LAREDO FIREFIGHTERS
RETIREMENT SYSTEM

Plan Effective January 1, 2019
TABLE OF CONTENTS

INTRODUCTION .......................................................................................................................... 1

A. BASIS FOR DETERMINING RETIREMENT BENEFIT ......................................................... 2
   1. Service .............................................................................................................................. 2
   2. Final Average Monthly Salary ...................................................................................... 2
   3. Contributions ............................................................................................................... 3
   4. Maximum Permissible Benefit ...................................................................................... 4
   5. Accumulated Contributions ......................................................................................... 6

B. RETIREMENT BENEFIT .................................................................................................... 6
   1. Eligibility for Retirement Benefit .................................................................................. 6
   2. Amount of Retirement Benefit ....................................................................................... 6
   3. Eligibility for Early Retirement Benefit ....................................................................... 6
   4. Amount of Early Retirement Benefit ........................................................................... 6
   5. Optional Forms of Payment ......................................................................................... 7
   6. Eligibility for Participation in Retroactive Deferred Retirement Option Plan (RETRO DROP) .............................................................. 8
   7. Amount of RETRO DROP Benefit .............................................................................. 8
   8. General Rules for RETRO DROP Participation ......................................................... 9
   9. Increasing Retirement Benefit Options ..................................................................... 11

C. DISABILITY BENEFIT ....................................................................................................... 12
   1. Eligibility for Disability Benefit .................................................................................... 12
   2. Proof of Disability ......................................................................................................... 13
   3. Termination, Reduction or Reinstatement of Disability Benefit ................................. 13
   4. Payment of Disability Benefit ....................................................................................... 15
   5. Amount of Disability Benefit for Disability Resulting from Performance of Duties .... 15
   6. Amount of Disability for Disability Not Resulting from Performance of Duties ...... 16
   7. Vocational Rehabilitation ............................................................................................ 16
   8. Pre-entry Medical Examination .................................................................................... 16
   9. Recovery from Disability ............................................................................................. 17
  10. Cooperation by Disability Retiree ................................................................................. 18

D. VESTED TERMINATION BENEFIT .................................................................................. 18

E. DEATH BENEFIT ............................................................................................................. 18
   1. Surviving Spouses ......................................................................................................... 19
   2. Eligibility for Surviving Spouse Participation in RETRO DROP ............................... 20
   3. Amount of Surviving Spouse RETRO DROP Benefit ............................................... 20
   4. General Rules for Surviving Spouse RETRO DROP Participation ............................ 21
   5. Death Benefit Fund; Lump Sum Death Benefits ......................................................... 22
   6. Children and Dependent Parents ................................................................................ 23
   7. Eligibility for Death Benefits ...................................................................................... 24
LAREDO FIREFIGHTERS RETIREMENT SYSTEM

Plan Effective January 1, 2019

INTRODUCTION

This retirement plan (the “Plan”) for the Laredo Firefighters Retirement System (the “System”), a retirement system established pursuant to Article 6243e, Vernon’s Texas Civil Statutes, the Texas Local Fire Fighters’ Retirement Act (“TLFFRA”), is effective January 1, 2019. This Plan replaces and supersedes in its entirety the retirement plan of the System effective September 23, 2017.

The participating members of the System held an election by secret ballot as required under Section 7 of TLFFRA on September 12, 13, and 14, 2017 with three hundred nineteen (319) of the three hundred seventy-seven (377) participating members (85%) voting in the election (TLFFRA requires that at least 50% of the participating members must vote in the election). The additions or changes considered in the election are described in the ballot for firefighter election dated September 11, 2017. The participating members of the System held another election by secret ballot on September 17, 18, and 19, 2018 with three hundred twenty-nine (329) of the four hundred twelve (412) participating members (80%) voting in the election. The additions or changes considered in the election are described in the ballot for firefighter election dated September 6, 2018. The number of members voting on each addition or change in each of the two elections that received a majority vote of those voting on the addition or change is shown below:

<table>
<thead>
<tr>
<th>Addition or Change</th>
<th>Description of Addition or Change</th>
<th>Number Voting on Addition or Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendment 1</td>
<td>• Changes in Final Average Monthly Salary definition regarding biweekly pay periods used and exclusion of pay for unused sick or annual leave</td>
<td>258 61 319</td>
</tr>
<tr>
<td>Amendment 1</td>
<td>• Adding language to Section C for recovery from disability and revising wording to clarify the meaning of other parts of Section C disability provisions</td>
<td>319 9 328</td>
</tr>
<tr>
<td>Amendment 2</td>
<td>• Revising and simplifying Section H(3) to give the board more flexibility in proposing benefit changes for retirees and firefighters</td>
<td>316 13 329</td>
</tr>
</tbody>
</table>
The board of trustees met on September 20, 2017 and approved the changes elected by the members in September 2017 as described above. The board of trustees met on September 20, 2018 and approved the changes elected by the members in September 2018 as described above. As required under TLFFRA, the System’s actuary, who is either a member of the American Academy of Actuaries or a Fellow of the Society of Actuaries, has reviewed and approved this Plan. These changes are effective January 1, 2019.

The provisions of this Plan are applicable to all members of the System on the effective date hereof, and to those who become members of the System thereafter. When appropriate, the masculine gender shall include the feminine and vice versa.

A. **BASIS FOR DETERMINING RETIREMENT BENEFIT** - The amount of income payable upon retirement will depend upon the firefighter’s years of “Service” and his or her “Final Average Monthly Salary” and his or her “multiplier” as described below.

1. **“Service”** will be equal to the firefighter’s number of years of continuous employment (computed to completed months). The number of years of continuous employment will include the period of uninterrupted employment with the Fire Department of the City of Laredo, Texas (the “City”), or with any predecessor department provided the funds are transferred in accordance with the provisions of TLFFRA, as amended. Beginning on April 1, 1999, periods during the firefighter’s continuous employment where the firefighter did not receive pay from the City and the firefighter and the City did not make a contribution to the System will not be credited as service.

   Periods of leave of absence shall be deemed continuous employment. Absence from the active service of the department by reason of leave of absence, including a leave of absence due to active military service by a participant reservist called to duty during national emergencies, will not terminate a firefighter’s service provided he or she returns to the active employment prior to the expiration of his or her leave. However, if he or she withdraws his or her accumulated contributions, he or she will be treated as a new employee if he or she rejoins the Department, except subject to the provisions of Section L(3).

2. **“Final Average Monthly Salary”** will be equal to the sum of the firefighter’s pay in the 78 consecutive biweekly pay periods with the highest pay out of the last 104 biweekly pay periods divided by 36. The firefighter’s pay includes all elements of pay except that (i) any lump sum distribution at the date of his or her termination of employment with the City for unused sick leave, and (ii) any lump sum distribution at the date of his or her termination of employment with the City for unused annual leave will be excluded from pay for the purpose of determining the pay in the 78 consecutive biweekly pay periods with the highest pay. Any incentive pay (“certification pay”, “education pay” or “assignment pay”) that is calculated as a percentage (the “incentive pay percentage”) of either (i) a lump sum distribution at the date of his or her termination of employment with the City for
unused sick leave, or (ii) a lump sum distribution at the date of his or her termination of employment with the City for unused annual leave, will also be excluded as pay for the purpose of determining the pay in the 78 consecutive biweekly pay periods with the highest pay.

For purposes of determining the highest consecutive 78 biweekly pay periods, special adjustments will be made for retroactive pay increases as hereinafter provided. If a firefighter receives any lump sum payment for a retroactive pay increase, then the lump sum payment will be allocated to past biweekly pay periods by dividing it by the number of biweekly pay periods for which the retroactive pay increase is applicable, and then adding this amount to the biweekly pay previously determined for each of the applicable past biweekly pay periods. The lump sum payment for a retroactive pay increase will be excluded from the biweekly pay for the biweekly pay period it was actually paid. If a firefighter retires after the effective date of this Plan and receives any lump sum payment for a retroactive pay increase after he or she retires, then the firefighter’s retirement benefit will be recalculated to take into account the allocation of the lump sum payment to biweekly pay periods as provided above.

If a firefighter retires under the Retroactive Deferred Option Plan described in Sections B(6), B(7) and B(8) (a “RETRO DROP”), the firefighter’s Final Average Monthly Salary shall be determined as set out above utilizing the 78 consecutive biweekly pay periods during the firefighter’s 104 biweekly pay periods immediately prior to his or her RETRO DROP benefit calculation date during which his total pay was highest.

If a firefighter’s total pay has been offset (reduced) by Workers’ Compensation benefits, the total pay shall also include the amount by which total pay was offset (reduced) as required by Section 504.051 of the Texas Labor Code.

The annual compensation of each firefighter taken into account under the Plan for any year shall not exceed $200,000 or the adjusted limit for such year published by the Secretary of the Treasury pursuant to Section 401(a)(17) of the Internal Revenue Code.

3. “Contributions”

a. Each Laredo firefighter will make contributions as a percent of his or her pay. The firefighter’s pay includes all elements of pay except that (i) any lump sum distribution at the date of his or her termination of employment with the City for unused sick leave, and (ii) any lump sum distribution at the date of his or her termination of employment with the City for unused annual leave will be excluded from pay for the purpose of contributions. Any incentive pay (“certification pay”, “education pay” or “assignment pay”) that is calculated as a percentage of either (i) a lump sum distribution at the date of his or her termination of employment with the City for unused sick leave, or (ii) a lump
sum distribution at the date of his or her termination of employment with the City for unused annual leave, will also be excluded as pay for the purpose of contributions.

If a firefighter’s total pay has been offset (reduced) by workers’ compensation benefits, then total pay shall also include the amount by which the total pay was offset (reduced) as required by Section 504.051 of the Texas Labor Code. The firefighter contribution rate may be changed by vote of the firefighters in accordance with Section 29 of TLFFRA. Since October 1, 2013, the firefighter contribution percentage has been 15.00%.

b. The City will make contributions as a percent of each firefighter’s pay. The firefighter’s pay includes all elements of pay except that (i) any lump sum distribution at the date of his or her termination of employment with the City for unused sick leave, and (ii) any lump sum distribution at the date of his or her termination of employment with the City for unused annual leave will be excluded from pay for the purpose of contributions. Any incentive pay (“certification pay”, “education pay” or “assignment pay”) that is calculated as a percentage of either (i) a lump sum distribution at the date of his or her termination of employment with the City for unused sick leave, or (ii) a lump sum distribution at the date of his or her termination of employment with the City for unused annual leave, will also be excluded as pay for the purpose of contributions.

If a firefighter’s total pay has been offset (reduced) by workers’ compensation benefits, then total pay shall also include the amount by which the total pay was offset (reduced) as required by Section 504.051 of the Texas Labor Code. The City contribution percent is determined periodically as a part of the collective bargaining agreement between the City and Laredo Firefighters Association, Local 872. Since October 1, 2013, the city contribution percentage has been 20.10%. Effective beginning the first pay day of October 2018, the city contribution rate shall increase by 0.25%, and by additional cumulative 0.25% increases effective beginning the first pay day of October of each of the next three years, for a total city contribution rate of 21.10% in October 2021.

4. “Maximum Permissible Benefit”

a. If the total amount of any benefit payment otherwise due under this Plan or the total payments due under this Plan and any other qualified defined benefit plan maintained by the City would exceed the limitations provided by Section 415, Internal Revenue Code of 1986, as amended (the Code), and the regulations adopted under that section of the Code, the System shall reduce the amount of the benefit paid under this Plan as required to comply with that section of the Code.
b. For purposes of determining if the benefits satisfy the limits provided by Section A(4)(a) hereof, the compensation to be used is wages within the meaning of Section 3401(a) of the Code, plus amounts deferred at the election of the firefighter that would be included in wages if not deferred under the rules of Section 402(e)(3), 125(a), 132(f)(4), 457(b), 402(h)(1)(B), or 402(k) of the Code. However, any rules that would limit the remuneration included in wages based on the nature or location of the employment or the services performed are disregarded for purposes of determining compensation. In addition, any wages paid after a severance from employment are not included as compensation for purposes of this subsection unless the payment is made for regular pay as described in 26 C.F.R. Section 1.415(c)-2(e)(3)(ii) and is made by the later of two and one-half months after the severance from employment or the end of the calendar year that includes the date of severance from employment. The maximum permissible benefit allowed under this Section shall increase each year to the extent permitted by annual cost-of-living increase adjustments announced by the Secretary of the Treasury under Section 415(d) of the Code, and the increased benefits limits shall apply to firefighters who have terminated employment, including firefighters who have commenced to receive benefits before the effective date of the adjustment. The maximum permissible benefit shall also be increased in accordance with Section 415(b)(2)(D) of the Code for any firefighter whose retirement benefit commences after age 65.

c. Notwithstanding any other provision of this Plan, the applicable mortality table for purposes of adjusting a benefit due to the limitations provided under Section 415(b)(2)(B) or 415(b)(2)(D) of the Code is the table prescribed by Revenue Ruling 2001-62.

d. If a firefighter has filed an election to receive benefits under a Retroactive Deferred Retirement Option Plan (RETRO DROP), then solely for the purpose of determining the maximum benefit, the total amount available for a lump sum distribution and the monthly benefit will be converted to an actuarially equivalent annual straight life benefit based on the greater adjustment of either an interest rate of 8% and the UP-1994 male mortality table with no age adjustment or projection or the applicable IRC 417(e) interest rate and the mortality table prescribed by Revenue Ruling 2001-62. The actuarially equivalent annual benefit of the lump sum will be added to the annual equivalent of the monthly benefit the firefighter will receive after retirement. This combined amount will be subject to the maximum benefit limitations provided under Section 415(b)(2)(B) or 415(b)(2)(D) of the Code.

e. Notwithstanding the foregoing, annual additions, as defined in Section 415(c)(2) of the Code, including all after tax mandatory firefighter contributions, shall never exceed the lesser of the firefighter’s pay or the dollar limit set forth in Section 415(c)(1)(A) of the Code as adjusted in accordance with Section 415(d) of the Code.
5. “Accumulated Contributions” shall mean the sum of all amounts deducted from the total pay of a firefighter and credited as a contribution to the System. A firefighter’s accumulated contributions shall not include or earn interest from the System.

B. RETIREMENT BENEFIT

1. **Eligibility for Retirement Benefit** - A firefighter will be eligible for a retirement benefit after he or she meets both the following requirements:
   a. must be at least 50 years of age
   and
   b. must have completed at least 20 years of Service.

2. **Amount of Retirement Benefit** - A firefighter who qualifies for a retirement benefit while this Plan is in effect will receive a monthly retirement benefit for as long as the firefighter is alive equal to the lesser of (a) and (b), with (a) equal to “Service” multiplied by “Final Average Monthly Salary” multiplied by 3.03% and (b) equal to “Final Average Monthly Salary” multiplied by 93.93%.

   Notwithstanding the preceding sentence, the monthly retirement benefit will not be less than an amount equal to “Service” multiplied by “Final Average Monthly Salary” multiplied by 3.03% calculated as of December 31, 2018. This minimum accrued monthly benefit meets the minimum vested accrued benefit requirement of Section 7(e) of TLFFRA.

   Payment of the monthly service retirement benefit will begin on the last day of the calendar month following the month in which the firefighter terminates employment with the city. In addition, for the month in which a firefighter terminates employment, a partial monthly retirement benefit will also be paid on the last day of the calendar month following the month of employment termination. This partial benefit is equal to the benefit described above multiplied by the number of days from the date of employment termination to the end of the month divided by the total number of days in the month of employment termination.

3. **Eligibility for Early Retirement Benefit** - A firefighter who terminates employment after age 45 with 20 or more years of service may elect to receive a reduced early retirement benefit commencing at any time prior to attaining age 50. This benefit may be elected instead of the vested termination benefit described in Section D below. The benefit will be based on the firefighter’s early retirement age (age in years and months at date benefit commences).

4. **Amount of Early Retirement Benefit** - A firefighter who qualifies for an early retirement benefit while this Plan is in effect will receive a reduced monthly
retirement benefit for as long as the firefighter is alive equal to a percentage of the normal retirement benefit described under Section B(2) above that would otherwise be payable at age 50 which is based on total pay and service at date of employment termination. The early service retirement benefit may begin immediately or may be deferred until a later date. The applicable percentage used to calculate the early retirement benefit is based on the firefighter’s early retirement age in completed years and months when the benefit commences. The applicable percentage is determined by interpolation between each completed early retirement age shown below based on the firefighter’s age in completed years and months at the date of early retirement.

<table>
<thead>
<tr>
<th>Early Retirement Age</th>
<th>Percentage of Normal Retirement Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>100.00%</td>
</tr>
<tr>
<td>49</td>
<td>91.69%</td>
</tr>
<tr>
<td>48</td>
<td>84.13%</td>
</tr>
<tr>
<td>47</td>
<td>77.24%</td>
</tr>
<tr>
<td>46</td>
<td>70.96%</td>
</tr>
<tr>
<td>45</td>
<td>65.23%</td>
</tr>
</tbody>
</table>

If the firefighter elects the early retirement benefit at termination of employment, payment of the early retirement monthly benefit will begin on the last day of the calendar month following the month in which the firefighter terminates employment with the department. In addition, for the month in which the firefighter terminates employment, a partial monthly benefit will also be paid on the last day of the calendar month following the month of employment termination. This partial benefit is equal to the benefit described above multiplied by the number of days from the date of employment termination to the end of the month divided by the total number of days in the month of employment termination.

If the firefighter elects the early retirement benefit subsequent to the date of termination of employment, payment of the early retirement monthly benefit will begin on the last day of the first complete calendar month following the firefighter’s election of early retirement. No partial monthly benefit will be payable.

5. **Optional Forms of Payment** - The following optional forms of payment may be elected by a firefighter at normal or early retirement as described in Section B or at the time benefits commence for a firefighter who terminated employment and is entitled to a vested deferred benefit as described in Section D. The option elected will be effective with the first monthly payment made upon the firefighter’s Section B retirement or Section D benefit commencement. Spousal consent is required in order to elect one of these options. These options will convert the
standard retirement benefit payable in the form of a Joint and 66.67% to Surviving Spouse benefit to an actuarially equivalent optional form of payment described below. If an optional form of payment is elected, the monthly benefit that would otherwise be payable will be multiplied by the adjustment percentage shown below. Once an optional form of payment is elected and a monthly benefit has been paid, the option election cannot be revoked or changed.

<table>
<thead>
<tr>
<th>Description</th>
<th>Adjustment to Monthly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint and 50% to Surviving Spouse</td>
<td>102%</td>
</tr>
<tr>
<td>Joint and 100% to Surviving Spouse</td>
<td>96%</td>
</tr>
</tbody>
</table>

The adjustments are determined using 8% interest and the UP-1994 mortality tables with no age adjustment or projection. The factors are approximated using an average retirement age of 53 and assuming a female spouse 2 years younger.

An optional form of payment under this Section B(5) can also be elected along with (i) the election of an increasing benefit under Section B(9), or (ii) a RETRO DROP election described in Sections B(6), B(7) and B(8) [regardless of the RETRO DROP benefit calculation date], or (iii) both. If one of the options under this Section B(5) is elected along with a RETRO DROP election [but not an election under Section B(9)], the monthly benefit adjustment elected under this Section B(5) shall apply (i) to the monthly benefit determined under Section B(7)(a), and (ii) to the monthly benefits used to determine the lump sum payment under Section B(7)(b)(ii). The method for determining benefits if an optional form of payment under this Section B(5) is elected either (i) along with an increasing benefit under Section B(9) [but not a RETRO DROP election], or (ii) an increasing benefit under Section B(9) and the election of an increasing benefit under Section B(9), is set out in Section B(9).

6. **Eligibility for Participation in Retroactive Deferred Retirement Option Plan (RETRO DROP)** - A firefighter can elect at termination of employment a RETRO DROP benefit calculation date no earlier than a date which is:

   a. 24 months prior to the first day of the month preceding or coincident with the date of employment termination, and

   b. The first day of the month following the date the firefighter attains age 51 and the completion of 21 years of service.

7. **Amount of RETRO DROP Benefit** - A firefighter who qualifies for and elects the RETRO DROP will receive the following amounts described as (a) and (b):

   a. A monthly retirement benefit determined based on (i) the plan provisions in effect on the firefighter’s actual date of employment termination if the RETRO
DROP benefit calculation date is on or after January 1, 2019, or (ii) the plan provisions in effect on the firefighter’s RETRO DROP benefit calculation date if that date precedes January 1, 2019, except that the firefighter’s “Service” and “Final Average Monthly Salary” shall be determined as if the firefighter had terminated employment on the RETRO DROP benefit calculation date, subject to adjustment as set out in Section B(5) and Section B(9), as applicable. The monthly benefit will not include any ad hoc retiree benefit increases provided between the RETRO DROP benefit calculation date and the last day of the month of employment termination. Only those ad hoc benefit increases provided after the month of employment termination will be applicable.

The first monthly benefit for the month of employment termination will be deferred to the end of the month following employment termination. Therefore, two monthly payments will be paid at the end of the month following the month of employment termination.

b. an amount equal to (i) and (ii):

i. the difference between (1) and (2), where (1) equals the amount of the firefighter’s accumulated contributions as of the date of termination of employment and (2) equals the amount of the firefighter’s accumulated contributions as of the RETRO DROP benefit calculation date; plus

ii. the total of the monthly retirement benefits described in Section B(7)(a) which would have been received between the RETRO DROP benefit calculation date and the first day of the month in which the firefighter terminates employment with the city and subject to adjustment as set out in Section B(5) and Section B(9), as applicable. These benefits will not include any ad hoc retiree benefit increases provided between the RETRO DROP benefit calculation date and the date of employment termination.

c. The benefits payable under this section are subject to the provisions of the “Maximum Permissible Benefit” as described in Section A(4).

d. To the extent permissible under federal tax laws, payment of the amount determined in Section B(7)(b) can be made in one of the following two forms:

i. a lump sum distribution of the total amount payable at the end of the first full month after a Benefit Distribution Form has been received or accepted by the System’s administrator, or

ii. a maximum of five payments as needed by the RETRO DROP participant within 36 months of the participant’s date of termination of employment.

8. **General Rules for RETRO DROP Participation**

a. A firefighter’s election to participate in RETRO DROP is irrevocable.
b. The RETRO DROP benefit calculation date will always be on a first day of a month.

c. A firefighter’s election to participate must be in writing on an election form prepared by the Board of Trustees.

d. A firefighter can elect an optional form of payment as described in Section B(5) in conjunction with RETRO DROP. The benefit adjustment applicable for the options described in Section B(5) will apply to the monthly benefit determined in Section B(7)(a) and will be reflected in the applicable benefit in Section B(7)(b)(ii).

e. A RETRO DROP participant can elect to receive his or her form of benefit distribution by filing a completed Benefit Distribution Form with the System’s administrator. A RETRO DROP participant can amend the Benefit Distribution Form at any time.

f. Should the RETRO DROP participant fail to file a Benefit Distribution Form with the System’s administrator by the time he or she attains age seventy and one-half (70-1/2), such RETRO DROP participant will be deemed to have elected to receive his or her RETRO DROP benefits in the form of annual payments over three years.

g. Any filing of a Benefit Distribution Form, whether an original filing or an amendment to an earlier filing, will not take effect until the end of the first full month following acceptance of the form by the System’s administrator. Therefore, no benefit distribution can be made until the end of the first full month following acceptance of the Benefit Distribution Form by the System’s administrator.

h. If a firefighter who elects the RETRO DROP dies after termination of employment but before the RETRO DROP lump sum amount described in Section B(7)(b) above has been completely paid to the firefighter, then the firefighter’s surviving spouse, or estate if there is no surviving spouse, will receive the remaining portion of the RETRO DROP lump sum payment. The surviving spouse must have been married to the firefighter at the time of the firefighter’s termination of employment to be eligible to receive this payment.

An additional death benefit equal to two-thirds of the monthly retirement benefit described in Section B(7)(a) will be paid to the firefighter’s surviving spouse with payments beginning on the last day of the calendar month following the month in which the firefighter dies. However, if the firefighter elected an optional form of payment described in Section B(5), then the surviving spouse’s monthly benefit will be determined in accordance with the elected option rather than two-thirds of the monthly retirement benefit. The
surviving spouse is eligible for this benefit if married to the firefighter at the
time of the firefighter’s termination of employment. If there is no surviving
spouse, then the firefighter’s eligible child or children will receive the benefit
described in Section E(3)(a) of the Plan. If there is no eligible spouse and no
eligible child, then the amount the spouse would have received will be payable
to the firefighter’s dependent parent.

If there is no eligible spouse, eligible child or dependent parent, an amount
will be paid to his estate equal to the excess, if any, of the firefighter’s
accumulated contributions (without interest) to the System as of the RETRO
DROP benefit calculation date over (i) the amount of the payment described
in Section B(7)(b)(ii) and (ii) the amount of any monthly payments which have
been made to the eligible spouse, eligible child or dependent parent.

i. A firefighter electing to participate in RETRO DROP will not be eligible to
receive the Service Retirement Benefit described in Sections B(1) and B(2) or
the Disability Retirement Benefit described in Section C.

9. Increasing Retirement Benefit Options - The following four optional forms of
payment may be elected by a firefighter (i) at normal retirement as described in
Sections B(1) and B(2), (ii) at early retirement as described in Sections B(3) and
B(4), or (iii) at the time benefits commence for a firefighter who terminated
employment and is entitled to a vested deferred benefit as hereinafter described in
Section D. Each of the four optional forms below provide annually increasing
benefit payments following an initial period of reduced benefits as indicated
below. Once an optional form of payment is elected under this section and a
monthly benefit has been paid, the option election cannot be revoked or changed.

<table>
<thead>
<tr>
<th>Description of Increasing Retirement Benefit Options</th>
<th>Initial Reduction to Monthly Retirement Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Increase of 0.5%</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Annual Increase of 1.0%</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Annual Increase of 1.5%</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Annual Increase of 2.0%</td>
<td>-18.0%</td>
</tr>
</tbody>
</table>

The initial reduction will be in effect for the first 12 full monthly benefit payments
as well as for the initial partial monthly benefit payment, if applicable. Each
annual increase in monthly benefit payments will be effective for 12 months
beginning with each anniversary of the first full monthly benefit.

An increasing benefit under this Section B(9) can also be elected along with (i) the
election of an optional form of payment described in Section B(5), or (ii) a
RETRO DROP election described in Sections B(6), B(7) and B(8), or (iii) both.
If one of the options under this Section B(9) is elected along with a RETRO DROP
election [but not an election under Section B(5)], the monthly benefit increase and corresponding benefit decrease under this Section B(9) shall apply to (i) the monthly benefit determined under Section B(7)(a), and (ii) to the monthly benefits used to determine the lump sum payment under Section B(7)(b)(ii) [as if such monthly benefits were paid on a monthly basis rather than as a lump sum].

If one of the options under this Section B(9) is elected along with both a RETRO DROP election and an election under Section B(5), the monthly benefit increase and corresponding benefit decrease under this Section B(9) and the monthly benefit adjustment elected under Section B(5) shall apply (i) to the monthly benefit determined under Section B(7)(a), and (ii) to the monthly benefits used to determine the lump sum payment under Section B(7)(b)(ii) [as if such monthly benefits were paid on a monthly basis rather than as a lump sum].

If one of the options under this Section B(9) is elected along with an election under Section B(5) [but not a RETRO DROP election], the monthly benefit increase and corresponding benefit decrease under this Section B(9) shall apply to the monthly benefits after adjustment as provided in Section B(5).

10. The monthly retirement benefit described in Section B shall not exceed the “Maximum Permissible Benefit” described in Section A(4).

C. **DISABILITY BENEFIT**

1. **Eligibility for Disability Benefit** - An active firefighter will qualify for a disability benefit if he or she becomes disabled (whether on duty or off duty) for either physical or mental reasons, as long as the disability was not derived from a pre-existing condition as described in Section C(8) for firefighters hired after March 1, 2001. The firefighter need only be disabled to the extent of being unable to perform the duties of his or her occupation to be entitled to benefits for the first 2 and 1/2 years; thereafter, he or she must be unable to perform the duties of any occupation for which he or she is reasonably suited by education, training and experience. However, he or she will not be entitled to receive any disability benefit if the disability is a result of:

   a. Excessive and habitual use by the participant of drugs, intoxicants or narcotics;

   b. Injury or disease sustained by the participant while willfully and illegally participating in fights, riots, civil insurrections or while committing a felony;

   c. Injury or disease sustained by the participant while serving in any armed forces;

   d. Injury or disease sustained by the participant diagnosed or discovered subsequent to the date his or her employment has terminated; or
e. Injury or disease sustained by the participant as a result of an act of war, whether or not such act arises from a formally declared state of war; provided that an active firefighter will be entitled to receive a disability benefit, as an exception to this subsection if all the following conditions are met:

(i) an act of terrorism occurs, and
(ii) the firefighter is on-duty, and
(iii) the firefighter is disabled as a result of the act of terrorism.

The Board of Trustees has the authority to determine whether an incident constitutes an act of terrorism for purposes of eligibility for disability benefits under this Plan.

2. **Proof of Disability** - The Board of Trustees before approving the payment of any disability benefit shall require satisfactory proof (such as a certification from a doctor) that the participant has become disabled as provided herein. Once each year after commencement of the payment of disability benefits, the Board may similarly require that the disabled participant provide proof of continued disability by submitting to the professional examinations and providing the personal financial information described in Section C(3)(c)(1).

3. **Termination, Reduction or Reinstatement of Disability Benefit** - The Board of Trustees may, in accordance with procedures that are applied consistently, continue, terminate, reduce or reinstate a firefighter’s disability benefits subject to the following provisions:

a. In the event the disabled firefighter is re-employed as a firefighter for the City at any time following his or her disability retirement, his or her disability benefits shall thereupon terminate. During the first 2 and 1/2 years following the firefighter’s disability retirement date, the Board may terminate the firefighter’s disability benefits if the Board determines that the firefighter has recovered to the extent that he or she is able to perform the duties of a firefighter for the City providing the firefighter with compensation that is greater than or equal to the compensation the disabled firefighter would have been receiving had his or her disability not occurred and he or she had continued at the same rank (position title) and in the same position held in the fire department at the time of disability retirement.

b. After the disabled firefighter has received disability benefits from the System for at least 2 and 1/2 years following the firefighter’s disability retirement date, the Board may terminate the firefighter’s disability benefits if the Board determines that the firefighter has recovered to the extent that he or she is able to perform the duties of (1) a firefighter for the City, or (2) a job other than as a firefighter for the City in which he or she would be able to earn total compensation equal to or greater than the total compensation the disabled firefighter would have been able to earn if he or she had continued at the same
rank (position title) and in the same position held in the fire department at the
time of disability retirement.

c. After the disabled firefighter has received disability benefits from the System
for at least 2 and 1/2 years following the firefighter’s disability retirement
date, and the benefits are not terminated as described above in Section
C(3)(b), the amount of the monthly disability benefit will be recalculated to
be equal to the greater of the following amounts (1) or (2):

(1) an amount equal to \( B - \left( B \times \frac{C}{E} \right) \), where \( B \) is the monthly disability
benefit the firefighter was receiving during the first 2\( \frac{1}{2} \) year period
following the firefighter’s disability retirement date, \( C \) is the
firefighter’s estimated annual residual earning capacity (defined below),
and \( E \) is the annual salary according to pay schedules the firefighter
would have received for the calendar year in which this amount (1) is
calculated had he or she continued at the same rank (position title) and
in the same position held in the fire department at the time of disability
retirement.

A firefighter’s estimated annual residual earning capacity is the amount
the firefighter is earning or can reasonably be expected to earn in
Laredo, Texas based on his or her then present abilities, education,
training, experience and skills, all as determined from time to time by
the Board. The Board shall determine the firefighter’s estimated annual
residual earning capacity at the time of the evaluation based on the
following required evidence:

a. The medical opinion of one or more physicians;

b. The opinion of one or more vocational rehabilitation specialists
regarding the firefighter’s residual earning capacity; and

c. Personal financial information which must be provided by the
disabled firefighter including, but not limited to, federal income
tax returns, IRS Form W-2’s and confidential financial
statements.

(2) the monthly disability benefit the firefighter was receiving multiplied
by the percentage of the firefighter’s disability.

A firefighter’s percentage of disability shall be the extent (expressed as
a percentage) to which his activities and bodily functions are
permanently impaired as determined under the Guides to the Evaluation
of Permanent Impairment published by the American Medical
Association or other similar guide selected by the Board.

The Board shall determine the firefighter’s percentage of disability at
the time of the evaluation based on the following required evidence:
a. The medical opinion of one or more physicians; and

b. The opinion of one or more vocational rehabilitation specialists.

The determination of the firefighter’s estimated annual residual earning capacity under paragraph (1) above and percentage of disability under paragraph (2) above will be made as of the end of the two and a half year period following the disabled firefighter’s disability retirement date. The medical and vocational analysis shall be performed at the direction of the Board of Trustees and the costs shall be paid from the assets of the System. A disabled firefighter’s estimated annual residual earning capacity and percentage of disability can be redetermined up to three times during the lifetime of the firefighter (but not more frequently than annually) upon the written request of the disabled firefighter or if deemed necessary by the Board. Any changes to the amount of the disability retirement benefit will be made prospectively after the Board has determined the amounts (1) and (2) described above.

d. The Board shall have the power to reinstate any disability benefit which has been previously terminated or reduced provided the disabled firefighter’s condition has worsened due to the same cause for which he or she was originally disabled.

4. **Payment of Disability Benefit** - The disability benefit will commence after the firefighter’s termination of employment as a firefighter and will continue thereafter for as long as the firefighter remains disabled as defined above, subject to the termination or reduction of such benefits by the Board in accordance with Plan provisions.

Payment of the monthly disability benefit will begin on the last day of the calendar month following the month in which the firefighter’s employment is terminated. In addition, for the month in which the firefighter’s employment is terminated, a partial monthly disability benefit will also be paid on the same date. This partial benefit is equal to the benefit described below multiplied by the number of days from the date the firefighter’s employment is terminated to the end of the month divided by the total number of days in the month.

5. **Amount of Disability Benefit for Disability Resulting from Performance of Duties:**

a. If the firefighter is not eligible to receive a retirement benefit, he or she shall be entitled to a monthly disability benefit equal to 3.03% multiplied by the firefighter’s Final Average Monthly Monthly Salary, multiplied by the greater of (i) the firefighter’s Service, or (ii) 20 years, subject to the provisions of Section A(4).

b. If the firefighter is eligible to receive a retirement benefit, he or she shall be entitled to a monthly disability benefit equal to the monthly retirement benefit
described in Section B(2) that he would receive if he retired on his date of termination of service, subject to the provisions of Section A(4).

6. **Amount of Disability Benefit for Disability Not Resulting from Performance of Duties:**

   a. If the firefighter had not completed 20 years of Service, he or she shall be entitled to a monthly disability benefit equal to the product of (i) the monthly benefit the firefighter would have been entitled to receive under Section C(5)(a) if he or she were eligible to receive such benefit, (ii) multiplied by 8%, (iii) multiplied by his or her number of years of Service, but not to exceed 100% of the monthly benefit the firefighter would have been entitled to receive under Section C(5)(a) if he or she were eligible to receive such benefit. This monthly benefit shall not be less than $100. If the disability arose out of service with another employer, no monthly benefit shall be payable.

   b. If the firefighter had completed 20 years of Service, he or she shall be entitled to a monthly disability benefit equal to the monthly disability benefit described above in Sections C(5)(a) or C(5)(b).

7. During the first 2 and 1/2 year period following the firefighter’s disability retirement date, all disabled firefighters shall be entitled to receive up to ten (10) hours of consulting services provided by a vocational rehabilitation specialist selected by the Board of Trustees (at a cost which does not exceed $150.00 per hour). The cost of such consulting services shall be paid to the provider from the assets of the System.

8. Beginning on March 1, 2001, each prospective participant in the System who has been given a conditional offer of employment by being certified under civil service as eligible for a beginning position with the Laredo Fire Department shall undergo a uniform pre-entry medical examination and provide a signed medical history and authorization for the release of medical information solely for the purpose of identifying the prospective participant’s pre-existing medical conditions, if any. The medical examination shall be given before the prospective participant commences employment or as soon thereafter as possible. The medical examination shall be given by a physician selected by the Board of Trustees and the signed medical history and authorization for release of medical information shall be provided to such physician prior to or as part of the examination. The cost of the examination shall be paid from the System.

The results of the medical examination shall be sealed and retained by the Board of Trustees, which shall keep the results strictly confidential unless the prospective participant files a claim for disability benefits under the System, at which time the Board of Trustees shall review the results of such medical examination. The examination results shall not be used to determine eligibility for employment with the Laredo Fire Department or to exclude an eligible prospective Participant with
a disability from membership in the System. The examination results shall be used solely to establish a point of measurement to exclude pre-existing medical conditions from the eligibility requirements of a disability benefit. A condition which would otherwise qualify a person as disabled will not result in disability benefits if such condition is the result of a pre-existing medical condition determined by the Board of Trustees to have existed at the time the participant commenced employment unless the participant becomes disabled after the participant has completed ten (10) years of service.

The failure by the examining physician to identify or document a prospective participant’s pre-existing medical condition shall not preclude the Board of Trustees from subsequently determining, based on other credible evidence, that the condition was a pre-existing medical condition. If a prospective participant fails or refuses to provide a signed full and accurate medical history to the physician, the Board of Trustees shall presume that the medical condition presented by the participant at the time of his claim for disability benefits existed at the time of the examination unless the participant proves to the contrary to the Board of Trustees’ satisfaction.

9. **Recovery from Disability**

a. If a firefighter retires due to disability prior to completion of 20 years of Service, and thereafter recovers to the extent that his or her disability benefit is terminated and he or she does not return to the employ of the fire department, then the firefighter may elect to receive an amount equal to the excess, if any, of the firefighter’s accumulated contributions over the amount of disability benefit payments which have been made to the firefighter, which will be paid to him or her in a lump sum payment. If a firefighter makes such an election, he or she will forfeit his or her right to all other benefits that he or she would have otherwise been entitled to receive. The amount refunded shall not include any interest accrual on the firefighter’s accumulated contributions.

b. If a firefighter retires due to disability after the completion of 20 years of Service and thereafter recovers to the extent that his or her disability benefit is terminated or reduced after attaining age 50 and he or she does not return to the employ of the fire department, then he or she may elect to receive a retirement benefit as described in Section B(2) above.

c. If a firefighter retires due to disability after the completion of 20 years of Service and thereafter recovers to the extent that his or her disability benefit is terminated or reduced before attaining age 50 and he or she does not return to the employ of the fire department, then the firefighter may elect to receive either (i) an immediate Early Retirement Benefit as described in Section B(4) above provided that the firefighter is at least 45 years of age at the time of the election, or (ii) a Vested Termination Benefit as described in Section D
below. An election made under this subsection shall terminate the firefighter’s rights to receive any reduced disability benefits.

d. A firefighter who is eligible to make an election under Sections C(9)(b) or C(9)(c) may instead elect to receive an amount equal to the excess, if any, of the firefighter’s accumulated contributions over the amount of disability benefit payments which have been made to the firefighter, which will be paid to him or her in a lump sum payment. If a firefighter makes such an election, he or she will forfeit his or her right to all other benefits that he or she would otherwise been entitled to receive. The amount refunded shall not include any interest accrual on the firefighter’s accumulated contributions.

10. **Cooperation by Disability Retiree** - Any disabled firefighter receiving disability benefits must fully cooperate with the Board and strictly comply with all requirements imposed by the Board under this Section C. Failure to do so may, in the Board’s discretion, result in suspension or termination of the firefighter’s disability benefits.

D. **VESTED TERMINATION BENEFIT** - A firefighter who terminates his or her service while this Plan is in effect after he or she has completed at least 20 years of Service but prior to his or her attaining the age of 50 years will be vested, but the benefit that he or she is entitled to receive will not be payable until he or she attains the age of 50 years. The monthly benefit will begin at the end of the month following the month of the attainment of age 50. The benefit will be payable only if he or she does not elect to withdraw his or her accumulated contributions. Such vested benefit is an amount determined according to Section B(2) based on years of Service, Final Average Monthly Salary and the firefighter’s benefit percentage as of date of termination of service. The firefighter is not required to pay any additional amounts into the System after his or her termination of service in order to receive his or her monthly income commencing at 50. As used herein, the term “vested terminated firefighter” means a terminated firefighter who is vested under this Section but who is not receiving monthly benefits under this Section. A terminated firefighter who is receiving monthly benefits under this Section is a service retired firefighter for purposes of this Plan.

Withdrawal of his or her accumulated contributions upon termination of service forfeits all other benefits under the System.

E. **DEATH BENEFIT** - Upon the death of an active or retired firefighter from any cause whatsoever while this Plan is in effect, the following benefits described in this Section E will be paid.

Payment of monthly benefits will begin on the last day of the calendar month following the month of the firefighter’s death. A full monthly retirement benefit will be payable at the end of the month following the death of a retired firefighter. If the firefighter’s death occurs prior to retirement, a partial monthly benefit will be paid on the last day
of the calendar month following the month of the firefighter’s death. The partial benefit is equal to the benefit described above multiplied by the number of days from the date of death to the end of the month divided by the total number of days in the month of death.

1. **Surviving Spouses** - The surviving spouse will receive a monthly benefit in the amount described below in (a, b, c, d, e or f):

   a. if the firefighter was in active employment at the time of his or her death and had both attained the age of 50 years and completed 20 years of Service at the date of his or her death, the retirement benefit which the firefighter would have received if he or she had retired on the date of his or her death reduced by the Joint and 100% to Surviving Spouse “Adjustment to Monthly Benefit” shown in Section B(5); or

   b. if the firefighter was in active employment at the time of his or her death and had completed at least 10 years of Service, two-thirds of the retirement benefit that the firefighter would have received had the firefighter been eligible to retire on the date of death and assuming the firefighter had a minimum amount of service of 20 years; or

   c. if the firefighter was in active employment at the time of his or her death and had not completed at least 10 years of Service and the death resulted from the performance of duties, two-thirds of the retirement benefit that the firefighter would have received had the firefighter been eligible to retire on the date of death and assuming the firefighter had a minimum amount of service of 20 years; or

   d. if the firefighter was in active employment at the time of his or her death and had not completed 10 years of Service at the date of his or her death and the death did not result from the performance of duties, $150 monthly if he or she had completed less than 5 years Service; $175 monthly if he or she had completed 5 years Service but less than 10 years Service; or

   e. if the firefighter was retired, disabled or terminated and was receiving a retirement benefit at the time of his or her death, two-thirds of the retirement benefit that the firefighter was receiving, unless the firefighter elected an optional form of payment described in Section B(5), in which case the surviving spouse will receive a benefit according to the optional form of payment elected; or

   f. if the firefighter had terminated his or her employment after 20 years of Service and was entitled to the deferred monthly benefit commencing at age 50 and his or her death occurred prior to the commencement of such monthly benefit, two-thirds of the monthly benefit that the firefighter would have received at age 50 payable immediately to the surviving spouse.
In the case of a firefighter who dies on or after January 1, 2007 before retirement and while performing qualified military service, the death benefit payable with respect to such firefighter shall be determined under Section E(1), as appropriate, as if the firefighter had resumed employment with the City under the supervision and control of the fire department and then terminated employment on account of death. For purposes of this provision, qualified military service means any service in the uniformed services of the United States by any individual if such individual is entitled to reemployment rights with the City under the Uniformed Services Employment and Reemployment Rights Act of 1994 with respect to such service.

2. Eligibility for Surviving Spouse Participation in Retroactive Deferred Retirement Option Plan (RETRO DROP) - A firefighter’s spouse can elect upon the death of the firefighter while in active employment a RETRO DROP benefit calculation date no earlier than a date which is:
   a. 24 months prior to the first day of the month preceding or coincident with the date of the firefighter’s death, and
   b. The first day of the month following the date the firefighter attains age 51 and the completion of 21 years of service.

3. Amount of Surviving Spouse RETRO DROP Benefit - A firefighter’s spouse who qualifies for and elects the RETRO DROP will receive the following amounts described as (a) and (b):
   a. A monthly surviving spouse death benefit determined in Section E(1)(a) based on the plan provisions in effect on the firefighter’s actual date of death, except that the firefighter’s “Service” and “Final Average Monthly Salary” shall be determined as if the firefighter had terminated employment on the RETRO DROP benefit calculation date. The monthly benefit will not include any ad hoc retiree benefit increases provided between the RETRO DROP benefit calculation date and the last day of the month of the firefighter’s death. Only those ad hoc benefit increases provided after the month of the firefighter’s death will be applicable.
      
      The first monthly benefit for the month of the firefighter’s death will be deferred to the end of the month following the firefighter’s death. Therefore, two monthly payments will be paid at the end of the month following the month of the firefighter’s death.
   b. An amount equal to (i) and (ii):
      i. The difference between (1) and (2), where (1) equals the amount of the firefighter’s accumulated contributions as of the date of death and (2)
equals the amount of the firefighter’s accumulated contributions as of the RETRO DROP benefit calculation date; plus

ii. the total of the monthly retirement benefits described in Section E(3)(a) which would have been received between the RETRO DROP benefit calculation date and the first day of the month in which the firefighter dies. These benefits will not include any ad hoc retiree benefit increases provided between the RETRO DROP benefit calculation date and the date of the firefighter’s death.

c. The benefits payable under this section are subject to the provisions of the “Maximum Permissible Benefit” as described in Section A(4).

d. To the extent permissible under federal tax laws, payment of the amount determined in Section E(3)(b) can be made in one of the following two forms:

i. a lump sum distribution of the total amount payable at the end of the first full month after a Benefit Distribution Form has been received or accepted by the System’s administrator, or

ii. a maximum of five payments as needed by the RETRO DROP surviving spouse within 36 months of the participant’s date of death.

4. General Rules for Surviving Spouse RETRO DROP Participation

a. A surviving spouse’s election to participate in RETRO DROP is irrevocable.

b. The RETRO DROP benefit calculation date will always be on a first day of a month.

c. A surviving spouse’s election to participate must be in writing on an election form prepared by the Board of Trustees.

d. Application for the election of the RETRO DROP option by the surviving spouse can be made no later than 30 days following the date of death of the firefighter.

e. A RETRO DROP surviving spouse can elect to receive his or her form of benefit distribution by filing a completed Benefit Distribution Form with the System’s administrator. A RETRO DROP surviving spouse can amend the Benefit Distribution Form at any time.

f. Should the RETRO DROP surviving spouse fail to file a Benefit Distribution Form with the System’s administrator by the time he or she attains age seventy and one-half (70-1/2), such RETRO DROP surviving spouse will be deemed
to have elected to receive his or her RETRO DROP benefits in the form of annual payments over three years.

g. Any filing of a Benefit Distribution Form, whether an original filing or an amendment to an earlier filing, will not take effect until the end of the first full month following acceptance of the form by the System’s administrator. Therefore, no benefit distribution can be made until the end of the first full month following acceptance of the Benefit Distribution Form by the System’s administrator.

h. If a surviving spouse who elects the RETRO DROP dies after making the election but before the RETRO DROP lump sum amount described in Section E(3)(b) above has been completely paid to the surviving spouse, then the surviving spouse’s estate will receive the remaining portion of the RETRO DROP lump sum payment.

If there are no eligible children, then the monthly benefit amount the surviving spouse was receiving will be payable to the firefighter’s dependent parent. If there is no eligible child or dependent parent, an amount will be paid to the surviving spouse’s estate equal to the excess, if any, of the firefighter’s accumulated contributions as of the RETRO DROP benefit calculation date over (i) the amount of the payments described in Section E(3)(b)(ii), and (ii) the amount of monthly payments which have been made to any eligible child or dependent parent.

i. A surviving spouse electing to participate in the RETRO DROP will not be eligible to receive the Death Benefit described in Section E(1)(a).

j. Children’s death benefits described in Section E(6) are unaffected by the election of the RETRO DROP by a surviving spouse.

5. Death Benefit Fund; Lump Sum Death Benefits

a. The Board of Trustees shall establish a Death Benefit Fund as a separate account in the System and shall deposit in such account part of the contributions paid by the City in order to provide death benefits in accordance with this section. The remainder of the System’s assets shall be held in a Retirement Fund as a second separate account. The Board may, but is not required to, credit interest to the Death Benefit Fund annually at such rate as the Board may determine.

b. Death benefits under this section shall be paid only from the Death Benefit Fund, and such benefits are not an obligation of any other accounts of the System.
c. Based upon the recommendation of the System’s actuary, the Board shall adopt such rates and tables as are considered necessary to determine the Death Benefit Fund contribution rate of the City. At the same time as the actuary makes regular valuations of the assets and liabilities of the System’s Retirement Fund, the actuary shall also make an actuarial valuation of the assets and liabilities of the Death Benefit Fund, and upon recommendation by the actuary, the Board shall adjust the rates and tables for the Death Benefit Fund.

d. If at any time the amount of death benefit payments due from the Death Benefit Fund exceeds the balance of such fund, the Board may direct that funds be transferred from the Retirement Fund to the Death Benefit Fund in such amounts as are necessary to cover the deficiency. Any sums transferred to the Death Benefit Fund under this subsection shall be repaid to the Retirement Fund of the System at such time as subsequent contributions by the City have resulted in the accumulation of a sufficient amount in the Death Benefit Fund for such a repayment to be actuarially prudent.

e. Contributions by the City to the Death Benefit Fund shall be made at the same times as the City makes its contribution to the System under Section A(3) of this Plan, and the amount of the City’s contribution under Section A(3) of this Plan each pay period shall be reduced by the amount of the City’s contribution to the Death Benefit Fund for that same pay period.

f. The designated beneficiary will receive an allowance in the amount described below:

   i. A $35,000 lump sum will be paid to designated beneficiary upon death of active firefighter. A $12,000 lump sum will be paid to the retired firefighter’s designated beneficiary upon death of retired firefighter. An additional $12,000 lump sum will be paid upon the death of the retired firefighter’s surviving spouse to the designated beneficiary of the surviving spouse.

   ii. A retired firefighter with a spouse will have two death benefits totaling $24,000 paid on their behalf.

6. **Children and Dependent Parents**

   a. In addition to the above spouses’ benefits, for firefighters or retirees who die while this Plan is in effect, each unmarried child will receive $1,360 per month until age 18, subject to a maximum of $1,360 per month for all children. This benefit is payable from age 18 to 25 as long as the child remains a full-time student between these ages.
b. If the firefighter’s spouse dies after being entitled to her allowance or if there is no surviving spouse, the monthly benefit that the spouse was receiving, or was entitled to receive, shall be paid to the deceased firefighter’s dependent parent for life. A parent will be considered dependent if that individual was claimed as a dependent on the firefighter’s last Internal Revenue Code tax filing prior to the firefighter’s death.

7. **Eligibility for Death Benefits**

a. In order for the spouse of a retired, disabled, or terminated firefighter to qualify for a benefit described in this Section E, such spouse must have been married to the firefighter at the time of the earlier of retirement or termination of service with such marriage continuing to the death of the firefighter. The spouse should provide a copy of the marriage certificate verifying marriage between the surviving spouse and the deceased participant. In addition, the spouse shall provide a certified copy of the death certificate.

b. Death benefits under Sections E(1) or E(3) and E(6) above are payable only in the event that there is a surviving spouse, dependent parent or unmarried child of the firefighter. Should a firefighter die with no surviving spouse, dependent parent or unmarried child, an amount equal to the excess of the firefighter’s accumulated contributions without interest over the amount of monthly benefit payments which have been made to the firefighter shall be payable to the estate and no other benefits will be payable. A certified copy of the death certificate must be presented before payment is made to the estate.

c. Death benefits under Section E(5) above are paid to any beneficiary designated by the deceased.

d. If a surviving spouse remarries after the commencement of monthly benefit payments, he or she shall continue to receive the benefit payments for as long as he or she shall live. The monthly payments will not be forfeited upon his or her remarriage.

e. All death benefits as described above, including any death resulting from heart or lung disease as described in House Bill No. 281, will be determined as though such death was a result of the firefighter’s duties as a firefighter.

F. **RETURN OF FIREFIGHTER’S ACCUMULATED CONTRIBUTIONS** - If a firefighter terminates his or her service and he or she is not entitled to a benefit as described above, he or she will receive the amount of accumulated contributions that he or she has made. A firefighter who retires or whose service is terminated may elect to receive at the time of his or her retirement or termination of service the amount of his or her accumulated contributions; but, if he or she makes such an election, he or she will forfeit his or her right to all other benefits that he or she would have otherwise
been entitled to receive. The amount refunded shall not include any interest accrual on the firefighter’s accumulated contributions.

G. **TOTALLY DISABLED CHILD** - If a firefighter who is covered by a provision of this Plan dies and leaves a child who is totally disabled as a result of a physical or mental illness, injury, or retardation, that child is entitled to receive any pension allowance to which he or she is entitled under this Plan and is further entitled to continue receiving the allowance so long as he or she remains totally disabled. If the child is not entitled to a pension allowance under this Plan solely because he or she is over the maximum age at the time of the death of his or her parent and the child is totally disabled as a result of a physical or mental illness, injury, or retardation, the child is entitled to receive as an allowance that to which he or she should have been entitled had he or she been under the maximum age at the time of the death of his or her parent. Totally disabled for the purpose of this Section G means that the disability will prevent the child from performing the duties of any occupation for which the child is reasonably suited to perform based on his or her education, training and experience.

H. **BENEFIT INCREASES FOR PLAN BENEFICIARIES**

1. **Minimum Monthly Benefits** - A minimum monthly benefit of $1,360 will be applicable for service retired firefighters, disability retired firefighters, vested terminated firefighters and certain surviving spouses receiving monthly benefits on July 1, 2011. All surviving spouses will be eligible for the minimum monthly benefit except for surviving spouses of a firefighter who died while employed by the fire department with less than 10 years of service and where the death was not duty-related. Surviving children are not eligible for the $1,360 minimum monthly benefit. The first increased monthly benefit will be paid at the end of July 2011. An eligible surviving spouse whose monthly benefit begins after July 1, 2011 is also eligible for the minimum monthly benefit of $1,360 beginning the last day of the month first following the death of the retiree.

2. **Monthly Benefit Increases Effective July 1, 2011** - Effective July 1, 2011 in accordance with Section H(3) and as determined by the System’s actuary as reflected in the March 31, 2010 actuarial valuation of the System, the following benefit increases shall be effective: (i) a $250 increase in monthly benefits will be provided to retired or disabled firefighters if the firefighter began receiving benefits prior to July 1, 2010, (ii) a $250 increase in monthly benefits will be provided to surviving spouses if the firefighter retired, became disabled, or died before July 1, 2010, (iii) surviving children will receive an increase in monthly benefits that is the same proportion of $250 that the monthly benefit they are entitled to receive as of June 30, 2011 is to the then current minimum benefit of $1,110, and (iv) vested terminated firefighters who terminated employment prior to July 1, 2010 will be entitled to receive a $250 increase in their deferred monthly benefit. The increased monthly benefit payment for retired and disabled firefighters, surviving spouses, and surviving children will be first payable at the end of July 2011 for that month.
3. **Future Benefit Increases** - Future benefit increases for pensioners and firefighters will be based on the financial condition of the System as determined by the System’s actuary in future actuarial valuations.

The System’s actuary will determine whether the financial condition of the System permits benefit improvements to be made to the Plan. In making this determination, the actuary will make all appropriate changes in actuarial assumptions, actuarial cost methods, actuarial value of assets method and other technical changes. The determination of the financial condition of the System will be made based on existing plan provisions, provided that no future firefighter contributions in excess of 14.0% of pay to be made after the actuarial valuation date shall be a factor used in making such determinations.

Under the procedure described in this Section H(3) for providing future benefit increases, the System’s actuary will work with the Board of Trustees to determine the increases which will be considered. The benefit increases approved according to this section will require the approval of the System’s actuary, approval by the firefighters in a secret ballot election, and adoption by the Board of Trustees, all in accordance with Section 7 of TLFFRA in order to become effective. The effective date of a benefit increase adopted under this section is a date specified by the Board of Trustees that is not earlier than the date of adoption by the Board of Trustees.

4. **Recalculated Monthly Benefits**

   a. A retiree who retired before July 20, 2011 whose benefit was based on the 2.88% per year benefit percentage will have his or her monthly retirement benefit recalculated for payments made after July 20, 2011 as if Section B(2) as set out in this Plan had been in effect when he or she retired.

   b. A disabled firefighter who qualified before July 20, 2011 for a disability benefit for disability not resulting from performance of duties and who had not completed 20 years of Service will have his or her monthly disability benefit recalculated for payments made after July 20, 2011 as if Section C(6) as set out in this Plan had been in effect when he or she qualified for a disability benefit.

I. **PURCHASE OF MILITARY SERVICE CREDIT**

An active firefighter will be eligible to buy credit for “Service” with the Laredo Firefighters Retirement System if he has at least six months of active duty federal military service that was performed before he became an employee of the City. Such credit may be purchased as follows:
To buy credit for this “Service”, the firefighter must contribute $15.00 to the System for each month of active duty federal military service. The City will be required to contribute $30.00 to the System for each month of active duty federal military service for each firefighter who makes the above required contribution. The maximum active duty federal military service for which “Service” may be purchased is five years; therefore, the maximum amount of “Service” which may be purchased due to active duty federal military service is five months.

J. TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS

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

2. Definitions

a. Eligible rollover distribution: 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 designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income.

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Section 408(a) or 408(b) of the Code or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately
account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

If the amount of an eligible rollover distribution is greater than $1,000 and is not being distributed to a surviving spouse, beneficiary or alternate payee under a QDRO (as defined in Section K hereof), then the amount to be distributed may not be distributed without the firefighter’s written consent. Such consent shall include specific firefighter direction to the Plan administrator to either (i) pay the amount in a direct trustee to trustee transfer to an eligible plan identified by the participant or (ii) pay the amount (less applicable federal income tax withholding) directly to the firefighter.

b. *Eligible retirement plan*: An eligible retirement plan is (i) an individual retirement account described in Section 408(a) of the Code, (ii) an individual retirement annuity described in Section 408(b) of the Code, (iii) an annuity plan described in Section 403(a) of the Code, (iv) a qualified trust described in Section 401(a) of the Code, (v) an annuity contract described by Section 403(b) of the Code, or (vi) an eligible plan under Section 457(b) of the Code, that is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that agrees to separately account for amounts transferred from the plan; provided that the plan accepts the distributee’s eligible rollover distribution.

The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a QDRO (as defined in Section K hereof). In the case of an eligible rollover distribution to a non-spouse beneficiary, an eligible retirement plan includes only an individual retirement account or individual retirement annuity described above.

c. *Distributee*: A distributee includes a firefighter or former firefighter, the firefighter’s or former firefighter’s surviving spouse, the firefighter’s or former firefighter’s spouse or former spouse who is the alternate payee under a QDRO (as defined in Section K hereof), or the firefighter’s or former firefighter’s non-spouse beneficiary.

d. *Direct rollover*: A direct rollover is a payment by the System to the eligible retirement plan specified by the distributee.

**K. PAYMENTS TO FORMER SPOUSES AND OTHER ALTERNATE PAYEES**

Notwithstanding the anti-alienation limits of Section 5 of TLFFRA, withdrawn employee contributions, retirement benefits, disability benefits and death benefits under the Plan may be paid to a former spouse or other alternate payee under the terms of a domestic relations order, but only if the Board of Trustees determines that the order constitutes a Qualified Domestic Relations Order within the meaning of Chapter 804 of the Texas Government Code (referred to here as a “QDRO”). The Board of
Trustees shall make such determination under any policies regarding domestic relations orders and QDROs adopted by the Board of Trustees. Benefit payments shall be made to alternate payees only when and to the extent permitted by the QDRO. The amount of any withdrawn employee contribution or benefit payment under the Plan made to an alternate payee under a QDRO shall reduce and offset the amount otherwise payable to the participant or other beneficiary under the provisions of the Plan. If a portion of a withdrawn employee contribution or benefit payment under the Plan exceeds the amount awarded by the QDRO, such excess portion will be distributed in accordance with the plan provisions. Upon the death of an alternate payee under a QDRO, the interest of the alternate payee in the benefits under the Plan shall cease, and thereafter, remaining plan benefits shall be paid as if the QDRO had not existed.

L. **BENEFIT DISTRIBUTIONS AND FEDERAL REQUIREMENTS**

1. Pensioners (retirees or surviving spouses) may voluntarily elect to reduce their monthly benefit received from the System. Pensioners who voluntarily reduce their monthly benefit will be allowed to later reinstate the monthly benefit to the full amount that would have been payable prospectively only.

2. All benefit distributions must comply with Section 401(a)(9) of the Code. This section of the Code, together with the Regulations promulgated thereunder, are hereby incorporated by reference in this Plan. The requirements of Section 401(a)(9) of the Code and the Regulations shall supersede any distribution option in this Plan which is inconsistent with Section 401(a)(9) of the Code.

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

4. It shall be impossible under this Plan, at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries under the Plan for any part of the corpus or income to be used for, or diverted to, purposes other than the exclusive benefit of the firefighters or their beneficiaries.

5. Forfeitures shall not be applied to increase the benefits any firefighter would otherwise receive under the Plan.

6. The normal retirement age for this Plan shall be the later of attainment of age 50 and completion of 20 years of service. The retirement benefit earned by a firefighter shall become nonforfeitable upon attainment of normal retirement age. In addition, the retirement benefit earned by a firefighter shall become nonforfeitable, to the extent funded (if not already nonforfeitable), upon the termination or partial termination of this Plan or the complete discontinuance of City contributions to the Plan.
M. MAXIMUM ANNUAL ADMINISTRATIVE EXPENSES

Effective August 30, 1999, Section 25 of TLFFRA provides that the Board of Trustees may pay from assets of the System all costs reasonably and lawfully incurred. The annual amount of payments from the System, excluding legal and medical fees, may not exceed (a) 1.0% of the book value of the assets of the System for the first $1 million in book value and (b) 0.25% of the book value of the assets of the System that exceeds $1 million.

IN WITNESS WHEREOF, this instrument has been executed this _____ day of __________ 2019, to be effective as of January 1, 2019.

TRUSTEES OF THE LAREDO FIREFIGHTERS RETIREMENT SYSTEM

________________________________________  __________________________________________
Trustee                                                                                 Trustee

________________________________________  __________________________________________
Trustee                                                                                 Trustee

________________________________________  __________________________________________
Trustee                                                                                 Trustee

________________________________________
Trustee

i:\clients\fire\wd\plandocs\2019\laredo\LaredoJan12019final.docx