

**SAN MATEO COUNTY**  
**DEFERRED COMPENSATION PLAN**  
**AND CUSTODY DOCUMENT**



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**As Amended and Restated Effective November 1, 2004**

**ARTICLE 1**

**General**

1.1 The "Name" of this Plan is the San Mateo County Deferred Compensation Plan (as amended from time to time, the "Plan"). The Plan has been adopted pursuant to San Mateo County Board of Supervisors Resolution and is hereby amended and restated as set forth in this Plan and Custody Document (as amended from time to time, the "Plan Document") effective November 1, 2004.

1.2 The primary purpose of this Plan is to permit full-time and permanent part-time employees of San Mateo County to enter into an agreement which will provide for deferral of payment of a portion of their current compensation until death, retirement, termination of employment or other event, in accordance with the provisions of Section 457 and other

applicable provisions of the Internal Revenue Code of 1986 and applicable provisions of the General Statutes of the State of California.

1.3 It is intended that the amended and restated Plan shall qualify as an Eligible Deferred Compensation Plan (within the meaning of Section 457(b) of the Code) sponsored by an Eligible Governmental Employer.

1.4 The Employer does not and cannot represent or guarantee that any particular federal or state income, payroll or other tax consequence will occur by reason of participation in this Plan. Each Participant should consult with his or her own attorney or other representative regarding all tax or other consequences of participation in this Plan.

## ARTICLE 2

### Definitions

For purposes of this Plan, the following words and phrases shall have the meaning set forth below:

2.1 "Account" means a separate bookkeeping account maintained by the Plan Administrator to track Participant balances under the Plan.

2.2 "Administrator" means the Employer or its duly authorized designee for that purpose who shall exercise the discretion only to the extent that the discretion or function has been delegated to it by the Employer under the terms of the Plan.

2.3 "Adjusted" means adjusted for the cost of living at the time and in the manner as prescribed under Section 457(e)(15) of the Code.

2.4 "Beneficiary" means the person or persons a Participant designates to receive his or her interest under the plan after the Participant's death; provided, that the sole primary Beneficiary of a married Participant shall be his or her surviving spouse unless the Participant has designated another Beneficiary with the written consent of such spouse; such designation may be made, and may be revoked and changed, only by a written instrument (in a form acceptable to the Employer) signed by the Participant, consented to by the Participant's spouse, and filed with the Employer prior to the Participant's death. Provided, further, that the sole primary Beneficiary of a Participant in a registered domestic partner relationship shall be his or her surviving domestic partner unless the Participant has designated another Beneficiary with the written consent of such registered domestic partner; such designation may be made, and may be revoked and changed, only by a written instrument (in a form acceptable to the Employer) signed by the Participant, consented to by the Participant's registered domestic partner, and filed with the Employer prior to the Participant's death. If no designated Beneficiary survives the

Participant, his or her Beneficiary shall be his or her surviving spouse (if the Participant was married at the time of death), registered domestic partner, or, if neither exists, his or her estate.

2.5 "Code" means the Internal Revenue Code of 1986, as amended from time to time. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

2.6 "Compensation" means the total of all wages or salaries which are paid by the Employer to, or for the benefit of, an Employee for services rendered, calculated without deduction for any portion thereof deferred under the provisions of this Plan or for any amounts contributed to any program established pursuant to Section 125, 401(k), 402(e)(3), 403(b), 414(h)(2) or 457 or any other similar provision of the Code.

2.7 "Contract" means an annuity or insurance contract (fixed and/or variable) issued by a licensed company which is a Custodian.

2.8 "Custodian" means a) each bank, trust company, insurance company, financial institution, or other legally authorized entity which: 1) has been appointed by the Employer to have custody of all or a portion of the assets of the Custodial Fund (or in the case of an insurance company, to be the issuer of one or more contracts through which Participation Accounts may be invested) and 2) has accepted such appointment, and b) with respect to assets invested through ICMA Retirement Corporation, the Employer. Notwithstanding the foregoing, the fact that an insurance company is a "Custodian" under this Section 2.7 shall not mean that it has any custodial powers, duties or responsibilities under the Plan; rather, such a Custodian shall have only those functions as are specifically allocated to it under the terms of the Plan and any contract issued thereunder, subject to Sections 12.1 and 13.7 of the Plan. Any bank, trust company, insurance company, or other financial institution may delegate these custodial duties as authorized by the Employer.

2.9 "Custodial Fund" means the fund established by the Employer as a convenient method of setting aside a portion of its assets to meet its obligations under the Plan, as provided in Section 5.1. The Custodial Fund shall be composed of the total of all assets held by the Custodians (including Contracts issued under the Plan to the Employer by any Custodian) in accordance with the terms of the Plan. The portion of the Custodial Fund held by each Custodian shall constitute a custodial account or contract (within the meaning of Sections 401(f) and 457(g)(3) of the Code).

2.10 "Deferred Compensation" means that portion of a Participant's Compensation which he or she has elected to defer in accordance with the provisions of this Plan.

2.11 "Deferred Retirement Date" means the date beyond the Normal Retirement Date designated by the Participant.

2.12 "Direct Rollover" means a payment by the Plan to the Eligible Retirement Plan specified by the distributee.

2.13 "Distributee" means an Employee or former Employee, the Employee's or former Employee's surviving spouse or registered domestic partner 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 under Section 414(p) of the Code.

2.14 "Eligible Deferred Compensation Plan" has the meaning given it by Section 457(b) of the Code.

2.15 "Eligible Governmental Employer" means a State, political subdivision of a State, and any agency or instrumentality of a State or political subdivision of a State.

2.16 "Eligible Retirement Plan" means an eligible retirement plan that 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, an eligible deferred compensation plan described in Section 457(b) of the Code which is maintained by an eligible employer described in Section 457(e)(1)(A) of the Code, an annuity plan described in Section 403(a) of the Code, an contract described in Section 403(b) of the Code, a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse or registered domestic partner, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined under section 414(p) of the Code.

2.17 "Eligible Rollover Distribution" means any distribution of all or any portion of the balance to the credit of the distributee, 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 the joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; or any amount that is distributed on account of hardship.

2.18 "Employee" means any officer, regular employee, eligible temporary employee (as determined under the Employer's policies and procedures), or elected official of the Employer; provided, however, that the term "Employee" shall not include any individual who for any period is classified or treated by the Employer as an independent contractor, a consultant, or an employee of an employment agency of any entity not affiliated with the Employer, even if such individual is later determined to have been a common-law employee of the Employer during such period.

2.19 "Employer" means San Mateo County.

2.20 "Includible Compensation" means that portion of a Participant's Compensation which (taking into account the provisions of Sections 125, 402(e)(3), 403(b), 414(h)(2), 457 and similar provisions of the Code) is currently includible in his or her gross income for federal income tax purposes.

2.21 "Normal Retirement Date" means the date a Participant retires pursuant to the Employer's retirement plan system without reduced benefits.

2.22 "Participant" means any individual who performs services for the Employer as an Employee (as defined in Section 2.18) and has accrued an unpaid benefit under the Plan, as well as any separated Employee or Beneficiary who has unpaid benefits due under the Plan.

2.23 "Participation Agreement" means an agreement in a form acceptable to the Employer or its designee, filed by an Employee with the Employer to elect or modify participation in the Plan.

2.24 "Participation Account" means the bookkeeping account(s) maintained in accordance with Section 5.4 for the purpose of recording a Participant's Deferred Compensation, together with any interest, dividends, gains, losses, or the like thereon.

2.25 "Plan Year" means the calendar year during which the Plan first became effective and each succeeding calendar year during the existence of this Plan.

2.26 "Registered Domestic Partner" means a person who, with a Participant or Beneficiary, is registered with the Secretary of State of the State of California declaring themselves as a domestic partnership in accordance with the requirements of the California Family Code Section 297, *et seq.*

2.27 "Rollover Account" means the bookkeeping account maintain by the Administrator for the purposes of recording a Participant's assets received by the plan from an Eligible Retirement Plan.

2.28 "Rollover Contribution" means a Participant's contribution or direct rollover of an eligible rollover distribution as defined under Section 402(c)(4) of the Code.

2.29 "Severance from Employment" means the date the Employer dies, retires, or otherwise has a Severance from Employment with the Employer, as determined by the Administrator (and taking into account guidance issued under the Code).

2.30 "Termination of Employment" means severance from employment with the Employer (within the meaning of Section 402(e)(4)(D) of the Code) or on account of the Participant's death or retirement.

## ARTICLE 3

### Operation of Plan

3.1 Participation. Any Employee may elect to become a Participant in the Plan and to defer payment of part of his or her Compensation not yet earned by executing a Participation Agreement and with the Employer or its designee at any time during his or her active employment with the Employer. Compensation shall be deferred for any payroll period only if a Participation Agreement providing for such deferral has been entered into and is effective before such period begins. Any Participant Agreement shall remain in effect until it is revoked or changed pursuant to Section 3.4.

3.2 Participation Agreement. The Administrator shall establish a form of Participation Agreement which shall contain, among other provisions, a provision whereby the Participant specifies:

- (a) that portion of his or her Compensation which is to be deferred;
- (b) his or her investment preference;
- (c) a Beneficiary or Beneficiaries, including one or more contingent Beneficiaries, to receive any benefits which may be payable under this Plan upon the death of the Participant;
- (d) that his or her salary, wage or other Compensation is as set forth in any salary ordinance or otherwise without deductions for amounts deferred under the provisions of this Plan;
- (e) that the Participant, together with his or her heirs, successors and assigns, holds harmless the Employer from any liability under the Plan for all acts performed in good faith, including acts relating to the investment of deferred amounts and/or the Participant's investment preference under the Plan; and
- (f) a payment option and method of payment (monthly, quarterly, semi-annually or annually) if applicable. The option and method of payment selected may be changed at any time prior to the earliest distribution date for benefits provided in the Plan for a Participant and may not thereafter be modified.

3.3 Agreement Effective Date. Once a Participation Agreement is received, it will be effective on the first pay period following its receipt, provided the Participant Agreement has been entered into before the first day of the month in which the compensation is paid or made available. A new employee may defer compensation payable in the calendar month during which the participant first becomes an employee if a Participation Agreement providing for the deferral is

entered into on or before the first day on which the participant performs services for the eligible employer.

3.4 Amendment of Participation Agreement. The Participant may revoke his or her election to participate and may change the amount of Compensation to be deferred by signing and filing with the Employer a revocation or amendment, on a form approved by the Administrator. Any such revocation or amendment shall be effective prospectively only, beginning with the first pay period following receipt of the amendment.

3.5 Regular Contributions. The regular contribution is the amount of Compensation which may be deferred by a Participant subject to the following limitations:

(a) Calendar Year Maximum. The maximum amount a Participant may defer during a calendar year shall not exceed the lesser of (i) the applicable dollar amount as set forth in Section 457(e)(15) as adjusted, or (ii) 100% of the Participant's Includible Compensation.

(b) Pay Period Maximum. The maximum amount a Participant may defer during a pay period, when combined with previous deferrals during the calendar year, shall not exceed the lesser of (i) the applicable dollar amount as adjusted or (ii) 100% of the Participant's year-to-date Includible Compensation.

(c) Pay Period Minimum. The minimum amount a Participant may defer is \$10.00 per biweekly pay period.

3.6 Catch-Up Contributions. A Participant may defer an additional amount under this "catch-up" provision, for one or more of the last three calendar years ending before attaining the Participant's Normal Retirement Date or Deferred Retirement Date as defined in Sections 2.11 and 2.21. The use of this "catch-up" provision is subject to the following restrictions:

(a) The maximum amount a Participant may defer each calendar year shall not exceed the lesser of these two amounts:

- (1) Twice the applicable dollar amount as defined in Section 3.5 (a) above, or
- (2) The maximum amount that may be deferred as defined in Section 3.5 (a) plus any Employer-provided Compensation eligible for deferral that was not deferred for any prior taxable year which began after December 31, 1978.

(b) To use this "catch-up" provision, a Participant must declare a retirement age, which may be any age at or after which the Participant qualified for Normal

Retirement Date eligibility, but no later than age 70-1/2. This declaration does not compel retirement.

(c) This “catch-up” provision may not be used during the calendar year in which the Participant ceases to be an Employee.

(d) This “catch-up” provision may be used only once by any Participant, whether under this Plan or any other Eligible 457 Deferred Compensation Plan.

(e) Participants may continue to make regular contributions after they are no longer eligible to use this “catch-up” provision.

3.7 Additional Contributions for Participants Age 50 and Over. All Participants who have attained age 50 and over during the calendar year shall be eligible to contribute an additional amount into the plan subject to the following restrictions:

(a) The Participant may contribute the annual additional maximum amount as defined by Section 414(v) of the Code.

(b) The Participant may not contribute the annual additional maximum amount during the three years prior to Normal Retirement Age while utilizing the 457 catch-up provision of Section 3.6.

3.8 Employer Contributions. Nothing in this Plan prohibits the Employer from making deposits to a Participant’s Participation Account as additional compensation for services rendered, subject to the Participant’s regular contribution limits.

3.9 Excess Deferrals.

- a) Excess Deferral – The term “excess deferral” means any amount deferred under the Plan for the taxable year of a Participant that exceeds the maximum deferral limitations set forth in this Section 3.9 and any amount that exceeds the individual limitation under Treasury Regulation §1.457-5.
- (b) Deferrals in Excess of Plan Limitations – Any excess deferral resulting from a failure of the Plan to apply the limitations of this Section 3.9 (determined without regard to the individual limitation under Treasury Regulation §1.457-5) will be distributed to the Participant, with Allocable net income, as soon as administratively practicable after the Plan determines that the amount is an excess deferral. For purposes of determining whether there is an excess deferral resulting from a failure



of the Plan to apply the limitations of Section 3.9, all Eligible Deferred Compensation Plans under which an individual participates by virtue of his or her relationship with the Employer are treated as a single plan (without regard to any differences in funding).

- (c) **Deferrals in Excess of Individual Limitation** – A Participant may assign to this Plan any excess deferral that is a result solely of a failure of a Participant to comply with the individual limitation under Treasury Regulation §1.457-5 for a taxable year. Any such excess deferral will be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Participant notifies the Plan that the amount is an excess deferral for the applicable tax year.

## **ARTICLE 4**

### **Investment Responsibilities**

The Employer shall defer payment of Participant's Compensation in the amount specified in each Participation Agreement filed with the Employer.

4.1 **Investment of the Deferred Amount.** The deferred amount shall be held for the exclusive benefit of Participants and their Beneficiaries under one or more investment options in the Custodial Fund to which the Participant's contributions have been allocated.

4.2 **Employer's Investment Rights.** The Employer may, but is not required to, invest amounts equal to the Deferred Compensation credited to a Participation Account in accordance with his or her requests.

4.3 **Amendment of Investment Preference.** The Participant may amend his or her investment preference by filing a signed amendment on a form approved by the Administrator or through an interactive voice response (IVR) or internet system, if available. Such amendment will, unless specifically stated otherwise, apply only to future amounts deferred under the Plan. Additionally, a Participant may contact the Administrator to change the allocation of assets held in his or her Participation Account or Rollover Account, as applicable.

4.4 **Investment Disclaimer.** Any action by the Employer in approving any investment of funds, shall not be considered to be either an endorsement or a guarantee of any investment; nor shall it be considered to attest to the financial soundness or the suitability of any investment for the purpose of meeting future obligations as provided under the distribution guidelines given below.

4.5 Statements. The Employer will cause to be issued statements periodically to reflect the actual earnings, gains, contributions and losses posted to the Participation Accounts.

## ARTICLE 5

### Custodial Fund Provisions

5.1 Custodial Fund. The Employer shall establish a Custodial Fund for the purpose of investing amounts of Deferred Compensation and Employer Contributions, if any, credited to Participation Accounts. Such Participation Accounts shall at all times represent the Participant's or Beneficiary's interest under any Contract and / or otherwise held by the Custodians for the exclusive benefit of the Participant or his or her Beneficiary or Beneficiaries.

5.2 Custodial Provisions:

(a) Custodians. Each Custodian shall be duly appointed and upon acceptance of such appointment by the Custodian shall be authorized to serve as custodial agent to the Employer in connection with the Plan, by the Employer. Resignation, removal and appointment of any Custodian, as well as compensation and expense reimbursement of the Custodian, shall also be in accordance with appropriate legal and procedural guidelines for resignation, removal, appointment, compensation and expenses of the agents of San Mateo County, generally.

(b) Investment Options. Each Custodian shall maintain such investment options for the investment of deferred amounts by Participants or their Beneficiaries as it may deem appropriate for offering under the Plan.

- (1) The Employer shall have the obligation to monitor or evaluate the appropriateness of any Custodian's offering of any investment option under the Plan. The Employer may direct any Custodian to delete or replace any investment option that it determines is not appropriate for offering under the plan.
- (2) The Participants or their Beneficiaries may select from among the available options for the investment of their Accounts.
- (3) In the event an investment option is deleted, the applicable Custodian may require affected Participants and Beneficiaries to select an alternative investment option offered under the Plan. If any Participant fails to act in response to the written transfer notice, the Custodian shall transfer funds from the deleted option to an alternative option designated by it.

(4) In the event a Custodian is terminated, the successor Custodian(s) designated by the Employer may require affected Participants and Beneficiaries to select one or more alternative investment options offered under the Plan. If a Participant fails to act in response to the written transfer notice, the successor Custodian(s) as directed by the Employer shall transfer funds from the deleted option to one or more alternative options designated by them.

(5) By exercising his or her right to select investment options, or by failing to respond to a transfer notice (relating to the transfer of funds between investment options), the Participants and Beneficiaries agree that none of the Plan fiduciaries will be liable for any investment losses (or lost investment opportunity in situations where funds are transferred by Custodian) that may be experienced by the Participants or Beneficiaries in any investment option that they select (or that is selected for them if they fail to take appropriate action with respect to a deleted option).

(c) Designation of Fiduciaries. The Employer, Administrator and Custodians, other than the issuer of an Contract and the persons they designate to carry out or help carry out their duties or responsibility, are fiduciaries under the Plan. Each fiduciary has only those duties or responsibilities specifically assigned to him or her under the Plan or delegated to him or her by another fiduciary. Each fiduciary may assume that any direction, information of action of another fiduciary is proper and need not inquire into the propriety of any such action, direction or information. Except as provided by law, no fiduciary will be responsible for the malfeasance, misfeasance, or nonfeasance of any other fiduciary.

(d) Fiduciary Standards.

(1) The Custodians and all other fiduciaries shall discharge their duties with respect to this Plan solely in the interest of the Participants and Beneficiaries of the Plan. Such duties shall be discharged for the exclusive purpose of providing benefits to the Participants and Beneficiaries and defraying expenses of the Plan.

(2) All fiduciaries shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and as defined by applicable California law.

(e) Custodians' Powers and Duties. Custodians' powers and duties shall be those defined under applicable California law to persons holding custody of public employees' deferred compensation funds in a fiduciary capacity.

(f) Tax-Exempt Status. This Plan and the Custodial Fund are intended to be exempt from taxation under Section 501(a) of the Code and to comply with Section 457(g) of the Code. The Custodians, other than the issuer of a Contract, shall be empowered to submit or designate appropriate agents to submit this Plan Document to the Internal Revenue Service for a determination of the eligibility of the Plan under Code Section 457, and the exempt status of the Custodial Fund under Section 501(a), if the Custodian concludes that such a determination is desirable.

5.3 Participant Investments. Each Participant may allocate his or her Deferred Compensation and Employer Contribution (*if any*) among the investment options made available under the Plan. A Participant may change his or her investment options in accordance with rules established by the Employer. Such changes may involve transfers of Compensation already deferred, and Employer contributions (*if any*) already made, from one investment option to another and/or may prospectively change the investments to which future deferrals of Compensation and Employer contributions (*if any*) shall be allocated, effective as soon as practicable after the Participant makes the change.

5.4 Accounts. The Employer shall cause the Administrator to maintain a Participation Account and a Rollover Account (as applicable) for each Participant to which shall be credited his or her Deferred Compensation contribution and transfers from Eligible Retirement Plans in accordance with the terms of his or her Participation Agreement and all Employer contributions (*if any*) made on his or her behalf. Separate accounting shall be maintained by the Plan Administrator for any Rollover Contribution not attributable to an Eligible Deferred Compensation Plan. Each Account shall be revalued at least quarterly to reflect the investment earnings and gains or losses creditable thereto or debit from in accordance with the performance of the investment options selected by the Participant or Beneficiary pursuant to Article 4 and Sections 5.2 and 5.3. The investment earnings, gains and losses creditable to or debit from an Account shall mean the actual earnings, gains and losses of each investment option, on a pro rata basis among the Participation Accounts of those Participants or Beneficiaries who selected that investment option.

## ARTICLE 6

### Distributions

Section 457 of the Code determines the Participant's eligibility for distributions and options available.

6.1 Eligibility. Distribution may be taken under any of the following circumstances:

(a) Retirement;

- (b) Severance from employment;
- (c) Participant's death;
- (d) Approval of request for an unforeseeable emergency withdrawal;
- (e) In service distribution subject to the provisions of 6.4 below: or
- (f) The calendar year on which the Participant attains age 70-1/2, whether or not still employed.

6.2 Distribution and Deferral. Upon attainment of age 70 ½ distributions must follow the minimum distribution requirements of Sections 401(a) of the Code. There is a substantial penalty (federal excise tax) for not satisfying the minimum distribution requirements. Upon becoming eligible in accordance with Section 6.1, a distribution is subject to the following guidelines:

(a) A Participant may elect to receive so much of his or her Accounts in installment payments made at least annually. A Participant may elect to vary the amount or frequency of any such payments at least once each calendar quarter. However, at no time may the installment payment period exceed the Participant's life expectancy.

(b) A Participant may elect to postpone distribution, even after using the "catch-up" provision.

(c) If eligibility for distribution is on account of the Participant's death, distribution shall commence in accordance with Section 6.8.

(d) Notwithstanding any provision of the Plan to the contrary, distribution from the Plan must commence and be made in accordance with Section 401(a)(9) of the Code and, until the last calendar year beginning before the effective date of the final regulations under section 401(a)(9) that became effective on or after January 1, 2003 or such other date as may be published by the Internal Revenue Service. Participants must commence distribution no later than April 1st following the later of (i) the calendar year in which the Participant attains age 70-1/2 or (ii) the calendar year in which the Participant retires.

6.3 Distribution Schedule. Except in the event of the Participant's death, the full amount credited to the Participant's Participation Account (including earnings and net gain or loss), less any federal or State income tax required to be withheld, shall be distributed as instructed by the Participant, following one of the following distribution schedules:

(a) Lump Sum. A single payment of the entire balance or a portion of the balance of a Participant's interest under the Plan;

(b) Installments. Annual installment payments through the year of the Participant's death, the amount payable each year equal to a fraction of the Account Balance equal to one divided by the distribution period set forth in the Uniform Lifetime Table at Section 1.401(a)(9)-9, A-2, of the Income Tax Regulations for the Participant's age on the Participant's birthday for that year. If the participant's age is less than age 70, the distribution period is 27.4 plus the number of years that the Participant's age is less than age 70. At the Participant's election, this annual payment can be made in monthly or quarterly installments. The Account Balance for this calculation (other than the final installment payment) is the Account Balance as of the end of the year prior to the year for which the distribution is being calculated. Payments shall commence on the date elected. For any year, the Participant 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.

(c) Annuity. Consecutive, periodic payments made monthly, quarterly, semiannually or annually over the life the Participant, or the life of the Participant with a period-certain guaranteed or the Participant and the Participant's spouse, made by the purchase of nonforfeitable and non-transferable Contract from an insurance company;

(d) Other. Any other form of distribution is permissible if it complies with Section 457 of the Code and is approved by the Administrator.

Life expectancy shall be determined by the Administrator based on the expected return multiples contained in Tables V and VI of Treasury Regulation Section 1.72-9 as of the date the initial distribution begins. Life expectancy shall not be recalculated annually unless otherwise specified in the relevant Contract(s). In no event shall any amount distributed under this Section 6.3 be less than the "incidental death benefit" amount required under Section 401(a)(9) of the Code.

6.4 Participation Accounts Not Exceeding \$5,000. Notwithstanding any provision of the Plan to the contrary, if the total amount of a Participant's Participation Account under the Plan does not exceed \$5,000, the Participant may elect to receive (or the Employer may elect to pay to the Participant without the Participant's consent) the total amount in a lump sum payable within sixty (60) days of such election; provided, however, that such amount may be distributed pursuant to this Section 6.4 only if (a) no amount has been deferred under the Plan with respect to such Participant during the two-year period ending on the date of the distribution, and (b) there has been no prior distribution under the Plan to such Participant to which this Section 6.4 applied.

6.5 Default Distribution Schedule. If the Participant fails to select a payment option for any event which causes amounts to become available under the Plan, the Participant shall be deemed to have elected, pursuant to Section 6.2(b), to postpone distribution of his benefit until the year in which the Participant attains age 70-1/2. Upon such Participant's attainment of age 70-1/2 payments shall be made at the direction of the Administrator in a single

lump sum payment or in accordance with the terms of the relevant Contract(s) and Section 401(a)(9) of the Code.

6.6 Method of Payment Options. If the Participant has elected a payment option requiring installment payments, the Participant may also elect to have such payment made either monthly, quarterly, semi-annually or annually.

6.7 Income Tax Reporting. Amounts paid to a Participant or Beneficiary shall be reported on appropriate tax reporting forms to the Participant or Beneficiary as income subject to withholding for federal income taxes.

6.8 Distribution Schedule In The Event of the Participant's Death. Commencing in the calendar year of the Participant's death, the Participant's Account Balance shall be paid to the Beneficiary in a lump sum. Alternatively, if the Beneficiary with respect to the Participant's Account Balance is a natural person, at the Beneficiary's election, distribution can be made in annual installments (calculated in a manner that is similar to installments under Section 6.3) with the distribution period determined under this paragraph. If the Beneficiary is the Participant's surviving spouse, the distribution period is equal to the Beneficiary's life expectancy using the single life table in Section 1.401(a)(9)-9 A-1, of the Income Tax Regulations for the spouse's age on the spouse's birth for that year. If the Beneficiary is not the Participant's surviving spouse, the distribution period is the Beneficiary's life expectancy determined in the year following the year of the Participant's death using the single life table in Section 1.401(a)(9)-9, A-1, of the Income Tax Regulations for the Beneficiary's age on the Beneficiary's birthday for that year, reduced by one for each year that has elapsed after that year. 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.

6.9 Latest Distribution Date. In no event shall any distribution under this Section 6 begin later than the later of:

(a) April 1 of the year following the calendar year in which the Participant attains age 70 ½, or

(b) April 1 of the year following the year in which the Participant retires or otherwise has a Severance from Employment. If distributions commence in the calendar year following the later of the calendar year in which the Participant attains age 70 ½ or the calendar year in which the Severance from Employment occurs, the distribution on the date that distribution commences must be equal to the annual installment payment for the year that the Participant has a Severance from Employment determined under paragraph 6.3 (b) and an amount equal to the annual installment payment for the year after Severance of Employment determined under paragraph 6.3 (b) must also be paid before the end of the calendar year of commencement.

Upon a valid request, distribution will commence as soon as administratively feasible.

6.9 Unforeseeable Emergency Distribution. Notwithstanding any other provisions of this Plan, a Participant may apply for a lump sum withdrawal of all or a portion of funds from the Plan under certain unforeseeable emergency conditions. The Administrator will evaluate the request for conformity with its interpretation of the applicable regulations. An unforeseeable emergency is a severe financial hardship of the Participant or Beneficiary resulting from an illness or accident of the Participant or Beneficiary, the Participant's or Beneficiary's spouse or Registered Domestic Partner, or the Participant's or Beneficiary's dependent (as defined in Code Section 152 (a)); loss of the Participant's or Beneficiary'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 or the Beneficiary. The Participant must satisfy the Employer that all of the following conditions are met before the Administrator may authorize the emergency withdrawal:

- (a) All other financial sources, such as insurance payments and attempts to obtain loans, have been exhausted;
- (b) All assets must be liquidated except where liquidation would itself cause severe financial hardship;
- (c) The amount of the requested withdrawal is limited to the amount necessary to meet the financial emergency; and
- (d) Severe financial hardship will occur if the withdrawal is not permitted.

Withdrawals are not authorized for expenses for budgetable expenses such as automobile or college costs, a home down payment, or expenses relative to divorce proceedings. Any remaining benefits shall be paid upon retirement, termination of employment, or death in accordance with this Article 6. The decision of the Administrator concerning unforeseeable emergency withdrawals shall be final as to all Participants.

## ARTICLE 7

### Beneficiary

7.1 Designation. Each Participant has the right, by written notice filed with the Employer, to designate one or more Beneficiaries to receive any benefits payable under this Plan in the event of the Participant's death prior to the complete distribution of benefits. The Participant accepts and acknowledges that he has the burden for executing and filing, with the Employer, a proper beneficiary designation form prior to his or her death.



7.2 Effective Time. The form for this purpose is not binding on the Employer until it is signed, filed with the Employer by the Participant, and accepted by the Employer prior to the Participant's death.

7.3 No Beneficiary at Death. If no such designation is in effect upon the Participant's death, or if no designated Beneficiary survives the Participant, the Beneficiary shall be the Participant's surviving spouse (if he or she was married at the time of death), registered domestic partner at the time of death, or, if neither exists, his or her estate. If at the time of death, there is no surviving spouse, no registered domestic partner, and no other designated beneficiary, and if no estate executor or administrator is appointed and qualified within one hundred twenty (120) days after the Participant's death, the payment may be made first surviving child or children in equal shares, and second to a surviving parent or parents in equal shares.

## ARTICLE 8

### Rights to Custodial Fund Assets

8.1 General Limitation. No Participant shall have any right to, or interest in, any assets of the Custodial Fund upon separation from service or otherwise, except as provided from time to time under the Plan, and then only to the extent of the benefits payable under the Plan to the Participant out of the assets of the Custodial Fund.

8.2 Nonassignability. The interest of a Participant in the contractual obligation of the County, established by the Plan, shall not be assignable in whole or in part, directly or by operation of law or otherwise, in any manner.

(a) Except as otherwise provided by law or in an applicable domestic relations order described in Section 414(p)(11) of the Code, no benefit, payment or distribution under this Plan shall be subject either to the claim of any creditor of the Employer or any Participant, spouse, contingent annuitant or Beneficiary, or to attachment, garnishment, levy (other than a federal tax levy under Section 6331 of the Code), execution or other legal or equitable process, by any creditor of such person, and no such person shall have any right to alienate, commute, anticipate or assign (either at law or equity) all or any portion of any benefit, payment or distribution under this Plan. The Custodial Fund shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to benefits under the Plan.

(b) If any Participant's benefits are garnished or attached by order of any court, the Employer may elect to bring an action for a declaratory judgement in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid by the Plan. During the pendency of such action, any benefits that become payable may be paid into the court as they become payable, to be distributed by the court to the recipient it deems proper at the close of the action.

8.3 No Vested Contractual Rights Created. Nothing contained in the Plan shall be construed as granting or creating in any Participant any vested contractual rights under federal or California law nor any right to the continued existence of the Plan in its current or amended form.

## ARTICLE 9

### Plan Transfers

Code Section 457 permits transfers of interests in Eligible Deferred Compensation Plans when the Participant changes employers.

9.1 Transfers In. The full value of a Participation Account may be accepted from another Eligible Retirement Plan and credited to the Participant's Participation Rollover Account under this Plan, if:

- (a) The Participant has severed employment with the former employer and become an Employee of the Employer;
- (b) The transfer is made between eligible government employer plans sponsored by the same employer; or
- (c) The entire plan's assets are transferred from another eligible governmental plan in the same state; or
- (d) The other employer's plan provides that such transfers can be made; or
- (e) As it deems necessary, the Employer may require such documentation from the predecessor plan to effect the transfer, to confirm that such plan is an Eligible Retirement Plan and to assure that Direct Rollover transfers are provided for under such plan.
- (f) The Custodians may refuse to accept a transfer in the form of assets other than cash, unless the Custodians agree to hold such other assets under the Plan.
- (g) Any amounts transferred that had been deferred during prior Plan Years will not be subject to current Plan Year deferral limitations.
- (h) Any amounts transferred from a 401(a), 401(k), 403(b) or an IRA must be separately accounted for in a Rollover Account held within the Plan.

(i) Any amounts transferred from a 401(a), 401(k), 403(b) or an IRA are subject to the 10% distribution penalty tax if distributed from the 457 plan prior to age 59 and ½

9.2 Transfers Out. The full value of a Participation Account may be transferred to another Eligible Retirement Plan maintained by another employer or an IRA, if:

(a) The Participant has severed employment with the Employer and become an employee of the other employer; or

(b) The transfer is made between eligible government plans sponsored by the same employer; or

(c) The entire plan's assets are transferred from another eligible governmental plan in the same state;

(d) The other employer's plan provides that such Direct Rollover transfer will be accepted; and

(e) The Participant and the employer have signed such agreements as are necessary to assure that the Employer's liability to pay benefits to the Participant has been discharged and assumed by the other employer.

(f) As it deems necessary, the Employer may require such documentation from the other plan to effect the transfer, to confirm that such plan is an Eligible Retirement Plan and to assure that transfers are provided for under such plan.

9.3 In-Service Transfers for Purchase of Defined Benefit Service Credits. The Participant may request a transfer of all or a portion of his or her Participant Account from the Plan to a governmental defined benefit plan (as defined under Section 414(d) of the Code) for the purchase of permissible service credit as defined in Section 415(n)(3)(A) under such plan or a repayment to which section 415 does not apply by reason of subsection (k)(3) of any eligible amounts pursuant to Code Section 457(e)(17). No severance from employment or other distributable event is required in order to affect a transfer from the Plan to purchase Defined Benefit Service Credits.

## ARTICLE 10

### Administration and Accounting

10.1 Administration by Employer. This Plan shall be administered by the Employer, which shall prescribe such forms, and adopt such rules and regulations as are necessary to carry out the purposes of the Plan. The Employer may employ investment counsel to provide advice

concerning categories of investment, investment guidelines and investment policy; provided, however, that the advice or recommendations of any such investment counsel shall not be binding on the Employer, which shall make the final determination concerning investment categories, investment guidelines and policies.

10.2 Third Party Services. The Employer may contract with the Custodians and/or other financially responsible independent contractors to administer and coordinate the Plan under the direction of the Employer. The Administrator shall have the right to designate a Plan Coordinator or other party of its choice to perform such services under this Plan Document as may be mutually agreed to between the Administrator and the Plan Coordinator or other party. Notwithstanding any other provisions to the contrary, the Administrator agrees that it shall be solely responsible to the Employer for any and all services performed by a subcontractor, assignee or designee under this Plan Document.

10.3 Investment Policy. The Employer has developed an Investment Policy to describe plan objectives, investment option categories and characteristics, the basis for fund selection and performance evaluation and provision of investment education and communication to Participants.

## **ARTICLE 11**

### **Amendments**

11.1 Right to Amend, Modify and Terminate. The Employer may at any time modify or terminate the Plan by notifying Participants of such action. The Employer shall not have the right to reduce or affect the value of any Participant's account or any rights accrued under the Plan prior to modification or termination.

11.2 Conformation. The Employer shall amend and interpret the Plan to the extent necessary to conform to the requirements of Code Section 457 and any other applicable law, regulation or ruling, including amendments that are retroactive. In the event the Plan is deemed by the Internal Revenue Service to be administered in a manner inconsistent with Code Section 457 and / or any other applicable law, the Employer shall correct such inconsistency within the period provided by the Code.

11.3 Plan Termination. In the event of the termination of the Plan, distribution of benefits shall be made to Participants and beneficiaries pursuant to the distribution guidelines in Section 6 or the transfer provisions of Section 9.

## **ARTICLE 12**

### **Exclusive Benefit**

12.1 All amounts held on behalf of a Participant under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held in the Custodial Fund or under one or more Contracts or custodial accounts described in Section 401(f) of the Code. Except as may otherwise be permitted or required by law, no assets or income of the Plan shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for Participants and their Beneficiaries or defraying reasonable expenses of administration of the Plan.

## ARTICLE 13

### Miscellaneous

13.1 Retirement System Integration. Benefits payable by, and deductions for Employee contributions to, any retirement system of the Employer shall be computed without reference to amounts deferred pursuant to this Plan.

13.2 Employment. Neither the establishment of the Plan nor any modification thereof, nor the establishment of any account, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the Employer except as provided in the Plan Document; and, in no event, shall the terms or employment of any Employee be modified or in any way affected hereby.

13.3 Successors and Assigns. The Plan shall be binding upon and shall inure to the benefit of the Employer, its successors and assigns, all Participants and Beneficiaries and their heirs and legal representatives.

13.4 Written Notice. Any notice or other communication required or permitted under the Plan shall be in writing, and if directed to the Employer shall be sent to the designated office of the Employer, and, if directed to a Participant or Beneficiary, shall be sent to such Participant or Beneficiary at his last known address as it appears on the Employer's records.

13.5 Total Agreement. This Plan Document and the Participation Agreement, and any subsequently adopted amendment thereof, shall constitute the total agreement or contract between the Employer and the Participant regarding the Plan. No oral statement regarding the Plan may be relied upon by the Participant.

13.6 Gender. As used herein the masculine shall include the neuter and the feminine where appropriate.

13.7 Controlling Law. This Plan is created and shall be construed, administered and interpreted in accordance with Section 457 of the Code, or any other applicable laws and under the laws of the State of California as the same shall be at the time any dispute or issue is raised.

If any portion of this Plan is held illegal, invalid or unenforceable, the legality, validity and enforceability of the remainder shall be unaffected.

13.8 IRS Levy. Notwithstanding Section 8.2, the Administrator may pay from a Participant's or Beneficiary's Account Balance the amount that the 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.

IN WITNESS WHEREOF, the Employer has executed this Plan Document this 1<sup>st</sup> day of November, 2004.

**SAN MATEO COUNTY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)