RESOLUTION NO. 2886

A RESOLUTION AUTHORIZING THE MAYOR TO SIGN AN UPDATED SECTION 125 CAFETERIA PLAN

WHEREAS, the City of Selah wishes to continue to provide its employees with a Section 125 Cafeteria plan for health and disability premiums;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SELAH, WASHINGTON, that the Mayor be authorized to sign an updated Section 125 Cafeteria Plan and that the employees be provided with a copy of the summary description of the Plan in the form of the Summary Plan Description, attached hereto.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF SELAH, WASHINGTON this 14th day of December 2021.

Sherry Raymond
Sherry Raymond, Mayor

ATTEST:

Dale E. Novobielski, Clerk Treasurer

Rob Case, City Attorney
## CITY OF SELAH PREMIUM ONLY PLAN

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ADOPTION AGREEMENT
PREMIUM-ONLY PLAN

The undersigned plan sponsor hereby adopts this Plan. The Plan is intended to qualify as a cafeteria plan under Code section 125. The Plan shall consist of this Adoption Agreement, Basic Plan Document #101 and any related Appendices and Addenda to this Adoption Agreement. Unless otherwise indicated, all Section references are to Sections of Basic Plan Document #101.

COMPANY INFORMATION

1. Name of adopting employer (Plan Sponsor): City of Selah
2. Address: 115 W. Naches Avenue
3. City: Selah
4. State: WA
5. Zip: 98942
6. Phone number: 509-698-7334
7. Fax number: 509-698-7338
8. Plan Sponsor EIN: 91-6001501
9. Plan Sponsor fiscal year end: 09/30
10. Entity Type:
    a. Plan Sponsor entity type:
        i. C Corporation
        ii. S Corporation
        iii. Non-Profit Organization
        iv. Partnership
        v. Limited Liability Company
        vi. Limited Liability Partnership
        vii. Sole Proprietorship
        viii. Union
        ix. Government Agency
        x. Other: 
        xi. If "Union"(10a.viii) is selected, enter name of the representative of the parties who established or maintain the Plan: 


NOTE: If state law requires written document language regarding benefits herein, add language to Addendum.

12. Controlled Groups/Affiliated Service Groups
    a. [ ] The Plan Sponsor is a member of an affiliated service group. List all members of the group (other than the Plan Sponsor): 
    b. [ ] The Plan Sponsor is a member of a controlled group. List all members of the group (other than the Plan Sponsor): 

NOTE: Affiliated service group members and controlled group members may adopt the Plan with the approval of the Plan Sponsor.

NOTE: Listing affiliated service group members and controlled group members is for information purposes only and is optional. Participating Employers in the Plan are listed in Addendum.

PLAN INFORMATION

A. GENERAL INFORMATION AND DEFINITIONS

1. Plan Number: 520
2. Plan Name:
    a. City of Selah
    b. Premium Only Plan
3. Effective Date: 09/01/2005
A. GENERAL INFORMATION and DEFINITIONS

4. Plan Year
   a. Plan Years mean each 12-consecutive month period ending on 09:30 (e.g. December 31). If the Plan Year changes, any special provisions regarding a short Plan Year shall be placed in the Addendum to the Adoption Agreement.
   b. [ ] The Plan has a short plan year. The short plan year begins _____ and ends on _____.

B. ELIGIBILITY

Eligible Employees - In addition to meeting the eligibility requirements under the applicable insurance contract Employees must also meet the following requirements:

1. Minimum age requirement for an Employee to become an Eligible Employee: None.
2a. An Employee must complete the following service requirements to become an Eligible Employee on the date set forth in B.2b:
   i. [ X ] None
   ii. [ ] Completion of _____ hours of service.
   iii. [ ] Completion of _____ days of service.
   iv. [ ] Completion of _____ months of service.
   v. [ ] Completion of _____ years of service.

   NOTE: If the Plan is a simple cafeteria plan under Article 12, B.2 may not exceed 1,000 hours of service or one year of service.

2b. Effective Date of Eligibility. An Employee will become an Eligible Employee on the date below upon completing the age and service requirements in B.1 and B.2a:
   i. [ X ] An Employee shall become an Eligible Employee immediately upon completing the age and service requirements in B.1 and B.2a.
   ii. [ ] first day of each calendar month.
   iii. [ ] first day of each plan quarter.
   iv. [ ] first day of the first month and seventh month of the Plan Year.
   v. [ ] first day of the Plan Year.

2c. If eligibility is not immediate after meeting age and service requirements, an Employee shall become an Eligible Employee on the Eligibility Date in B.2b that is:
   i. [ ] coincident with or next following the period in B.2b
   ii. [ ] following the completion of the period in B.2b.

3. Describe any modifications to the eligibility rules specified in B.1 and B.2: ______

Excluded Employees

4. The term "Eligible Employee" shall not include:
   a. [ ] Union Employees. Any Employee who is included in a unit of Employees covered by a collective bargaining agreement, if benefits were the subject of good faith bargaining between employee representatives and the Employer, and if the collective bargaining agreement does not provide for participation in this Plan.
   b. [ ] Leased Employees.
   c. [ ] Non-Resident Aliens. Any Employee who is a non-resident alien described in Code section 410(b)(3)(C).
   d. [ ] Part-time Employees. Any Employee who is expected to work fewer than _____ hours per week.
   e. [ ] Other. _____ (any exclusion must satisfy Code section 125(g) and Prop. Reg. sec. 1.125-7(f)).

5. [ ] Describe any modifications to the definition of the term "Eligible Employee" for the specified Plan Benefit: ______

Leave of Absence

6. If a Participant takes an unpaid leave of absence under FMLA, the Participant may elect the following:
   a. [ ] cease contributions under the Plan, which will be reinstated under the same terms upon the Participant's return from the FMLA leave of absence.
   b. [ ] pre-pay, prior to commencement of the FMLA leave of absence period, the contributions due for the FMLA leave of absence period.
B. ELIGIBILITY

c. [X] contribute on the same schedule as payments would have been made if the Participant were not on a leave of absence or if contributions were being made under COBRA.
d. [X] to the extent agreed in advance, the Participant will repay amounts advanced by the Employer to the Plan on behalf of the Participant upon the Participant's return from the FMLA leave of absence.

NOTE: B.6b may only be elected together with B.6c or B.6d.
NOTE: B.6c must be elected if available for non-FMLA leave of absence.
NOTE: B.6d may only be elected together with B.6b or B.6c unless it is the only option available to Participants on a non-FMLA leave of absence.

7. [ ] If B.6a is selected, the Employer may recover the Participant's suspended contributions when the Participant returns to work from the FMLA leave of absence.
8. [X] A Participant may elect to continue coverage under the Plan when on unpaid non-FMLA leave of absence.

Termination of Participation

9. If a Participant remains an Employee but is no longer an Eligible Employee, his or her participation in the Plan shall terminate:
   a. [ ] on the date on which the Participant ceases to be an Eligible Employee
   b. [ ] on the last day of the payroll period during which the Participant ceases to be an Eligible Employee
   c. [X] on the last day of the month during which the Participant ceases to be an Eligible Employee
   d. [ ] on the last day of the Plan Year during which the Participant ceases to be an Eligible Employee
   e. [ ] Other: ______

Reemployment

10. If an Eligible Employee has a Termination of Employment and is subsequently reemployed by the Employer as an Eligible Employee within 30 days after Termination:
   a. [X] the Plan Administrator shall automatically reinstate the Plan elections in effect at the time of Termination
   b. [ ] the Eligible Employee shall not resume or become a Participant until the first day of the subsequent Plan Year

11. If an Eligible Employee has a Termination of Employment and is subsequently reemployed by the Employer as an Eligible Employee more than 30 days after Termination:
   a. [ ] the Plan Administrator shall automatically reinstate the Plan elections in effect at the time of Termination
   b. [ ] the Eligible Employee shall not resume or become a Participant until the first day of the subsequent Plan Year
   c. [X] the Eligible Employee may elect to reinstate the Plan election in effect at the time of Termination or to make a new election under the Plan

C. PARTICIPATION ELECTIONS

Failure to Elect (Default Elections)

1. Prior Plan Year elections will automatically apply to the applicable Plan Year:
   a. [X] Yes
   b. [ ] No

Change in Status

2. An Eligible Employee may change his or her election upon the following Change in Status events:
   a. [ ] None
   b. [X] At any time permitted under Treas. Reg. section 1.125-4 and other times permitted by IRS guidance
   c. [ ] Pursuant to Plan Administrator written procedures, which are incorporated herein by reference
   d. [ ] Other: ______
D. PREMIUM CONVERSION ACCOUNT

1. Select the types of Contracts with respect to which a Participant may contribute under the Plan:
   a. [X] Employer Health
   b. [X] Employer Dental
   c. [X] Employer Vision
   d. [ ] Employer Short-Term Disability
   e. [ ] Employer Long-Term Disability
   f. [ ] Employer Accidental Death & Dismemberment
   g. [ ] COBRA continuation coverage under the Employer group health plan
   h. [X] Other Cancer Policy

Enrollment

2. [X] All Employees will automatically be enrolled in the Premium Conversion Account upon their date of hire and will be deemed to have elected to contribute the entire amount of any premiums payable by the Employee during the Plan Year for participation in Employer-sponsored Contract(s).
   
   NOTE: If D.2 is not selected, Eligible Employees may only elect to participate in the Premium Conversion Account pursuant to Section 4.01(c) and Section 4.02 of the Plan.

Contributions

3. [X] Participant elections will be automatically adjusted for changes in the cost of Employer-sponsored Contracts pursuant to the terms of Treas. Reg. 1.125-4.

E. MISCELLANEOUS

Plan Administrator Information

1. Plan Administrator.
   a. [X] Plan Sponsor
   b. [ ] Committee appointed by Plan Sponsor
   c. [ ] Other: ______

2. Indemnification. Type of indemnification for the Plan Administrator:
   a. [ ] None - the Company will not indemnify the Plan Administrator.
   b. [X] Standard as provided in Section 7.02.
   c. [ ] Custom. (If 1.2c (Custom) is selected, indemnification for the Plan Administrator is provided pursuant to an Addendum to the Adoption Agreement.)

3. Governing Law. The following state's law shall govern the terms of the Plan to the extent not pre-empted by Federal law: Washington

4. Participating Employers. Additional participating employers may be specified in an addendum to the Adoption Agreement.
Failure to properly fill out the Adoption Agreement may result in the failure of the Plan to achieve its intended tax consequences.

The Plan shall consist of this Adoption Agreement, its related Basic Plan Document #101 and any related Appendix and Addendum to the Adoption Agreement.

The undersigned agree to be bound by the terms of this Adoption Agreement and Basic Plan Document and acknowledge receipt of same. The Plan Sponsor caused this Plan to be executed this ______ day of __________, 2021.

CITY OF SELAH:

Signature: Sherry Raymond
Print Name: Sherry Raymond
Title/Position: Mayor
# TPSC
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ARTICLE 1. INTRODUCTION

Section 1.01 PLAN

This document ("Basic Plan Document") and its related Adoption Agreement are intended to qualify as a premium-only plan within the meaning of Code section 125 providing for the pre-tax payment of premiums for accident and health insurance.

Section 1.02 APPLICATION OF PLAN

Except as otherwise specifically provided herein, the provisions of this Plan shall apply to those individuals who are Eligible Employees of the Employer on or after the Effective Date. The rights and benefits, if any, of former Eligible Employees of the Employer whose employment terminated prior to the Effective Date shall be determined under the provisions of the Plan as in effect from time to time prior to that date.

ARTICLE 2. DEFINITIONS

Adoption Agreement means
the document executed in conjunction with this Basic Plan Document that contains the optional features selected by the Plan Sponsor.

Affiliate means
the Plan Sponsor or any other employer required to be aggregated with the Plan Sponsor under Code sections 414(b), (c), (m) or (o); provided, however, that "Affiliate" shall not include any entity or unincorporated trade or business prior to the date on which such entity, trade or business satisfies the affiliation or control tests described above.

COBRA means
the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

Code means
the Internal Revenue Code of 1986, as amended from time to time.

Compensation means
the cash wages or salary paid to a Participant.

Contract means
an insurance policy, contract or self-funded arrangement under which a Participant is eligible to receive employer-provided accident or health benefits. "Contract" shall not include any product which is advertised, marketed, or offered as long-term care insurance. "Contract" shall not include any qualified health plan (as defined in section 1301(a) of the Patient Protection and Affordable Care Act) offered through an exchange established under section 1311 of such Act unless the Employer is a qualified employer (as defined in section 1312(f)(2) of the Patient Protection and Affordable Care Act) offering the Employee the opportunity to enroll through such exchange in a qualified health plan in a group market.

Dependent means
an individual who qualifies as a dependent of a Participant under Code section 152 (as modified by Code section 105(b)). "Dependent" does not include any individual who is not a dependent under the underlying Contract.

Effective Date shall have the meaning
set forth in Part A of the Adoption Agreement, provided that when a provision of the Plan states another effective date, such stated specific effective date shall apply as to that provision.

Eligible Employee means
any Employee employed by an Employer and who meets the eligibility requirements under the applicable insurance contract, subject to the modifications and exclusions described in the Adoption Agreement. If an individual is subsequently reclassified as, or determined to be, an
Employee by a court, the Internal Revenue Service or any other governmental agency or authority, or if the Employer is required to reclassify such individual as an Employee as a result of such reclassification determination (including any reclassification by the Employer in settlement of any claim or action relating to such individual's employment status), such individual shall not become an Eligible Employee by reason of such reclassification or determination.

An individual who becomes employed by an Employer in a transaction between the Employer and another entity that is a stock or asset acquisition, merger, or other similar transaction involving a change in the employer of the employees of the other entity shall not become eligible to participate in the Plan until the Employer or Plan Sponsor specifically authorizes such participation.

**Employee** means
any individual who is a common-law employee of an Employer, a leased employee as described in Code section 414(m), or full-time life insurance salesman as defined in Code section 7701(a)(20). The term "Employee" shall not include: (i) a self-employed individual (including a partner) as defined in Code section 401(c), or (ii) any person who owns (or is considered as owning within the meaning of Code section 318) more than 2 percent of the outstanding stock or combined voting power of an S corporation.

**Employer** means
the Plan Sponsor and any other entity that has adopted the Plan with the approval of the Plan Sponsor.

**FMLA** means
the Family and Medical Leave Act of 1993, as amended from time to time.

**Highly Compensated Individual** means
an individual within the meaning of Code section 105(h)(5).

**HIPAA** means
the Health Insurance Portability and Accountability Act of 1996, as amended from time to time.

**Leased Employee** means
an Employee described in Code section 414(m)(2).

**Participant** means
an Eligible Employee who participates in the Plan in accordance with Articles 3 and 4.

**Plan** means
the plan as identified in Part A.2 of the Adoption Agreement and as described in this Basic Plan Document and Adoption Agreement.

**Plan Administrator** means
the person(s) designated pursuant to the Adoption Agreement and Section 7.01.

**Plan Sponsor** means
the entity described in the Adoption Agreement that maintains the Plan.

**Plan Year** means
the 12-consecutive month period described in Part A of the Adoption Agreement.

**Premium Conversion Account** means
the bookkeeping balance of account established with respect to the Participant's election to contribute to Contract premiums under the Plan pursuant to Article 5.

**Restatement Date** shall have the meaning
set forth in Part A of the Adoption Agreement.

**Salary Reduction Agreement** means
the agreement pursuant to which an Eligible Employee elects to reduce his or her Compensation and instead contribute to the Premium Conversion Account under the Plan.
ARTICLE 2. DEFINITIONS

Termination and Termination of Employment means any absence from service that ends the employment of an Employee with the Employer.

ARTICLE 3. ELIGIBILITY

Section 3.01  ELIGIBLE EMPLOYEES

An Eligible Employee is an Employee who meets the age and service requirements set forth in the Adoption Agreement and who is not excluded pursuant to Section 3.02 or the Adoption Agreement. An Eligible Employee may elect to participate in the Plan in accordance with Article 4.

Eligible Employees who were eligible to participate in the Plan immediately prior to the Restatement Date, if applicable, shall be eligible to participate in the Plan on the Effective Date.

Section 3.02  INELIGIBLE EMPLOYEES

Notwithstanding anything herein to the contrary but except as provided in Section 5.01, the Employees identified in the Adoption Agreement as not Eligible Employees may not participate in any Benefit under the Plan.

Section 3.03  LEAVE OF ABSENCE

(a) FMLA Leave of Absence. If a Participant takes a leave of absence under FMLA, the Participant shall be entitled to continue to participate in the Plan for payment of premiums applicable to health care. A Participant may also elect to revoke coverage during an unpaid FMLA leave of absence or continue coverage but discontinue contributions for the period of the FMLA leave of absence, as set forth in the Adoption Agreement. If a Participant elects to revoke coverage during the unpaid FMLA leave of absence, the coverage will be reinstated under the same terms upon the Participant's return from the FMLA leave of absence.

(b) Non-FMLA Leave of Absence. If a Participant takes an unpaid leave of absence other than under FMLA, the Participant shall not be entitled to continue to participate in the Plan except to the extent provided in the Adoption Agreement or in accordance with the Employer's established policy when an Employee is on non-FMLA leave.

(c) USERRA. If a Participant is on a leave of absence in the uniformed services under the Uniformed Services Employment and Reemployment Rights Act (USERRA), the Participant shall be entitled to elect to continue participation in the Plan for the lesser of (i) 24 months, beginning on the date the Participant's absence began and (ii) the date the Participant fails to apply for or return to employment with the Employer, as determined under USERRA.

(d) Applicable State Law. The Plan Administrator shall permit a Participant to continue participation in the Plan as required under any applicable state law to the extent that such law is not preempted by federal law.

(e) Paid Leave of Absence. A Participant shall not be entitled to revoke participation in the Plan during a paid leave of absence except in accordance with Article 4.

Section 3.04  TERMINATION OF PARTICIPATION

If a Participant remains an Employee but is no longer an Eligible Employee (e.g., due to a change in job classification), his or her participation in the Plan shall terminate on the date on which the Participant ceases to be an Eligible Employee, unless provided otherwise herein or in the Adoption Agreement. Should such Employee again qualify as an Eligible Employee, he or she shall be eligible to participate in the Plan as of the first day of the subsequent Plan Year, unless earlier participation is required by applicable law or permitted pursuant to Section 4.02.

Section 3.05  TERMINATION OF EMPLOYMENT

Upon a Participant's Termination of Employment, the Participant's contributions to the Premium Conversion Account will cease, except with respect to contributions for COBRA continuation coverage under the Employer-sponsored Contract, if applicable. Coverage under the applicable Contract may continue in accordance with the terms of the Contract for the remainder of the period of coverage with respect to which the required Contract premium has been paid.

Section 3.06  REEMPLOYMENT
ARTICLE 3. ELIGIBILITY

(a) Except as otherwise provided in the Adoption Agreement, the Plan Administrator shall automatically reinstate an Eligible Employee’s election who is rehired by an Employer within 30 days of a Termination. If an Employee has a Termination of Employment and is subsequently reemployed by the Employer as an Eligible Employee more than 30 days following the date of Termination, the Plan Administrator may allow the Eligible Employee to elect to reinstate the Plan election that was in effect at the time of Termination or to make a new election under the Plan, unless otherwise provided herein or in the Adoption Agreement.

(b) Ineligible Employees. An Employee who has a Termination of Employment and who is subsequently reemployed by the Employer but is not an Eligible Employee shall be eligible to participate on the date the individual becomes an Eligible Employee and, at that time, may elect to participate in the Plan in accordance with Article 4.

ARTICLE 4. PARTICIPATION

Section 4.01 ELECTION TO PARTICIPATE

(a) Elections to Participate. The Plan Administrator shall prescribe such forms, adopt such procedures, and require such data from an Eligible Employee as are reasonably required and permitted under applicable law to enroll the Eligible Employee in the Plan or to effectuate any elections made pursuant to this Article 4.

(b) New Employees. To the extent provided in the Adoption Agreement, all Employees will automatically be enrolled in the Premium Conversion Account upon their date of hire and will be deemed to have elected to contribute the entire amount of any premiums payable by the Employee during the Plan Year for participation in Employer-sponsored Contract(s). An Eligible Employee may elect to participate or not to participate in the Plan during the period established by the Plan Administrator, which shall be no longer than 30 days after the date the Eligible Employee becomes an Employee. The election will be effective as of the Employee’s hire date; provided, however, that amounts used to pay for such election must be made from Compensation not yet currently available on the date of the election.

(c) Continuing Eligible Employees. An Eligible Employee may elect to enroll in the Plan or to modify or revoke his or her election during the period established by the Plan Administrator that precedes the Plan Year for which the election will be effective.

(d) Failure to Elect. If an Eligible Employee fails to submit a Salary Reduction Agreement in accordance with the procedures adopted by the Plan Administrator, the Eligible Employee’s election to contribute to the Premium Conversion Account for the immediately preceding Plan Year will apply to the applicable Plan Year, unless the Adoption Agreement provides otherwise. An Eligible Employee who affirmatively elected not to participate in the Premium Conversion Account for the Plan Year with respect to Employer-sponsored Contracts will not be enrolled in the Premium Conversion Account for any Plan Year until he or she affirmatively elects to participate in the Premium Conversion Account with respect to Employer-sponsored Contract in accordance with Article 4.

Section 4.02 MID-YEAR ELECTION CHANGES

An Eligible Employee’s election to participate in the Plan is irrevocable during the Plan Year, except that an Eligible Employee may change his or her election during the Plan Year no later than the end of the 31-day period beginning on the date of a Change in Status (as defined below), unless provided otherwise in the Adoption Agreement. The election change must be on account of and correspond with a Change in Status that affects eligibility for coverage under the Plan.

A “Change in Status” means the following, to the extent provided in the Adoption Agreement:

(a) Legal Marital Status. Events that change an Eligible Employee’s legal marital status, including marriage, death of a spouse, divorce, legal separation, and annulment.

(b) Number of Dependents. Events that change an Eligible Employee’s number of Dependents, including birth, death, adoption, and placement for adoption.

(c) Employment Status. Any of the following events that change the employment status of the Eligible Employee, the Eligible Employee’s spouse, or the Eligible Employee’s Dependent: a termination or commencement of employment, a strike or lockout, a commencement of or return from an unpaid leave of absence, and a change in worksite. In addition, if the eligibility conditions of the Plan or other employee benefit plan of the Employer of the Eligible Employee or the Eligible Employee’s spouse or Dependent depend on the employment status of that individual and there is a change in that individual’s employment status with the consequence that the individual becomes (or ceases to be) eligible under the applicable plan, then that change constitutes a change in employment under this paragraph (c).

(d) Dependent satisfies or ceases to satisfy eligibility requirements. Events that cause an Eligible Employee’s Dependent to satisfy or cease to satisfy eligibility requirements for coverage on account of attainment of age, student status, or any similar circumstance.
ARTICLE 4 PARTICIPATION

(e) **Residence.** A change in the place of residence of the Eligible Employee or the Eligible Employee's spouse or Dependent.

(f) **COBRA.** If the Eligible Employee or the Eligible Employee's spouse or Dependent becomes eligible for continuation coverage under an Employer's group health plan as provided in Code section 4980B or any similar state law, the Eligible Employee may elect to increase contributions to his or her Premium Conversion Account under the Plan in order to pay for the continuation coverage.

(g) **Court Order.** A judgment, decree, or other order resulting from a divorce, legal separation, annulment, or change in legal custody (including a qualified medical child support order as defined in Section 609 of the Employee Retirement Income Security Act of 1974, as amended) that requires accident or health coverage for an Eligible Employee's child or for a foster child who is a Dependent of the Employee. The Eligible Employee may change his or her election to provide coverage for the child if the order requires coverage for the child under the Plan and may cancel coverage under the Plan for the child if the order requires the Eligible Employee's spouse, former spouse, or other individual to provide coverage for the child, and that coverage is, in fact, provided.

(h) **Entitlement to Medicare or Medicaid.** If an Eligible Employee or an Eligible Employee's spouse or Dependent who is enrolled in an Employer's accident or health plan becomes enrolled under Part A or Part B of Title XVIII of the Social Security Act (Medicare) or Title XIX of the Social Security Act (Medicaid), other than coverage consisting solely of benefits under section 1928 of the Social Security Act (the program for distribution of pediatric vaccines), the Eligible Employee may make a prospective election change to cancel or reduce coverage of that Employee, spouse, or Dependent under the Employer-sponsored accident or health plan. In addition, if an Eligible Employee or an Eligible Employee's spouse or Dependent who has been enrolled in such coverage under Medicare or Medicaid loses eligibility for such coverage, the Eligible Employee may make a prospective election to commence or increase his or her coverage or the coverage of his or her spouse or Dependent, as applicable, under the Employer-sponsored accident or health plan.

(i) **Significant Cost or Coverage Changes.**
   
   (1) **Automatic Changes.** If the cost of an Employer-sponsored Contract premium increases (or decreases) during a period of coverage and, under the terms of the Contract, Eligible Employees are required to make a corresponding change in their payments, the Plan may, on a reasonable and consistent basis, automatically make a prospective increase (or decrease) in affected Eligible Employees' elective contributions for the Plan.

   (2) **Significant Cost Changes.** If the cost charged to an Eligible Employee for a Contract benefits package option significantly increases or significantly decreases during a period of coverage, the Plan may permit the Eligible Employee to make a corresponding change in an election under the Plan. Changes that may be made include commencing participation in the Plan for the option with a decrease in cost, or, in the case of an increase in cost, revoking an election for that coverage and, in lieu thereof, either receiving on a prospective basis coverage under another benefits package option providing similar coverage or dropping coverage if no other benefits package option providing similar coverage is available. For example, if the cost of an indemnity option under an accident or health plan significantly increases during a period of coverage, Eligible Employees who are covered by the indemnity option may make a corresponding prospective increase in their payments or may instead elect to revoke their election for the indemnity option and, in lieu thereof, elect coverage under another benefits package option including an HMO option (or drop coverage under the accident or health plan if no other benefits package option is offered).

   A cost increase or decrease refers to an increase or decrease in the amount of the elective contributions under the Plan, whether that increase or decrease results from an action taken by the Eligible Employee (such as switching between full-time and part-time status) or from an action taken by an Employer (such as reducing the amount of Employer contributions for a class of Eligible Employees).

(j) **Significant Curtailment Without Loss of Coverage.** If an Eligible Employee or an Eligible Employee's spouse and/or Dependent has a significant curtailment of coverage under a Contract during a period of coverage that is not a loss of coverage as described in paragraph (l) of this section (for example, there is a significant increase in the deductible, the copay, or the out-of-pocket cost sharing limit under the Contract), the Eligible Employee may revoke his or her election for that coverage and, in lieu thereof, elect to receive on a prospective basis coverage under another benefits package option providing similar coverage.

(k) **Significant Curtailment With Loss of Coverage.** If an Eligible Employee (or an Eligible Employee's spouse or Dependent) has a significant curtailment that is a loss of coverage, the Eligible Employee may revoke his or her election under the Plan and, in lieu thereof, elect either to receive on a prospective basis coverage under another benefits package option providing similar coverage or to drop coverage if no similar benefits package option is available. For purposes of this paragraph (l), a loss of coverage means:
   
   (1) a complete loss of coverage under the benefits package option or other coverage option (including the elimination of a benefits package option, an HMO ceasing to be available in the area where the individual resides, or the individual losing all coverage under the option by reason of an overall lifetime or annual limitation);

   (2) a substantial decrease in the medical care providers available under the Contract (such as a major hospital ceasing to be a member of a preferred provider network or a substantial decrease in the physicians participating in a preferred provider network or an HMO);

   (3) a reduction in the benefits for a specific type of medical condition or treatment with respect to which the Eligible Employee or the Eligible Employee's spouse or Dependent is currently on a course of treatment; or

   (4) any other similar fundamental loss of coverage as determined by the Plan Administrator's in its sole discretion.

(l) **Addition or Improvement of a Benefits Package Option.** If a Contract adds a new benefits package option or other coverage option, or if
coverage under an existing benefits package option or other coverage option is significantly improved during a period of coverage, an Eligible Employee may revoke his or her election under the Plan and, in lieu thereof, to make an election on a prospective basis for coverage under the new or improved benefits package option.

(m) Change in Coverage Under Another Employer Plan. An Eligible Employee may make a prospective election change that is on account of and corresponds with a change made under another employer plan (including another plan of the Employer or of another employer) if:

(1) The other cafeteria plan or qualified benefits plan permits participants to make an election change that would be permitted under paragraphs (a) through (n) of this section (disregarding this paragraph (m)(1)); or

(2) This Plan permits Eligible Employees to make an election for a Plan Year that is different from the period of coverage under the other cafeteria plan or qualified benefits plan.

(n) FMLA. A Participant may revoke coverage or continue coverage but discontinue payment of his or her share of the cost of a Contract that provides group health plan coverage during the period of a leave of absence under FMLA. An Eligible Employee who revokes coverage shall be entitled to reinstate coverage upon returning from a leave of absence under FMLA.

(o) Loss of Coverage Under Other Group Health Coverage. An Eligible Employee may make an election on a prospective basis to add coverage under the Plan for the Eligible Employee and/or the Eligible Employee's spouse and/or Dependent if the Eligible Employee and/or the Eligible Employee's spouse and/or Dependent loses coverage under any group health coverage sponsored by a governmental or educational institution, including a State's children's health insurance program (CHIP) under Title XXI of the Social Security Act; a medical care program of an Indian Tribal government (as defined in section 7701(a)(40)), the Indian Health Service, or a tribal organization; a State health benefits risk pool; or a Foreign government group health plan.

(p) Revocation due to Reduction in Hours of Service. A Participant may prospectively elect to cancel contribution for and payment of the Employee-paid portion of the Employer-sponsored group health plan Contract premiums if (1) the Participant has been in an employment status under which the Participant was reasonably expected to average at least 30 hours of service per week and there is a change in that Participant's status so that the Participant will reasonably be expected to average less than 30 hours of service per week after the change, even if that reduction does not result in the Participant ceasing to be eligible under the Employer-sponsored group health plan and (2) the revocation of the election of coverage under the Employer-sponsored group health plan corresponds to the intended enrollment of the Participant, and any related individuals who cease coverage due to the revocation, in another plan that provides minimum essential coverage with the new coverage effective no later than the first day of the second month following the month that includes the date the original coverage is revoked.

(q) Enrollment in a Qualified Health Plan. A Participant may prospectively elect to cancel contribution for and payment of the Employee-paid portion of the Employer-sponsored group health plan Contract premiums if (1) the Participant is eligible for a special enrollment period to enroll in a "qualified health plan" through a competitive marketplace established under Section 1311 of the Patient Protection and Affordable Care Act ("Marketplace") or the Employee seeks to enroll in a qualified health plan through a Marketplace during the Marketplace's annual open enrollment period.

The Plan Administrator reserves the right to determine whether an Eligible Employee has experienced a Change in Status and whether the Eligible Employee's requested election is consistent with such Change in Status.

ARTICLE 5. PREMIUM CONVERSION ACCOUNT

Section 5.01 IN GENERAL

An Eligible Employee may elect to have a portion of his or her Compensation applied by the Employer toward the Premium Conversion Account. The Account established under this Article 5 is intended to qualify under Code sections 79 and 106(a) and shall be interpreted in a manner consistent with such Code sections.

Section 5.02 CONTRIBUTIONS

A Participant's Premium Conversion Account will be credited with amounts withheld from the Participant's Compensation. The amount of a Participant's contribution to the Premium Conversion Account shall be equal to the amount of the Participant's portion of the premium on the applicable Contract. Except as elected in the Adoption Agreement, if the amount of the Participant's portion of the applicable premium on the Contract increases or decreases, the Participant's contribution to the Premium Conversion Account will automatically be adjusted to reflect the increase or decrease.
ARTICLE 5. PREMIUM CONVERSION ACCOUNT

A Participant's Premium Conversion Account will be debited for amounts applied to the Employee-paid portion of the applicable Contract premiums. The Plan Administrator will not direct the Employer to pay any premium on a Contract to the extent such payment exceeds the balance of a Participant's Premium Conversion Account.

ARTICLE 6. NONDISCRIMINATION

Section 6.01 NONDISCRIMINATION

The Plan is intended to satisfy the premium-only plan safe harbor under Prop. Treas. Reg. Section 1.125-7(f) and may not discriminate in favor of Highly Compensated Individuals as to eligibility to participate.

Section 6.02 ADJUSTMENTS

If the Plan Administrator determines that the Plan may fail to satisfy any nondiscrimination requirement or any limitation imposed by the Code, the Plan Administrator may modify any election in order to assure compliance with such requirements or limitations. Any act taken by the Plan Administrator under this Section 6.02 shall be carried out in a uniform and non-discriminatory manner.

ARTICLE 7. PLAN ADMINISTRATION

Section 7.01 PLAN ADMINISTRATOR

(a) **Designation.** The Plan Administrator shall be specified in the Adoption Agreement. In the absence of a designation in the Adoption Agreement, the Plan Sponsor shall be the Plan Administrator. If a Committee is designated as the Plan Administrator, the Committee shall consist of one or more individuals who may be Employees appointed by the Plan Sponsor. The Committee shall elect a chairman and may adopt such rules and procedures as it deems desirable. The Committee may also take action with or without formal meetings and may authorize one or more individuals, who may or may not be members of the Committee, to execute documents in its behalf.

(b) **Authority and Responsibility of the Plan Administrator.** The Plan Administrator shall have total and complete discretionary power and authority:

1. to make factual determinations, to construe and interpret the provisions of the Plan, to correct defects and resolve ambiguities and inconsistencies therein and to supply omissions thereto. Any construction, interpretation or application of the Plan by the Plan Administrator shall be final, conclusive and binding;
2. to determine the amount, form or timing of benefits payable hereunder and the recipient thereof and to resolve any claim for benefits under the Plan;
3. to determine the amount and manner of any allocations hereunder;
4. to maintain and preserve records relating to the Plan;
5. to prepare and furnish all information and notices required under applicable law or the provisions of this Plan;
6. to prepare and file or publish with the Secretary of Labor, the Secretary of the Treasury, their delegates and all other appropriate government officials all reports and other information required under law to be so filed or published;
7. to hire such professional assistants and consultants as it, in its sole discretion, deems necessary or advisable; and be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by same;
8. to determine all questions of the eligibility and of the status of rights of Participants;
9. to adjust Premium Reimbursement Accounts in order to correct errors or omissions;
10. to determine the validity of any judicial order;
11. to retain records on elections and waivers by Participants;
12. to supply such information to any person as may be required; and
13. to perform such other functions and duties as are set forth in the Plan that are not specifically given to any other fiduciary or other person.

(c) **Procedures.** The Plan Administrator may adopt such rules and procedures as it deems necessary, desirable, or appropriate for the administration of the Plan. When making a determination or calculation, the Plan Administrator shall be entitled to rely upon information furnished to it. The Plan Administrator's decisions shall be binding and conclusive as to all parties.
(d) **Allocation of Duties and Responsibilities.** The Plan Administrator may designate other persons to carry out any of his duties and responsibilities under the Plan.

(e) **Compensation.** The Plan Administrator shall serve without compensation for its services.

(f) **Expenses.** All direct expenses of the Plan, the Plan Administrator and any other person in furtherance of their duties hereunder shall be paid or reimbursed by the Plan Sponsor.

Section 7.02 **INDEMNIFICATION**

Unless otherwise provided in the Adoption Agreement, the Plan Sponsor shall indemnify and hold harmless any person serving as the Plan Administrator (and its delegates) from all claims, liabilities, losses, damages and expenses, including reasonable attorneys’ fees and expenses, incurred by such persons in connection with their duties hereunder to the extent not covered by insurance, except when the same is due to such person's own gross negligence, willful misconduct, or lack of good faith.

**ARTICLE 8. AMENDMENT AND TERMINATION**

Section 8.01 **AMENDMENT**

The provisions of the Plan may be amended in writing at any time and from time to time by the Plan Sponsor or its delegate.

Section 8.02 **TERMINATION**

(a) It is the intention of the Plan Sponsor that this Plan will continue indefinitely; however, the Plan Sponsor reserves the right to terminate the Plan at any time for any reason.

(b) A participating Employer may terminate its participation in this Plan upon (i) written notice to the Plan Sponsor of its intent to terminate participation in the Plan, (ii) the closing of a merger in which the participating Employer is not the surviving entity and the surviving entity is not an affiliate of the Plan Sponsor, or (iii) the sale of all or substantially all of the participating Employer's assets to an entity that is not an affiliate of the Plan Sponsor.

**ARTICLE 9. MISCELLANEOUS**

Section 9.01 **NONALIENATION OF BENEFITS**

No Participant or Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under the Plan.

Section 9.02 **NO RIGHT TO EMPLOYMENT**

Nothing contained in this Plan shall be construed as a contract of employment between the Employer and the Participant, or as a right of any Employee to continue in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause.

Section 9.03 **NO FUNDING REQUIRED**

Except as otherwise required by law:

(a) Any amount contributed by a Participant and/or the Employer to provide benefits hereunder shall remain part of the general assets of the Employer and all payments of benefits under the Plan shall be made solely out of the general assets of the Employer.

(b) The Employer shall have no obligation to set aside any funds, establish a trust, or segregate any amounts for the purpose of making any benefit payments under this Plan. However, the Employer may in its sole discretion, set aside funds, establish a trust, or segregate amounts for the purpose of making any benefit payments under this Plan.

(c) No person shall have any rights to, or interest in, any benefit or account other than as expressly authorized in the Plan.
Section 9.04 CLAIMS

Claims and reimbursement for benefits provided under any Contract shall be administered in accordance with the claims procedures for the applicable Contract, as set forth in the Contract's plan documents, summary plan description, and/or similar documentation.

Section 9.05 REFUNDS/INDEMNIFICATION

If the Plan Administrator determines that any claimant has directly or indirectly received excess payments/reimbursements or has received payments/reimbursements that are taxable to the claimant, the Plan Administrator shall notify the claimant and the claimant shall repay such excess amount (or at the option of the Plan Administrator, the claimant shall repay the amount that should have been withheld or paid as payroll or withholding taxes) as soon as possible, but in no event later than 30 days after the date of notification. A claimant shall indemnify and reimburse the Employer for any liability the Employer may incur for making such payments, including but not limited to failure to withhold or pay payroll or withholding taxes from such payments or reimbursements. If the claimant fails to timely repay an excess amount and/or make sufficient indemnification, the Plan Administrator may: (a) to the extent permitted by applicable law, offset the claimant’s salary or wages, and/or (b) offset other benefits payable hereunder.

Section 9.06 MEDICAL CHILD SUPPORT ORDERS

All applicable laws related to qualified medical child support orders or National Medical Support Notices shall apply and the Plan Administrator shall follow any required procedures under such law.

Section 9.07 GOVERNING LAW

(a) The Plan shall be construed in accordance with and governed by the laws of the state or commonwealth identified in the Adoption Agreement, to the extent not preempted by Federal law.

(b) The Plan hereby incorporates by reference any provisions required by state law to the extent not preempted by Federal law.

Section 9.08 TAX EFFECT

The Employer does not represent or guarantee that any particular federal, state or local income, payroll, personal property or other tax consequence will result from participation in this Plan.

Section 9.09 SEVERABILITY OF PROVISIONS

If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

Section 9.10 HEADINGS AND CAPTIONS

The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

Section 9.11 GENDER AND NUMBER

Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.

Section 9.12 TRANSFERS

Except as explicitly set forth herein, amounts may not be transferred between Accounts.

Section 9.13 CONFLICTS

In the event of a conflict between the terms of this Plan and the terms of a Contract, the terms of the Contract (or the benefit plan under which it is
established) shall control in defining the terms and conditions of coverage including, but not limited to, the persons eligible for coverage, the dates of their eligibility, the conditions that must be satisfied to become covered, if any, the benefits Participants are entitled to receive and the circumstances under which coverage terminates.
CITY OF SELAH
PREMIUM ONLY PLAN
BENEFIT SUMMARY

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INTRODUCTION

City of Selah (the "Company") established the City of Selah Premium Only Plan (the "Plan") effective 09/01/2005. This Benefit Summary describes the Plan as restated effective 10/01/2021. The Plan is a cafeteria plan that is intended to qualify as a premium-only plan within the meaning of Code section 125 and the guidance issued thereunder providing for the pre-tax payment of premiums for accident and health insurance.

This revised summary supersedes all previous summaries. Although the purpose of this document is to summarize the more significant provisions of the Plan, it is only a summary -- the terms of the plan document ultimately govern the operation and administration of the Plan. The Company and any Company who has adopted the Plan is referred to in this document as the "Company."

ELIGIBILITY

You are an "Eligible Employee" if you are an employee of Company or any affiliate who has adopted the Plan and you are eligible for the applicable insurance.

However, you are not an "Eligible Employee" if you are any of the following:
- A self-employed individual (including a partner), or a person who owns (or is deemed to own) more than 2 percent of the outstanding stock of an S corporation.

ELECTION PROCEDURES

You may elect to participate in the Benefits under the Plan no later than 30 days after the date you become eligible to participate in the Plan (or a shorter period if established by the Plan Administrator).

If you do not enroll in the Plan when you are newly eligible, you may enroll during the enrollment period established by the Plan Administrator. Your election will be effective as of the first day of the Plan Year following the enrollment period.

You may also enroll in the Plan upon a change in status event as described below.

To enroll in the Plan, you may need to submit a completed election form to the Plan Administrator on or before the date specified by the Plan Administrator.

If you have not previously been eligible to make an election and as of the start of a Plan Year you have not submitted a completed election form by its due date you will be deemed to have elected to participate in the Plan for that Plan Year.

If you have previously been eligible to make an election and as of the start of a Plan Year you have not submitted a completed election form by its due date your election from the prior year will carry forward to the new Plan Year.

Modification of Elections
You may not change your election during a Plan Year unless you experience a change in status. Your change in
election must be on account of and correspond with a change in status that affects your eligibility for coverage under the Plan. A brief listing of events that constitute a change in status follows. Please note that there are several conditions and/or limitations that apply to the events listed below. Please contact the Plan Administrator if you have any questions or believe that you may qualify for an election change.

Depending on the Benefit, a "change in status" includes:
- Change in your marital status;
- Change in the number of your dependents;
- Change in your employment status or the employment status of your spouse or dependents;
- Your dependent satisfies or ceases to satisfy eligibility requirements;
- Change in your place of residence;
- Commencement or termination of an adoption proceeding;
- Court judgment, decree, or order;
- Significant cost or other coverage changes;
- You change coverage under another cafeteria plan;
- You take leave under the FMLA;
- You lose coverage under the group health plan due to a reduction in hours;
- You are eligible to enroll in a qualified health plan through the Marketplace.

An election to participate in the Plan is generally irrevocable for the Plan Year. In addition, your election for your premiums will be automatically adjusted for any change in the cost of contracts sponsored by the Company as permitted by applicable law.

**PREMIUM CONVERSION ACCOUNT**

The Plan will establish a Premium Conversion Account in your name when you become an Employee for the payment of premiums under the Company-sponsored benefits/contracts listed below unless you affirmatively elect to not participate in the Plan.

Your Premium Conversion Account will be credited with amounts withheld from your compensation. The amount of the contribution to your Premium Conversion Account is equal to the amount of your portion of the premium due for the following benefits/contracts:
- Company Health
- Company Dental
- Company Vision
- Cancer Policy

Your contributions to the Plan are not subject to federal income tax or social security taxes. Please note that while you may enjoy certain tax benefits, there may be some drawbacks to participation in the Plan. For instance, participation in the Plan may lower your social security benefits. You should consult with your professional tax/financial advisor to determine the consequences of your participation in this Plan.

If you are a highly paid employee or an owner of your Company, federal law may impose limits on your eligibility to participate in the Plan and/or the benefits you may receive from the Plan. If the Plan Administrator determines that the Plan may fail to satisfy any nondiscrimination requirement or any limitation imposed by the Code, the Plan Administrator may modify your election in order to assure compliance with such requirements or limitations.
If you affirmatively elect not to participate in the Premium Conversion Account for a Plan Year, you will not be enrolled unless and until you elect to participate in the Premium Conversion Account as described in the "Election Procedures" above.

In the event of a conflict between the terms of this Plan and the terms of the applicable contract, the terms of the contract (or the benefit plan under which it is established) will control.

**MISCELLANEOUS**

**FMLA**
If you go on unpaid leave that qualifies as family leave under the Family and Medical Leave Act you may be able to continue receiving health care benefits.

**Unclaimed Reimbursements**
Payments from the Account that are not claimed on a timely basis (for example, checks issued from the Plan that are not timely cashed) will be forfeited and returned to the Plan. Please contact your Plan Administrator about what constitutes "timely" claims of payment from the Plan.

**Excess Payments/Reimbursements**
If you receive an excess benefit or payment under the Plan, you must immediately repay any such excess payments/reimbursements. You must also reimburse the Company for any liability the Company may incur for making such payments, including but not limited to, failure to withhold or pay payroll or withholding taxes from such payments or reimbursements. If you fail to timely repay an excess amount and/or make adequate indemnification, the Plan Administrator may: (i) to the extent permitted by applicable law, offset your salary or wages, and/or (ii) offset other benefits payable to you under this Plan.

**Qualified Medical Child Support Orders**
In certain circumstances you may be able to change your election under the Plan if the Plan receives a Qualified Medical Child Support Order (QMCSO). You may obtain a copy of the QMCSO procedures from the Plan Administrator, free of charge.

**Loss of Benefit**
You may lose all or part of your Account(s) under the Plan if the unused balance is forfeited at the end of a Plan Year or if we cannot locate you when your benefit becomes payable to you.

**Non-Alienation of Benefits**
You may not alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which you may expect to receive, contingently or otherwise, under the Plan.

**Amendment and Termination of the Plan**
The Company may amend or terminate the Plan at any time.

**Plan Administrator Discretion**
The Plan Administrator has the authority to make factual determinations, to construe and interpret the provisions of the Plan, to correct defects and resolve ambiguities in the Plan. Any construction, interpretation or application of the Plan by the Plan Administrator is final, conclusive and binding on all persons and parties.

**Taxation**
The Company intends that all benefits provided under the Plan will not be taxable to you under federal tax law. However, the Company does not represent or guarantee that any particular federal, state or local income, payroll, personal property or other tax consequence will result from participation in this Plan. You should consult with your professional tax advisor to determine the tax consequences of your participation in this Plan.

Governing Law
The Plan is governed by the laws of Washington to the extent not pre-empted by Federal law.

PLAN INFORMATION

1. The Plan Sponsor and Plan Administrator is City of Selah.

2. The Plan Sponsor's and Plan Administrator's Address is 115 W. Naches Avenue, Selah, WA 98942

3. The Plan sponsor's EIN is 91-6001501

4. The Plan Sponsor and Plan Administrator's phone number is 509-698-7334

5. The Plan is a Premium Only Plan (POP) under section 125 of the Internal Revenue Code

6. The Plan's designated agent for service of legal process is the Plan Sponsor. Any legal papers should be delivered to the Plan Sponsor at the address listed above. However, service may also be made upon the Plan Administrator.

7. The Plan Year is the 12-consecutive month period ending on 09/30.

8. Amounts contributed by Plan Participants and the Company to the Plan are general assets of the Company. All payments of benefits under the Plan are made solely out of the general assets of the Company. The Company has no obligation to set aside any funds, establish a trust, or segregate any amounts for the purpose of making any benefit payments under this Plan. The Company may, in its sole discretion, set aside funds, establish a trust, or segregate amounts for the purpose of making benefit payments under this Plan.