

The Woodlands Firefighters' Retirement System

Effective, January 1, 2015

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Article I. Purpose

The Woodlands Firefighters' Retirement System (the "System") and associated trust is hereby established pursuant to Section 3(e) and Section 4 of the Texas Local Fire Fighter's Retirement Act (Article 6243e, Vernon's Texas Civil Statutes, 45th Legislature, 1937, as revised, most recently by the 83rd Legislature of 2013) for the purpose of providing firefighters employed by The Woodlands Township, Texas (the "Township") and their beneficiaries with certain retirement, disability, and survivor benefits. All assets contributed to the System will be held in trust, separate from the assets of the Township, and maintained and administered by the Board of Trustees for the exclusive purpose and benefit of all members, retirees, and beneficiaries of the System. The System is a defined benefit plan that is intended to be qualified under section 401(a) of the Code, with an associated trust exempt from federal income taxes under Section 501(a) of the Code.

Article II. General Provisions

Sec. 2.1. Definitions

"Act" means the Texas Local Fire Fighter's Retirement Act (Article 6243e, Vernon's Texas Civil Statutes, 45th Legislature, 1937, as revised, most recently by the 83rd Legislature of 2013).

"Benefit" means Normal Retirement Benefits, Disability Retirement Benefits, and/or Death Benefits.

"Board" means the Board of Trustees of the System.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Compensation" shall mean all wages, within the meaning of Code Section 3401(a), and all other compensation for which the Township is required to furnish an Employee a written statement (i.e. a Form W-2) under Code Sections 6041(d), 6051(a)(3), and 6052, including, without limitation, wages for standard overtime pay earned by firefighters employed by the Township, but excluding: (1) lump sum payments upon termination of employment for unused sick and vacation pay, (2) payments in addition to an Employee's base pay that are due to overtime other than standard overtime pay, and (3) payments for "ride-up" service. Payments for "ride-up" service are payments in addition to an Employee's base pay for a period of temporary service during which the Employee is performing duties of a higher classification than the Employee's standard classification at the time of such service. For purposes of the System, "standard overtime pay" is the hours worked in excess of 212 hours within the 28 day work cycle that is regularly scheduled for fire fighters who are on duty for 24 hours followed by 48 hours off duty. "Compensation" shall also include any amounts not included as Compensation as described above due to the fact such amounts were subject to compensation reduction elections under sections 125, 132(f), 401(k), 403(b), and or 457(b) of the Code.

“Credited Service” shall mean service credited under the System pursuant to Section 5.2.

“Death Benefit” means the benefit described in Section 6.3 of the Plan Document.

“Dependent Child or Children” or means a child (including an adopted child) of a Member or Retiree who is under the age of 26

“Disability” means as defined in Section 6.2(a) of the Plan Document.

“Disability Retirement Benefit” means the benefit described in Section 6.2 of the Plan Document.

“Effective Date” means January 1, 2015.

“Eligible Beneficiary” means a Surviving Spouse or, if no Surviving Spouse exists on the date of death of a Member or Retiree, any Dependent Child or Children. If a Surviving Spouse who qualified as an Eligible Beneficiary on the date of death either dies or remarries and thus no longer satisfies the requirements to be a Surviving Spouse, then a Dependent Child or Children (if any) will become the Eligible Beneficiary. If more than one Dependent Child exists on the date of death of a Member or Retiree, or on the date a Surviving Spouse dies or remarries, as applicable, any benefit payable or withdrawal of accumulated contributions shall be split equally among such Dependent Children. In the event that an individual who is a Dependent Child as of a given date of death subsequently loses his or her status as a Dependent Child, such individual shall no longer be entitled to a benefit under the System, and any remaining Dependent Child or Children will be entitled to such individual’s benefit, to be split equally in the event more than one Dependent Child exists on the date the individual loses such status as a Dependent Child.

“Employee” shall mean a full-time employee of the Township who is an active firefighter or regularly performs firefighter-related services for the Fire Department as determined under Section 2(2) of the Act.

“Fire Department” shall mean the fire department of the Township.

“Highest Average Monthly Pay” means the highest monthly average of Compensation of a Member based on a period of thirty-six consecutive months of service with the Fire Department within the 120-month period immediately prior to the applicable benefit determination date.

“Member” means an individual eligible to participate in the System pursuant to Section 5.1.

“Township” shall mean The Woodlands Township, Texas.

“*Normal Retirement Benefit*” means the benefit described in Section 6.1 of the Plan Document.

“*Plan Document*” means this document, as may be amended from time to time.

“*Qualified Domestic Relations Order*” has the meaning provided by Section 804.001(4) of the Texas Government Code.

“*Surviving Spouse*” means an individual who (1) is the spouse of a Member through a formal marriage recognized by the State of Texas, (2) is married to an active Member on the date of death or to a Retiree on the date of commencement of a Normal Retirement Benefit or Disability Retirement Benefit and (3) remains unmarried following such date of death.

“*Retiree*” means Member who is currently receiving a Normal Retirement Benefit or Disability Retirement Benefit under the System.

“*System*” shall mean The Woodlands Firefighters’ Retirement System.

Sec. 2.2. Actuarial Assumptions

If the amount of any Benefit is to be determined on the basis of actuarial assumptions that are not otherwise specifically set forth for that purpose in the Act or this Plan Document, the actuarial assumptions to be used are those earnings and mortality assumptions being used on the date of the determination by the System's actuary and approved by the Board. The actuarial assumptions being used at any particular time shall be attached as an addendum to a copy of this Plan Document and treated for all purposes as a part of this Plan Document. The actuarial assumptions may be changed by the Board pursuant to Section 7.1 if approved by the System’s actuary, but a change in actuarial assumptions may not result in any decrease in benefits accrued as of the effective date of the change.

Sec. 2.3. Incorporation of the Act

The Act is part of and hereby incorporated into this Plan Document. To the extent any provision of this Plan Document conflicts with the terms of the Act, other than as otherwise permitted under the terms of the Act or with respect to a defined term, the provision of the Act shall control.

Article III. Administration

Sec. 3.1. Board of Trustees

(a) Composition. The composition of the Board, and the selection of individuals to serve on the Board, shall be in accordance with Section 19 of the Act.

(b) Powers and Duties. The Board shall have the power and duties set forth in Section 18 of the Act, and shall have all other powers and duties necessary to effectuate the purpose and administration of the System to the extent consistent with the Act and applicable law.

Sec. 3.2. Professional Consultants and Advisors

In accordance with the applicable provisions of the Act, the System may hire an attorney (Section 22A of the Act), an actuary (Section 23 of the Act), a certified public accountant (Section 24 of the Act), a custodian (Section 18(f) of the Act) and an investment manager (Section 28 of the Act) or any other consultant or advisor that it deems prudent to hire in assistance with the administration of the System.

Sec. 3.3. Payment of Administrative and Professional Services Fees and Expenses

The System shall only incur and pay administrative and professional fees and expenses that are reasonable and necessary to the administration and operations of the System and otherwise in accordance with Section 25 of the Act.

Article IV. Contributions

Sec. 4.1. Contributions Held in Trust

All assets contributed to the System will be held in trust, separate from the assets of the Township, and maintained and administered by the Board of Trustees for the exclusive purpose and benefit of all Members, Retirees, and Eligible Beneficiaries of the System. At no time before the termination of the System and the satisfaction of all liabilities with respect to Members, Retirees and their Eligible Beneficiaries shall any part of the principal or interest of the assets of the System be used for or diverted to purposes other than the exclusive benefit of Members, Retirees and their Eligible Beneficiaries.

Sec. 4.2. Member Contributions

(a) Each Member of the System who is a current Employee is required to make a contribution to the System in an amount equal to 12 % of a Member's Compensation, as approved by the proposed membership through an election, which concluded on August 28, 2014. The Township shall deduct the required contributions and submit them to the System on a payroll basis. Such contributions will be "pick up" contributions as described in Section 414(h) of the Code and be made on a pre-tax basis to the System. Payment of contributions to the System shall be a condition of employment and participation in the System. Contributions shall begin on the first payroll period following the Effective Date.

Sec. 4.3. Refund of Member Contributions

(a) If a Member terminates service with the Township and is not entitled to a Benefit, the Member may withdraw all his or her accumulated contributions made to the

System pursuant to Section 4.2, without any adjustment for interest or other investment performance. No partial withdrawal of Member contributions is permitted. A Member who withdraws his or her accumulated contributions shall forfeit all Credited Service and participation in the System relating to such contributions, and to the extent such Member subsequently becomes eligible for a Benefit, the Member shall not be entitled to the portion of the Benefit relating to the withdrawn contributions, unless such Member has repurchased the Credited Service in accordance with Section 5.2(c). For purposes of this Section 4.3, accumulated contributions includes any amounts contributed to the System for the purposes of purchasing Credited Service pursuant to Section 5.2(b), and upon the withdrawal of such amounts, the Credited Service purchased by the Member pursuant to Section 5.2(b) shall be forfeited and may not be repurchased unless otherwise determined by the Board in its sole and absolute discretion.

(b) If a Member who is eligible for a refund of Member contributions pursuant to Section 4.3(a) dies prior to withdrawing such accumulated contributions, the Member's Eligible Beneficiary shall be entitled to withdraw such contributions.

Sec. 4.4. Township Contributions

The Township is required to make contributions to the System on a payroll basis in the amount of 12% of the Compensation of all Members who are actively participating in the System.

Sec. 4.5. Investment of Assets

Assets of the System shall be invested in accordance with Section 27 of the Act and the investment policy statement of the System.

Article V. Membership

Sec. 5.1. Eligibility for Membership in System

An individual who is an Employee upon the Effective Date shall become a Member, unless such Employee is 36 years old or older and affirmatively makes an irrevocable election in writing to not participate. An individual who is under the age of 36 and becomes an Employee after the Effective Date shall become a Member as a condition of employment upon the first date of Employee's employment with the Fire Department. An individual who is 36 years old or older and becomes an Employee after the Effective Date shall only become a Member pursuant to Section 9(f) of TLFRA.

Sec. 5.2. Service Credit

(a) A Member who is an Employee shall receive Credited Service under the System for service for which the Member makes a contribution pursuant to Section 4.2 in accordance with Section 10(a) of the Act, calculated in years and completed months.

(b) In addition to Credited Service earned pursuant to Section 4.2, each Member who is an active Employee as of the Effective Date, may elect to purchase

Credited Service under the System for (1) each month of service as an Employee that was performed prior to the Effective Date, (2) each month of service as an employee of any fire department that served the Township or any predecessor organization or entity of the Township, or the residents of the geographic area that is governed by the Township, and (3) each month of service as an employee of a fire department or emergency services district operated within the State of Texas performed prior to the Effective Date that the Board determines the service for which is eligible for the purchase of Credited Service under this Section 5.2. Notwithstanding the above, in no event shall the purchase of Credited Service under this Section 5.2(b) result in the Member receiving service credit under two public retirement systems in the State of Texas for the same period of service performed. The implementation of this Section 5.2(b), and all rights, limitations and procedures with respect to the purchase of Credited Service under this Section 5.2(b), shall be determined by the Board in its sole discretion, including, without limitation, the time and manner of the election to purchase Credited Service, the certification of prior service eligible to be purchased as Credited Service, the funds available for the purchase of Credited Service, and the amounts required to purchase the Credited Service requested by the Member. The requirements for purchase of Credited Service pursuant to Section 5.2(c) shall not apply to the Credited Service acquired pursuant to this Section 5.2(b).

(c) A Member who was previously employed by the Fire Department and forfeited Credited Service under the System through the withdrawal of accumulated Member contributions pursuant to Section 4.3 may re-purchase the Credited Service previously forfeited pursuant to the requirements of Section 11 of the Act upon re-employment with the Fire Department and accompanying membership in the System, but only if (1) the Member is re-employed by the Fire Department within five years of the date of termination of employment with the Fire Department in connection with which the Member withdrew his or her contributions and (2) such repurchase occurs within two years of the date of such re-employment by the Fire Department.

(d) A Member who has service with another fire department subject to the Act for periods following the Effective Date, but prior to the date such Member first becomes an Employee with the Fire Department (including a Member who was older than age 36 when such individual joined the Fire Department, but otherwise became a Member as provided in Section 5.1 above) may purchase Credited Service for prior service with another fire department pursuant to the requirements of Section 11 of the Act, but only if such purchase occurs within two years of the date of employment by the Fire Department and accompanying membership in the System and such service relates to periods following the Effective Date. The purchase of Credited Service for periods of service with another fire department subject to the Act prior to the Effective Date are governed by Section 5.2(b).

(e) A Member shall receive Credited Service consistent with the requirements of the Uniformed Services Employment and Re-employment Rights Act (USERRA) and Section 10(c) of the Act for periods of military leave, and, at a minimum, shall receive Credited Service for periods of Qualified Military Service as defined in Section 8.4(a)(2), but solely for purposes of eligibility under Section 6.1(a). The impact of a leave of

absence other than for military service on Credited Service shall be in accordance with Section 10(d) of the Act.

Article VI. Benefits

Sec. 6.1. Normal Retirement Benefit

(a) Eligibility. A Member who has been credited with 20 years or more of Credited Service as provided in Section 5.2 is eligible to receive a Normal Retirement Benefit upon the later to occur of: (1) the Member's termination of service with the Fire Department or (2) the attainment of age 52. A Member eligible for a Normal Retirement Benefit will request the commencement of his or her benefit through an application with the System under procedures developed by the Board and otherwise in accordance with TLFRA.

(b) Amount of Benefit. Subject to Section 5.2(c), the monthly amount of the Normal Retirement Benefit under the System is equal to the following, calculated as of the date that the Member is entitled to receive the Normal Retirement Benefit:

Highest Average Monthly Pay X 2.5% X 20

Plus

Highest Average Monthly Pay X 3.0% X Credited Service in excess of 20 years

Notwithstanding the above, in no event shall any Normal Retirement Benefit under the System exceed 100% of a Member's Highest Average Monthly Pay.

(c) Reduction in Benefit for Retirement Prior to January 1, 2019. In the event a Member who is otherwise eligible to receive a Normal Retirement Benefit pursuant to Section 6.1(a) terminates service with the Fire Department prior to January 1, 2019, the amount of the Normal Retirement Benefit shall be reduced by a designated percentage in accordance with the following schedule:

<u>Date of Termination with the Fire Department</u>	<u>Reduction Percentage</u>
Prior to January 1, 2015	50%
Prior to January 1, 2016	40%
Prior to January 1, 2017	30%
Prior to January 1, 2018	20%
Prior to January 1, 2019	10%

(d) Normal Form of Benefit. The normal form of benefit shall be monthly payments to the Member during the life of the Member in an amount equal to the amount of the Normal Retirement Benefit determined under this Section 6.1; provided, however in the event that (1) a Member dies following commencement of his or her Normal

Retirement Benefit, and (2) the Member had not received 120 monthly benefit payments, then the Member's Eligible Beneficiary (or if no Eligible Beneficiary exists, the Member's estate) will continue to receive monthly Normal Retirement Benefit payments until 120 total monthly benefit payments have been made to the Member, the Member's Eligible Beneficiary or the Member's estate, as applicable.

(e) Optional Form of Benefit. In the event that a Member has an Eligible Beneficiary at the time of application for Normal Retirement Benefit, the Member may elect to receive the optional form of benefit described in this Section 6.1(e) in lieu of the normal form of benefit set forth in Section 6.1(d). The optional form of Normal Retirement Benefit shall be an amount equal to the actuarial equivalent of the normal form of benefit described in Section 6.1(d) above paid as follows: (1) monthly payments made to the Member during the life of the Member, and (2) following the death of the Member, continued monthly payments to the Member's Eligible Beneficiary (if any) in amount equal to 75% of the amount of such Member's monthly payment until the date on which an Eligible Beneficiary no longer exists.

Sec. 6.2. Disability Retirement Benefits

(a) Eligibility for a Disability Retirement Benefit: An active Member will qualify for a Disability Retirement Benefit if, prior to satisfying the requirements for a Normal Service Retirement, the Board determines in its sole discretion that the Member is unable, as a result of a physical or mental condition, to perform the duties of (1) his or her present position with the Fire Department or (2) a position offered to him or her in the Fire Department providing the Member with pay that is greater than or equal to the pay the disabled Member would have received in his or her present position Fire Department (a "Disability").

(b) Commencement of a Disability Retirement Benefit: The Disability Retirement Benefit will commence after (1) the Member has ceased receiving any Compensation or any vacation pay from the Township, and (2) the Board has determined in its sole discretion that the Member satisfies the eligibility requirements set forth in Section 6.2(a). In the process of making its determination, the Board will require that the Member provide proof of his or her eligibility and/or require the Member to submit to being evaluated by a physician selected by the Board. Once a Disability Retirement Benefit has commenced, such benefits may be terminated, continued, or reinstated in accordance with Section 6.2(f). If the Disability Retirement Benefit is not terminated prior to two and ½ years from commencement, it will terminate at such time unless the Member has applied for and receives the continuance of such benefits in accordance with Section 6.2(f) below.

(c) Amount of the Disability Retirement Benefit: The Member's Disability Retirement Benefit under the System will be a monthly payment equal to the following amount, calculated as of the date that the Member is entitled to receive the Disability Retirement Benefit, but utilizing no less than twenty (20) years of Credited Service:

Highest Average Monthly Pay X 2.5% X Credited Service

Notwithstanding the above, (1) for any Disability Retirement Benefit that commences within two years following the Effective Date, the amount of the Disability Retirement Benefit will solely be \$100 per month and (2) in no event shall any Disability Retirement Benefit under the System exceed 100% of a Member's Highest Average Monthly Pay.

(d) Normal Form of Benefit. The normal form of Disability Retirement Benefits shall be monthly payments to the Member during the life of the Member in an amount equal to the amount of the Disability Retirement Benefit determined under this Section 6.2; provided, however in the event that (1) a Member dies following commencement of his or her Disability Retirement Benefit, and (2) the Member had not received 120 monthly benefit payments, then the Member's Eligible Beneficiary (or if no Eligible Beneficiary exists, the Member's estate) will continue to receive monthly Disability Retirement Benefit payments until 120 total monthly benefit payments have been made to the Member, the Member's Eligible Beneficiary or the Member's estate, as applicable.

(e) Optional Form of Benefit. In the event that a Member has an Eligible Beneficiary at the time of application for a Disability Retirement Benefit, the Member may elect to receive the optional form of benefit described in this Section 6.2(e) in lieu of the normal form of benefit set forth in Section 6.2(d). The optional form of Disability Retirement Benefit shall be an amount equal to the actuarial equivalent of the normal form of benefit described in Section 6.2(d) above paid as follows: (1) monthly payments made to the Member during the life of the Member, and (2) following the death of the Member, continued monthly payments to the Member's Eligible Beneficiary (if any) in amount equal to 75% of the amount of such Member's monthly payment until the date on which an Eligible Beneficiary no longer exists.

(f) Termination, Continuance, or Reinstatement of a Disability Retirement Benefit: The Board shall have the power to continue, terminate, or reinstate a Member's Disability Retirement Benefit as follows:

(1) During the first two and one-half (2-1/2) years in which a Disability Retirement Benefit is paid, the Board may periodically review the situation of the disabled Member to determine the status of his or her Disability. The Board may terminate the Member's Disability Retirement Benefit if the Board determines that the Member is able to perform the duties of (i) his or her position with the Fire Department that he held immediately prior to the disability or (ii) a position offered to him or her in the Fire Department providing the Member with pay that is greater than or equal to the pay the disabled Member would have received in his or her position with the Fire Department that he held immediately prior to becoming disabled, including the duties of any position the Member has been offered in the Fire Department pursuant to the Americans with Disabilities Act.

(2) After the Member has received a Disability Retirement Benefit from the System for two and one-half (2-1/2) years, the Member must affirmatively apply for a continuation of the Disability Retirement Benefit in the

manner and in the form determined by the Board. Such application by the Member must be submitted to the Board on an annual basis following such initial 2-1/2 year period (unless otherwise determined by the Board) and at least one hundred-twenty (120) days prior to the date on which the Member desires the continuation of the Disability Retirement Benefit to take effect. Upon receiving a completed application from the Member, (i) the Board may continue the Member's Disability Retirement Benefit if the Board determines that the Member is unable to perform the duties of any occupation for which he is reasonably suited by education, training, or experience or (ii) the Board may, at its sole discretion, continue all or a portion of the Member's Disability Retirement Benefit if the Board determines that, although the Member is able to perform the duties of any occupation for which he is reasonably suited by education, training, or experience, he would be unable to earn at least as much money in his or her new occupation as he would have earned in the position at the Fire Department that he held immediately prior to becoming disabled. If the Board determines that the Member is able to perform the duties of any occupation for which he is reasonably suited by education, training, or experience, and he is able to earn at least as much money in his or her new occupation as he would have earned in the position at the Fire Department that he held immediately prior to becoming disabled, the Board will terminate the Disability Retirement Benefit.

(3) The Board shall have the power to reinstate, on a prospective basis only, any Disability Retirement Benefit which has been previously terminated or reduced, provided the Member complete an application for continuance of benefits and otherwise satisfies the eligibility requirements for such continuance as set forth in Section 6.2(f)(2).

(4) The termination of a Disability Retirement Benefit under this Section 6.2 also terminates any rights to benefits that an Eligible Beneficiary or the Member's estate may have been entitled to under the Disability Retirement Benefit if the Member would have died while receiving such benefit.

Sec. 6.3. Death Benefits

(a) Eligibility. In the event of the death of a Member while an active employee of the Fire Department, or after the Member terminates employment with the Fire Department but before any other Benefit payments have commenced, the Member's Eligible Beneficiary will be eligible for a monthly benefit as provided in this section 6.3, except that no Death Benefit shall be payable pursuant to this Section 6.3 in the event that an Eligible Beneficiary of a deceased Member is eligible to receive a benefit pursuant to Sections 6.1 or 6.2, upon the death of the Member, in which case the provisions of those sections will apply to any benefit due an Eligible Beneficiary.

(b) Amount of Benefit. The Death Benefit provided under this Section 6.3 shall be a monthly benefit equal to seventy-five percent (75%) of the following amount, calculated as of the Member's date of death in accordance with the following formula, provided that the Credited Service utilized in applying such formula shall not be less than

twenty (20) years, whether or not the Member had twenty years of Credited Service as of his or her date of death:

Highest Average Monthly Pay x 2.5% X 20

Plus

Highest Average Monthly Pay X 3.0% X Credited Service in excess of 20 years

Notwithstanding the above, in no event shall any Death Benefit under the System exceed 100% of a Member's Highest Average Monthly Pay.

(c) Form of Benefit. The form of Death Benefit shall be monthly payments to the Eligible Beneficiary until the date that no individual qualifies as an Eligible Beneficiary; provided, however, if no Eligible Beneficiary exists as of the date of death, the Member's estate shall be entitled to the greater of the amount of a refund of accumulated contributions as described in Section 4.3 or an amount equal to 120 monthly payments as calculated in accordance with the formula in Section 6.3(b) above.

Sec. 6.4. Vested Rights of Members

(a) A Member shall be vested in all member contributions made pursuant to Section 4.2 at the time of such contribution.

(b) A Member shall be and remain unvested in any accrued Normal Retirement Benefit until such time the Member has satisfied the applicable service requirements set forth in Sections 6.1(a).

(c) A Member shall remain unvested in his or her Disability Retirement Benefit under the System until such time the Member has been determined to be disabled by the Board in accordance with the Act, and a Member or his or her beneficiary shall remain unvested in any Death Benefit until the death of a Member.

(d) Upon the termination of service with the Fire Department by the Member, any unvested Benefit shall be forfeited. In addition, a Member shall forfeit any Normal Retirement Benefit in the event such Member terminates service prior to satisfying the applicable service requirement and withdraws all accumulated contributions pursuant to Section 4.3 subsequent to satisfying the service requirement, but prior to satisfying the age requirement.

Sec. 6.5. Distribution of Benefits

Distribution of benefits provided under the System will be subject to the completion and submission of an application for benefits to the System and administrative procedures established by the System for the provision of benefits.

Article VII. Amendment and Termination of System

Sec. 7.1. Amendment

The terms of the System and this Plan Document may be amended in accordance with Section 7 of the Act.

Sec. 7.2. Termination

This System may only be terminated in accordance with Section 31 of the Act.

Article VIII. Treatment Under Federal and State Law

Sec. 8.1. Qualification Under Federal Tax Law

(a) **Qualified Plan.** The System and the assets held in trust thereunder are intended to qualify under Section 401 of the Code, be exempt from federal income taxes under Section 501(a) of the Code, and conform at all times to applicable requirements of law, regulations, and orders of duly constituted federal governmental authorities. Accordingly, if any provision of this Article is subject to more than one construction, one of which will permit the qualification of the System, that construction that will permit the System to qualify and conform will prevail.

(b) **Code Section 415 Limits.** A Member or beneficiary of a Member of the System may not accrue a Benefit, in excess of the benefit limits applicable to the System under Section 415 of the Code. The Board shall reduce the amount of any benefit that exceeds those limits by the amount of the excess. If the total Benefits under this System and the benefits and contributions to which any Member is entitled under any other qualified defined benefit plan maintained by the Township that employs the member would otherwise exceed the applicable limits under Section 415 of the Code, the Benefits the Member would otherwise receive from the System shall be reduced to the extent necessary to enable the Benefits to comply with Section 415 of the Code.

(c) **Required Minimum Distributions.** All distributions under the System shall at all times comply with and conform to Section 8.3 and all other requirements of Section 401(a)(9) of the Code and Treasury Regulations §§1.401(a)(9)-1 through 1.401(a)(9)-9 (the “401(a)(9) Requirements”). Any distribution required under the incidental death benefits requirements of Code Section 401(a) shall be treated as a distribution required by the 401(a)(9) Requirements. The provisions of this Section 8.1(c) and Section 8.3 shall override any distribution options inconsistent with the 401(a)(9) Requirements.

(d) **Direct Rollovers.** Any Member or Eligible Beneficiary who is entitled to receive any distribution that is an eligible rollover distribution is entitled to have that distribution transferred directly to another eligible retirement plan of the Member's or Eligible Beneficiary's choice on providing direction to the System regarding that transfer in accordance with procedures established by the Board. For purposes of this Section 8.1(d), the following terms shall be defined as provided below:

(1) An “eligible rollover distribution” is 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 joint life expectancies) of the distributee and the distributee’s Eligible Beneficiary, or for a specified period of ten years or more; any amount that is distributed on account of hardship or unforeseeable emergency; any distribution to the extent such distribution is required under Code section 401(a)(9); the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities described in Code section 402(e)(4)); and other amounts determined to not be eligible rollover distributions under applicable law, including the Code and regulations issued pursuant to the Code (see, e.g., Regulation § 1.402(c)-2, Q&A-4).

(2) An “eligible retirement plan” is an individual retirement account described in Code section 408(a), an individual retirement annuity (other than an endowment contract) described in Code section 408(b), that accepts the distributee’s eligible rollover distribution, a qualified retirement plan described in section 401(a) or section 403(a), of the Code, a tax sheltered annuity plan described in section 403(b) of the Code, and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to an Eligible Beneficiary or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code; provided, however, if the distributee is a Eligible Beneficiary of a deceased Member who is not a spouse, a direct rollover is only available to an individual retirement account described in Code section 408(a) or an individual retirement annuity (other than an endowment contract) described in Code section 408(b) that has been established on behalf of the beneficiary as an inherited IRA (within the meaning of Code section 408(d)(3)(C)) and is subject to the requirements of Code section 401(a)(9).

(3) A “distributee” includes a Member, the Eligible Beneficiary of a deceased Member to the extent permitted in Code Section 402(c)(11), and a Participant’s spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p).

(4) A “direct rollover” is a payment by the Plan to the eligible retirement plan specified by the distributee. The System shall be responsible for providing, within a reasonable period of time prior to making an eligible rollover distribution, an explanation to a Member of his or her right to elect a direct rollover and the income tax withholding consequences of not electing a direct rollover.

(e) Normal Retirement Age. The normal retirement age for a Member shall be the attainment of age 52 and the completion of 20 years of service. The retirement benefit earned by a Member shall become nonforfeitable upon attainment of normal retirement age. In addition, the retirement benefit earned by a Member shall become nonforfeitable, to the extent funded (if not already nonforfeitable), upon the termination or partial termination of the System or the complete discontinuance of contributions from the Township to the System.

(f) Forfeitures. Amounts representing forfeited nonvested benefits of terminated members may not be used to increase benefits payable from the System but may be used to reduce contributions for future plan years or pay System expenses.

(g) Code Section 401(a)(17) Limits. The total Compensation taken into account for any purpose for any Member of the System may not exceed that annual compensation limit under Code Section 401(a)(17), as shall be periodically adjusted in accordance with guidelines provided by the United States Secretary of the Treasury. For 2014, such annual compensation limit is \$260,000.

(h) System Implementation. The Board shall implement this System in a manner that preserves the tax qualification of the System under the Code and may amend this Plan Document or adopt any rule, policy or procedure to the extent necessary to retain tax qualification.

Sec. 8.2. Exemption of Benefits from Judicial Process, Assignment or Alienation

(a) Without limiting Section 5 of the Act, all assets held in trust under the System, and all rights and all accrued and accruing Benefits of any Member, may not be (1) held, seized, taken, subjected to, or detained or levied on by virtue of any execution, attachment, garnishment, injunction, or other writ, order, or decree, or any process or proceedings issued from or by any court for the payment or satisfaction, in whole or in part, of any debt, damage, claim, demands, or judgment against any Member entitled to Benefits, or (2) assigned or otherwise alienated.

(b) A Benefit under the System is subject to division pursuant to the terms of a Qualified Domestic Relations Order. Through adoption of this Plan, the Board elects to be subject to Chapter 804, Subchapter A and C, of the Texas Government Code ("Chapter 804"), pursuant to Section 804.002 of the Texas Government Code. Consistent with the requirements of such Chapter 804, the Board shall determine the qualifications of a domestic relations order according to a uniform, consistent procedure approved by the Board. The total benefit payable under a Qualified Domestic Relations Order may not actuarially exceed the benefits to which a party to the Qualified Domestic Relations Order would be entitled in the absence of the Qualified Domestic Relations Order.

(c) The preceding provisions of this Section shall not preclude the withholding of Federal taxes from pension benefits, the recovery by the Trustees of overpayments of benefits previously made to any person, the direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided

such arrangement is not an alienation), or, pursuant to any policy adopted by the Board and uniformly applied to any voluntary arrangement for the withholding and direct payment of health care or life insurance premiums or similar payments from his or her monthly benefit payments. An attachment, garnishment, levy, execution or other legal process is not considered a voluntary arrangement.

Sec. 8.3. Minimum Distribution Rules

(a) General. All distributions required under this Section will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Internal Revenue Code.

(b) Time and Manner of Distribution.

(1) Required Beginning Date. The Member's entire interest under the System will be distributed, or begin to be distributed, to the Member no later than the Member's required beginning date. A Member's required beginning date shall be April 1 of the year after the later of the year in which the Member leaves active service with the Fire Department or the year in which the Member attains age 70½.

(2) Death of Member Before Distributions Begin. If the Member dies before distributions begin, the Member's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the Member's spouse is the Member's sole designated beneficiary, then, distributions to the spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Member died, or by December 31 of the calendar year in which the Member would have attained age 70 1/2, if later.

(ii) If the Member's spouse is not the Member's sole designated beneficiary, then, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the Member's death, the Member's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

(iv) If the Member's spouse is the Member's sole designated beneficiary and the spouse dies after the Member but before distributions to the spouse begin, this Section 8.3(b)(2), other than Section 8.3(b)(2)(i), will apply as if the spouse were the Member.

For purposes of this Section 8.3(b)(2) and Section 5, distributions are considered to begin on the Member's required beginning date (or, if Section 8.3(b)(2)(iv) applies, the date distributions are required to begin to the spouse under Section 8.3(b)(2)(i)). If annuity payments irrevocably commence to the Member before the Member's required beginning date (or to the Member's spouse before the date distributions are required to begin to the spouse under Section 8.3(b)(2)(i)), the date distributions are considered to begin is the date distributions actually commence.

(3) Form of Distribution. Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 8.3(c), (d), and (e). If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations. Any part of the Member's interest which is in the form of an individual account described in Section 414(k) of the Code will be distributed in a manner satisfying the requirements of Section 401(a)(9) of the Code and the Treasury regulations that apply to individual accounts.

(c) Determination of Amount to be Distributed Each Year.

(1) General Annuity Requirements. If the Member's interest is paid in the form of annuity distributions under the plan, payments under the annuity will satisfy the following requirements:

(i) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(ii) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 8.3(d) and (e);

(iii) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(iv) payments will either be non-increasing or increase only as follows:

(A) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(B) to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit upon death,

but only if the beneficiary whose life was being used to determine the distribution period described in Section 4 dies or is no longer the Member's beneficiary pursuant to a qualified domestic relations order within the meaning of Section 414(p) of the Code;

(C) to provide cash refunds of employee contributions upon the Member's death; or

(D) to pay increased benefits that result from a plan amendment.

(2) Amount Required to be Distributed by Required Beginning Date. The amount that must be distributed on or before the Member's required beginning date (or, if the Member dies before distributions begin, the date distributions are required to begin under Sections 8.3(b)(2)(i) or (ii)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Member's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's required beginning date.

(3) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the Member in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(d) Requirements For Annuity Distributions That Commence During Member's Lifetime.

(1) Joint Life Annuities Where the Designated Beneficiary Is Not the Member's Spouse. If the Member's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Member and a nonspouse beneficiary, annuity payments to be made on or after the Member's required beginning date to the designated beneficiary after the Member's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Member using the table set forth in Q&A-2 of Section 1.401(a)(9)-6T of the Treasury regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Member and a nonspouse beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated beneficiary after the expiration of the period certain.

(2) Period Certain Annuities. Unless the Member's spouse is the sole designated beneficiary and the form of distribution is a period certain and no life

annuity, the period certain for an annuity distribution commencing during the Member's lifetime may not exceed the applicable distribution period for the Member under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Member reaches age 70, the applicable distribution period for the Member is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Member as of the Member's birthday in the year that contains the annuity starting date. If the Member's spouse is the Member's sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Member's applicable distribution period, as determined under this Section 8.3(d)(2), or the joint life and last survivor expectancy of the Member and the Member's spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Member's and spouse's attained ages as of the Member's and spouse's birthdays in the calendar year that contains the annuity starting date.

(e) Requirements For Minimum Distributions Where Member Dies Before Date Distributions Begin.

(1) Member Survived by Designated Beneficiary. Except as provided in the adoption agreement, if the Member dies before the date distribution of his or her interest begins and there is a designated beneficiary, the Member's entire interest will be distributed, beginning no later than the time described in Section 8.3(b)(1) or (2), over the life of the designated beneficiary or over a period certain not exceeding:

(i) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death; or

(ii) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(2) No Designated Beneficiary. If the Member dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Member's death, distribution of the Member's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

(3) Death of Spouse Before Distributions to Spouse Begin. If the Member dies before the date distribution of his or her interest begins, the Member's spouse is the Member's sole designated beneficiary, and the spouse dies

before distributions to the Surviving Spouse begin, this Section 8.3 will apply as if the spouse were the Member, except that the time by which distributions must begin will be determined without regard to Section 8.3(b)(1).

(f) Definitions.

(1) Designated Beneficiary. The individual is the designated beneficiary under Section 401(a)(9) of the Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(2) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Member's required beginning date. For distributions beginning after the Member's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 8.3(b)(2).

(3) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

Sec. 8.4. HEART Act

(a) Definitions. For purposes of this Section 8.4, the following terms shall be defined as provided below:

(1) Differential Wage Payment. The term “Differential Wage Payments” means any payment as defined in Code §3401(h) which is made by the Township for a pay period after December 31, 2008 which (a) to a Member with respect to any period during which a Member is performing Qualified Military Service; and (b) represents all or a portion of the Compensation such Member would have received from the Township if the individual was performing services for the Township.

(2) Qualified Military Service. The term “Qualified Military Service” means any service in the uniformed services (as defined in chapter 43 of title 38, United States Code) by any Member if such Member is entitled to USERRA Reemployment Rights under such chapter with respect to such service.

(3) USERRA Reemployment Rights. The term “USERRA Reemployment Rights” means the rights and benefits to which a Member covered under USERRA is entitled upon his or her return from Qualified Military Service. A Member will not be entitled to USERRA Reemployment Rights if (a) such Member did not provide advance notice of his or her military service to the Employer; or (b) such individual had more than five years of cumulative Qualified Military Service measured from his or her date of hire to his or her date of return to employment with the Employer.

(b) Death Benefits.

(1) Deemed Reemployment Date. A Member who dies on or after January 1, 2007 while performing Qualified Military Service (an “Eligible Deceased Member”) will be deemed (a) to have resumed employment with the Township as of the day preceding the date of his or her death (the “Deemed Reemployment Date” for purposes of this Section); and (b) to have terminated service on the date of his or her death as a result of death.

(2) Additional Benefits. To the extent the Plan provides for any benefits that are contingent upon the Member’s death, then an Eligible Deceased Member will be provided with such benefits. Such benefits must be provided to all similarly-situated such individuals in a uniform, non-discriminatory manner.

(3) Credited Service. An Eligible Deceased Member shall receive Credited Service for purposes of attaining eligibility to receive the benefits provided in Sections 6.1(a), but shall not receive Credited Service for purposes of the calculation of the benefits provided in Sections 6.1(b).

(c) Differential Wage Payments.

(1) Employee Status. Effective January 1, 2009, an individual receiving Differential Wage Payments from the Township will be treated as an Employee of the Township and will receive Credited Service for purposes of attaining eligibility to receive the benefits under Sections 6.1(a), but will not receive Credited Service for purposes of the calculation of benefits under Sections 6.2(a).

(2) Compensation. The term “Compensation” as used in the Plan Document will not include any amounts paid by the Township as a Differential Wage Payment, and Differential Wage Payments shall not be used in calculating any Benefit to which a Member is or may become entitled.

APPROVED, by the Board of Trustees of the System on the __ day of November, 2014.

THE WOODLANDSFIREFIGHTERS' RETIREMENT SYSTEM

BY: Chairman, Board of Trustees

BY: _____
Trustee

BY: _____
Trustee

BY: _____
Trustee

BY: _____
Trustee

BY: _____
Trustee

BY: _____
Trustee

Appendix A

Actuarial Assumptions

Effective as of January 1, 2015, the System's actuarial equivalence assumptions shall be:

- Mortality based on the RP 2000 Mortality Table, gender neutral rates, and interest at 7.00 percent per annum.
- Notwithstanding any other Plan provisions to the contrary, the interest rate assumption to be used for purposes adjusting any benefit or limitation under §415(b)(2)(B), (C), or (D) of the Code and to satisfy the requirements of Code Section 417(e) shall be 5 percent, except as may be otherwise required under those Code sections.
- Notwithstanding any other Plan provisions to the contrary, the applicable mortality table used for purposes of adjusting any benefit or limitation under §415(b)(2)(B), (C), or (D) of the Code and the applicable mortality table used to satisfy the requirements of §417(e) of the Code (if and as such requests are applicable) is the table prescribed in Revenue Ruling 2001-62 (GAR '94).”

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