary for administration of such other plans or under priorities, if any, established by the terms of such other plans, and then, if necessary, by reducing contributions under the Plan.

(c) In any case where a Participant under the Plan is also a participant under a Defined Benefit Plan or a Defined Benefit Plan and other Defined Contribution Plans maintained by the Employer, the sum of the Defined Benefit Plan Fraction and the Defined Contribution Plan Fraction shall not exceed 1.0. Reduction of contributions to or benefits from all plans, where required, shall be accomplished by first reducing benefits under such other Defined Benefit Plan or plans, then by allocating any excess in the manner set out above with respect to the Plan, and finally by reducing contributions or allocating any excess contributions with respect to other Defined Contribution Plans, if any; provided, however, that adjustments necessary under this or the next preceding paragraph may be made in a different manner and priority pursuant to the agreement of the Employer and the administrators of all other plans covering such Participant, provided such adjustments are consistent with procedures and priorities prescribed by the Regulations under Section 415 of the Code. This Section A.2(c) shall not apply to Participants who are Employees on or after January 1, 2000.

(d) In the event the limitations of Section 3.5 of the Plan or subsections (a) or (b) of this Appendix A are exceeded and the conditions specified in Treasury Regulations §1.415-6(b)(6) are met, the Employer may elect to (i) allocate the excess amount to other Participants in

the Plan for that Limitation Year, (ii) use the excess amount to reduce employer contributions for the Participant for future Limitation Years (to the extent the Participant remains covered by the Plan), or (iii) hold the excess amount unallocated for the Limitation Year and allocate it to all Participants in the following Limitation Year(s).

**ADOPTION OF THE AMENDED AND RESTATED
CITY OF RIDGECREST
PARS ALTERNATE RETIREMENT SYSTEM**

The Amended and Restated City of Ridgecrest PARS Alternate Retirement System is hereby adopted effective January 1, 2002.

BY: _____

TITLE: City Manager _____

DATE: _____

PLAN SUBMISSION TO THE IRS FOR A LETTER OF DETERMINATION

The decision to submit the foregoing Plan to the IRS shall be determined by the Plan Administrator pursuant to his/her initials below:

Yes, please submit the Plan to the IRS for an individual Letter of Determination.

No, do not submit the Plan to the IRS for a Letter of Determination.

If answered Yes, please provide the following information:

Employer Tax ID# _____ Tax Year End _____

List all other qualified retirement plans offered by City of Ridgecrest (e.g. PERS, STRS)

<i>Name of Qualified Plan</i>	Defined Benefit or Defined Contribution
PERS	Defined Benefit

September 8, 2009

Mr. Michael Avery
City Manager
City of Ridgecrest
100 West California Ave.
Ridgecrest, CA 93555

Subject: IRS Required Restatement of the PARS-ARS Plan

Dear Mr. Avery:

The Internal Revenue Service has developed a new cyclical system for amending plans and obtaining determination letters. The new system requires employers to amend and restate their qualified retirement plans every five or six years, depending on the plan type. Volume submitter plan documents, like your **City of Ridgecrest PARS Alternate Retirement System (PARS-ARS)** plan document, have been placed on a six year amendment cycle. The IRS window for amending and restating your plan document and reapplying for an updated IRS Letter of Determination is now open.

In response to the required IRS restatement process, we have worked together with our legal counsel, O'Melveny and Myers, LLP, to amend and restate the PARS-ARS volume submitter plan document. Many of the required changes reflect the 2002 EGTRRA provisions made permanent by the Pension Protection Act of 2006. Our PARS-ARS volume submitter plan document has recently been approved by the IRS and received an Advisory Letter issued on March 31, 2008 (enclosed). After receiving the approval letter, the IRS issued an additional amendment which we have enclosed.

Please take the time to review the enclosed plan document with your legal counsel. We have enclosed two copies of the plan document and two copies of the plan amendment. **Please sign and date each of the enclosed documents and return one original of the plan document and plan amendment in the enclosed envelope no later than October 30, 2009.**

The advantage of a volume submitter plan format is that your agency can, for most purposes, rely on the Advisory Letter instead of applying for an individual Letter of Determination. However, we strongly recommend that your agency request an IRS Letter of Determination in order to obtain the maximum assurance of your Plan's qualified status.

At your discretion and request, PARS and O'Melveny and Myers will prepare and file an application for an individual Letter of Determination for your agency. Volume submitter applications for Letters of Determination are processed on an expedited basis and for a significantly reduced IRS filing fee.

5141 California Ave., Ste. 150

Irvine, CA 92617-3069

800.540.6369

fax 949.823.9900

www.pars.org

Mr. Avery
City Manager
September 8, 2009
Page Two

The cost to process an individual request for a Letter of Determination, which includes the IRS filing fees and Power of Attorney services, is \$750. **If you would like to apply, please let us know by initialing the last page of the enclosed Plan document. PARS will prepare the application and forward it to you along with the corresponding invoice.**

We understand that every minute of your time is valuable; therefore, we have taken many steps to facilitate this IRS-required task for you and your staff. If you have any questions about this restatement process, please feel free to contact me at (800) 540-6369 x132 or by email at svolcan@pars.org.

Sincerely,



Shauna Volcan
Senior Manager, Plan Implementation

Enclosure(s)

cc: Mitch Barker, PARS