

**RESOLUTION OF THE TOWN COUNCIL
OF THE TOWN OF SCITUATE, RHODE ISLAND**

A meeting of the Town Council of the Town of Scituate, Rhode Island (the "Town") was held on the 20th day of July, 2011, at which a quorum of Town Council members was present and acting throughout.

At the meeting, there was considerable discussion with respect to the adoption of an amendment which restates the Town of Scituate Retirement Plan for Police Department Employees (the "Plan") and the adoption of an Amendment to the Plan in accordance with the Pension Protection Act of 2006, the Heroes Earnings Assistance and Relief Act of 2008 and other legislation. Copies of the Plan documentation were presented at the meeting.

Upon successive motions duly made, and seconded, it was

- RESOLVED: That the Town of Scituate Retirement Plan for Police Department Employees, as restated, be adopted in the form presented at the meeting, effective as of July 1, 2011, subject to the approval of the Internal Revenue Service.
- RESOLVED: That Wilmington Trust Company shall continue to serve as the Trustee of the Plan.
- RESOLVED: That the limitation year for the Plan, within the meaning of Section 415 of the Internal Revenue Code, shall be the same as the Plan Year.
- RESOLVED: That the Amendment to the Plan be adopted in the form presented at the meeting, effective as of the dates indicated therein.
- RESOLVED: That the appropriate representatives of the Town are hereby authorized and directed to execute the Plan and Amendment, and to take any and all actions necessary or appropriate to effectuate the foregoing resolutions, including the making and execution of any subsequent changes or amendments to said Plan.

**TOWN COUNCIL OF THE TOWN
OF SCITUATE, RHODE ISLAND**

By: Charles A. Colby
Title: President

**AMENDMENT FOR
PPA, HEART ACT AND OTHER LAW CHANGES**

ARTICLE ONE -- GENERAL PROVISIONS

1.1 EFFECTIVE DATE OF AMENDMENT. This Amendment to the Town of Scituate Retirement Plan for Police Department Employees (the "Plan") is effective as indicated below for the respective provisions.

1.2 SUPERSEDING OF INCONSISTENT PROVISIONS. This Amendment supersedes the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

1.3 CONSTRUCTION. Except as otherwise provided in this Amendment, any reference to "Section" in this Amendment refers only to sections within this Amendment, and is not a reference to the Plan. The Article and Section numbering in this Amendment is solely for purposes of this Amendment, and does not relate to any Plan article, section or other numbering designations.

1.4 EFFECT OF RESTATEMENT OF PLAN. If the Employer restates the Plan, then this Amendment shall remain in effect after such restatement unless the provisions in this Amendment are restated or otherwise become obsolete (e.g., if the Plan is restated onto a plan document which incorporates PPA provisions).

**ARTICLE TWO -- PENSION FUNDING EQUITY ACT OF 2004
AS MODIFIED BY SUBSEQUENT LEGISLATION**

2.1 GENERAL RULE.

(a) *Effective Date.* The Employer adopts this Article Two to reflect certain provisions of the Pension Funding Equity Act of 2004 (PFEA), as modified by the Pension Protection Act of 2006 and the Worker, Retiree and Employer Recovery Act of 2008. Except as otherwise provided herein, effective for distributions in Plan Years beginning after December 31, 2003, the required determination of actuarial equivalence of forms of benefit other than a straight life annuity shall be made in accordance with this Amendment. However, this Amendment does not supersede any prior election to apply the transition rule of section 101(d)(3) of PFEA as described in Notice 2004-78.

(b) *Definition of "Applicable Mortality Table".* The "applicable mortality table" means the applicable mortality table within the meaning of Code Section 417(e)(3)(B) (as described in Article Twelve).

2.2 BENEFIT FORMS NOT SUBJECT TO THE PRESENT VALUE RULES OF CODE SECTION 417(e)(3).

(a) *Form Of Benefit.* The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this Section 2.2 if the form of the Participant's benefit is either:

(1) A nondecreasing annuity (other than a straight life annuity) payable for a period of not less than the life of the Participant (or, in the case of a qualified pre-retirement survivor annuity, the life of the surviving spouse), or

(2) An annuity that decreases during the life of the Participant merely because of:

(A) The death of the survivor annuitant (but only if the reduction is not below 50% of the benefit payable before the death of the survivor annuitant), or

(B) The cessation or reduction of Social Security supplements or qualified disability payments (as defined in Code Section 401(a)(11)).

(b) *Limitation Years Beginning Before July 1, 2007.* For Limitation Years beginning before July 1, 2007, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount:

(1) the interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; and

(2) a 5 percent interest rate assumption and the "applicable mortality table" defined in the Plan for that annuity starting date.

(c) *Limitation Years Beginning On or After July 1, 2007.* For Limitation Years beginning on or after July 1, 2007, the actuarially equivalent straight life annuity is equal to the greater of:

(1) The annual amount of the straight life annuity (if any) payable to the Participant under the Plan commencing at the same annuity starting date as the Participant's form of benefit; and

(2) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5 percent interest rate assumption and the applicable mortality table defined in the Plan for that annuity starting date.

2.3 BENEFIT FORMS SUBJECT TO THE PRESENT VALUE RULES OF CODE SECTION 417(e)(3).

(a) *Form of Benefit.* The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined as indicated under this Section 2.3 if the form of the Participant's benefit is other than a benefit form described in Section 2.2(a).

(b) *Annuity Starting Date in Small Plans for Plan Years Beginning in 2009 and Later.* Notwithstanding anything in this Amendment to the contrary, if the annuity starting date of the Participant's form of benefit is in a Plan Year beginning in or after 2009, and if the Plan is maintained by an eligible employer as defined Code Section 408(p)(2)(C)(i), the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount:

(1) The interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; and

(2) A 5.5 percent interest rate assumption and the applicable mortality table described in Article Twelve.

(c) *Annuity Starting Date in Plan Years Beginning after 2005.* Except as provided in Section 2.3(b), if the annuity starting date of the Participant's form of benefit is in a Plan Year beginning after December 31, 2005, the actuarially equivalent straight life annuity is equal to the greatest of:

(1) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form;

(2) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table for the distribution under Treasury Regulations Section 1.417(e)-1(d)(2) (determined in accordance with Article Twelve for Plan Years after the effective date of that Article); and

(3) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed for the distribution under Treasury Regulations Section 1.417(e)-1(d)(3) (determined in accordance with Article Twelve for Plan Years after the effective date of that Article) and the applicable mortality table for the distribution under Treasury Regulations Section 1.417(e)-1(d)(2) (determined in accordance with Article Twelve for Plan Years after the effective date specified below), divided by 1.05.

The effective date of the applicable mortality table above is for years beginning after December 31, 2008.

(d) *Annuity Starting Date in Plan Years Beginning in 2004 or 2005.* If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning in 2004 or 2005, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount:

(1) The interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; and

(2) A 5.5 percent interest rate assumption and the applicable mortality table for the distribution under Treasury Regulations Section 1.417(e)-1(d)(2).

However, this Section does not supersede any prior election to apply the transition rule of section 101(d)(3) of PFEA as described in Notice 2004-78.

ARTICLE THREE -- DIRECT ROLLOVER OF NON-SPOUSAL DISTRIBUTION

3.1 NON-SPOUSE BENEFICIARY ROLLOVER RIGHT. For distributions after December 31, 2006, a non-spouse beneficiary who is a "designated beneficiary" under Code Section 401(a)(9)(E) and the Regulations thereunder, by a direct trustee-to-trustee transfer ("direct rollover"), may roll over all or any portion of his or her distribution to an Individual Retirement Account (IRA) the beneficiary establishes for purposes of receiving the distribution. In order to be able to roll over the distribution, the distribution otherwise must satisfy the definition of an "eligible rollover distribution" under Code Section 401(a)(31).

3.2 CERTAIN REQUIREMENTS NOT APPLICABLE. Although a non-spouse beneficiary may roll over directly a distribution as provided in Section 3.1 of this Amendment, the distribution, if made prior to January 1, 2010, is not subject to the direct rollover requirements of Code Section 401(a)(31) (including Code Section 401(a)(31)(B)), the notice requirements of Code Section 402(f) or the mandatory withholding requirements of Code Section 3405(c). If a non-spouse beneficiary receives a distribution from the Plan, the distribution is not eligible for a 60-day (non-direct) rollover.

3.3 TRUST BENEFICIARY. If the Participant's named beneficiary is a trust, the Plan may make a direct rollover to an IRA on behalf of the trust, provided the trust satisfies the requirements to be a designated beneficiary within the meaning of Code Section 401(a)(9)(E).

3.4 REQUIRED MINIMUM DISTRIBUTIONS NOT ELIGIBLE FOR ROLLOVER. A non-spouse beneficiary may not roll over an amount that is a required minimum distribution, as determined under applicable Treasury Regulations and other Internal Revenue Service guidance. If the Participant dies before his or her required beginning date and the non-spouse beneficiary rolls over to an IRA the maximum amount eligible for rollover, the beneficiary may elect to use either the 5-year rule or the life expectancy rule, pursuant to Treasury Regulations Section 1.401(a)(9)-3, A-4(c), in determining the required minimum distributions from the IRA that receives the non-spouse beneficiary's distribution.

ARTICLE FOUR -- ROLLOVER OF AFTER-TAX AMOUNTS

4.1 DIRECT ROLLOVER TO QUALIFIED PLAN/403(B) PLAN. For taxable years beginning after December 31, 2006, a Participant may elect to transfer employee after-tax contributions by means of a direct rollover to a qualified plan or to a 403(b) plan that agrees to account separately for amounts so transferred (including interest thereon), including accounting separately for the portion of such distribution which is includible in gross income and the portion of such distribution which is not includible in gross income.

ARTICLE FIVE -- PARTICIPANT DISTRIBUTION NOTIFICATION

5.1 180-DAY NOTIFICATION PERIOD. For any distribution notice issued in Plan Years beginning after December 31, 2006, any reference to the 90-day maximum notice period requirements of Code Sections 402(f) (the rollover notice), 411(a)(11) (Participant's consent to distribution), and 417 (notice regarding the joint and survivor annuity rules) is changed to 180 days.

5.2 EFFECT OF DELAY OF DISTRIBUTION. Notices given to Participants pursuant to Code Section 411(a)(11) in Plan Years beginning after December 31, 2006 shall include a description of how much larger benefits will be if the commencement of distributions is deferred.

5.3 EXPLANATION OF RELATIVE VALUE. Notices to Participants shall include the relative values of the various optional forms of benefit, if any, under the Plan as provided in Treasury Regulations Section 1.417(a)-3. This provision is effective as of the applicable effective date set forth in Treasury Regulations (i.e., to qualified pre-retirement survivor annuity explanations provided on or after July 1, 2004; to qualified joint and survivor annuity explanations with respect to any distribution with an annuity starting date that is on or after February 1, 2006, or on or after October 2, 2004 with respect to any optional form of benefit that is subject to the requirements of Code Section 417(e)(3) if the actuarial present value of that optional form is less than the actuarial present value as determined under Code Section 417(e)(3)).

ARTICLE SIX -- QUALIFIED DOMESTIC RELATIONS ORDERS

6.1 PERMISSIBLE QDROS. Effective on or after April 6, 2007, a domestic relations order that otherwise satisfies the requirements for a qualified domestic relations order (QDRO) will not fail to be a QDRO: (i) solely because the order is issued after, or revises, another domestic relations order or QDRO; or (ii) solely because of the time at which the order is issued, including issuance after the annuity starting date or after the Participant's death.

6.2 OTHER QDRO REQUIREMENTS APPLY. A domestic relations order described in Section 6.1 is subject to the same requirements and protections that apply to QDROs.

ARTICLE SEVEN -- QUALIFIED OPTIONAL SURVIVOR ANNUITY

7.1 RIGHT TO ELECT QUALIFIED OPTIONAL SURVIVOR ANNUITY. Effective with respect to Plan Years beginning after December 31, 2007, a Participant who elects to waive the qualified joint and survivor annuity form of benefit under the Plan shall be entitled to elect the "qualified optional survivor annuity" at any time during the applicable election period. Furthermore, the written explanation of the joint and survivor annuity shall explain the terms and conditions of the "qualified optional survivor annuity."

7.2 DEFINITION OF QUALIFIED OPTIONAL SURVIVOR ANNUITY.

(a) For purposes of this Article, the term "qualified optional survivor annuity" means an annuity:

(1) For the life of the Participant with a survivor annuity for the life of the Participant's spouse which is equal to the "applicable percentage" of the amount of the annuity which is payable during the joint lives of the Participant and the Participant's spouse, and

(2) Which is the actuarial equivalent of a single annuity for the life of the Participant.

Such term also includes any annuity in a form having the effect of an annuity described in the preceding sentence.

(b) For purposes of this Section, the "applicable percentage" is based on the survivor annuity percentage (i.e., the percentage which the survivor annuity under the Plan's qualified joint and survivor annuity bears to the annuity payable during the joint lives of the Participant and the spouse). If the survivor annuity percentage is less than seventy-five percent (75%), then the "applicable percentage" is seventy-five percent (75%); otherwise the "applicable percentage" is fifty percent (50%).

ARTICLE EIGHT -- DIRECT ROLLOVER TO ROTH IRA

8.1 ROTH IRA ROLLOVER. For distributions made after December 31, 2007, a Participant or beneficiary may elect to roll over directly an "eligible rollover distribution" to a Roth IRA described in Code Section 408A(b). For this purpose, the term "eligible rollover distribution" includes a rollover distribution described in Article Four, if applicable.

ARTICLE NINE -- HEART ACT PROVISIONS

9.1 DEATH BENEFITS. In the case of a death or disability occurring on or after January 1, 2007, if a participant dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the participant had resumed and then terminated employment on account of death.

9.2 DIFFERENTIAL WAGE PAYMENTS. For years beginning after December 31, 2008, (a) an individual receiving a differential wage payment, as defined by Code Section 3401(h)(2), shall be treated as an Employee of the Employer making the payment, (b) the differential wage payment shall be treated as compensation, and (c) the Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment.

ARTICLE TEN -- CHANGE IN APPLICABLE INTEREST RATE AND APPLICABLE MORTALITY ASSUMPTION

10.1 EFFECTIVE DATE. Except as provided by the Pension Benefit Guaranty Corporation (PBGC) and IRS, the limitations of this Article shall first apply in determining the amount payable to a Participant having an annuity starting date in a Plan Year beginning on or after January 1, 2008.

10.2 APPLICABLE INTEREST RATE. For purposes of the Plan's provisions relating to the calculation of the present value of a benefit payment that is subject to Code Section 417(e), as well as any other Plan provision referring directly or indirectly to the "applicable interest rate" or "applicable mortality table" used for purposes of Code Section 417(e), any provision prescribing

the use of the annual rate of interest on 30-year U.S. Treasury securities shall be implemented by instead using the rate of interest determined by applicable interest rate described by Code Section 417(e) after its amendment by PPA. Specifically, the applicable interest rate shall be the adjusted first, second, and third segment rates applied under the rules similar to the rules of Code Section 430(h)(2)(C) for the calendar month (lookback month) before the first day of the Plan Year in which the annuity starting state occurs (stability period), or such other lookback month and stability period set forth in the Plan for purposes of determining the applicable interest rate. For this purpose, the first, second, and third segment rates are the first, second, and third segment rates which would be determined under Code Section 430(h)(2)(C) if:

(a) Code Section 430(h)(2)(D) were applied by substituting the average yields for the month described in the preceding paragraph for the average yields for the 24-month period described in such section, and

(b) Code Section 430(h)(2)(G)(i)(II) were applied by substituting "Section 417(e)(3)(A)(ii)(II) for "Section 412(b)(5)(B)(ii)(II)," and

(c) The applicable percentage under Code Section 430(h)(2)(G) is treated as being 20% in 2008, 40% in 2009, 60% in 2010, and 80% in 2011.

10.3 APPLICABLE MORTALITY ASSUMPTION. For purposes of the Plan's provisions relating to the calculation of the present value of a benefit payment that is subject to Code Section 417(e), as well as any other Plan provision referring directly or indirectly to the "applicable interest rate" or "applicable mortality table" used for purposes of Code Section 417(e), any provision directly or indirectly prescribing the use of the mortality table described in Revenue Ruling 2001-62 shall be amended to prescribe the use of the applicable annual mortality table within the meaning of Code Section 417(e)(3)(B), as initially described in Revenue Ruling 2007-67.

IN WITNESS WHEREOF, the Employer, by its duly authorized representative, has caused this Amendment to be executed this 22nd day of July, 2011.

TOWN OF SCITUATE, RHODE ISLAND

By: Charles A. Colby
Authorized Representative

**TOWN OF SCITUATE
RETIREMENT PLAN FOR
POLICE DEPARTMENT EMPLOYEES**

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SIGNATURE PAGE

**TOWN OF SCITUATE
RETIREMENT PLAN FOR POLICE DEPARTMENT EMPLOYEES**

WHEREAS, the Town of Scituate, Rhode Island (hereinafter referred to as the "Employer") adopted the Town of Scituate Retirement Plan for Police Department Employees (hereinafter referred to as the "Plan") for the benefit of its Employees, effective as of October 1, 1981; and

WHEREAS, Article Ten of said Plan provides that the Employer may amend the Plan; and

WHEREAS, the Employer wishes to amend and restate the Plan; and

WHEREAS, it is intended that the Plan is to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") as a governmental plan within the meaning of Section 414(d) of the Code and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended; and

WHEREAS, the Plan is to be operated for the exclusive benefit of the Participants and their Beneficiaries;

NOW, THEREFORE, the Plan is hereby amended by restating the Plan in its entirety as follows:

ARTICLE ONE--DEFINITIONS

For purposes of this Plan, unless the context or an alternative definition specified within another Article provides otherwise, the following words and phrases shall have the meanings indicated:

1.1 "ACCRUED BENEFIT" shall mean the amount to which a Participant would be entitled under the benefit formula in Section 4.1 commencing at his Normal Retirement Date, based upon the Participant's Average Compensation, Years of Service and the Plan provisions in effect as of the determination. In the case of any Participant who is credited with at least one Hour of Service in a Plan Year beginning on or after January 1, 1988, the accrual of benefits may not be discontinued nor may the rate of such accruals be reduced solely on account of the Participant's attainment of any specified age. The treatment of benefit accruals beyond Normal Retirement Date shall be determined in accordance with Section 4.2. Years of Service during which an Employee declined to make Employee Mandatory Contributions shall be disregarded for purposes of determining a Participant's Accrued Benefit.

1.2 "ACTUARIAL EQUIVALENT" shall mean a benefit that has a value equal to any benefit otherwise payable under the Plan as determined by the Actuary.

(a) Equivalence, for all purposes except for determining an Actuarial Equivalent single sum, shall be determined using the following factors:

	<u>Pre-Retirement</u>	<u>Post-Retirement</u>
Interest:	9%	9%
Mortality:	None	1983 Group Annuity Mortality Table (Male/Female)

(b) Effective July 1, 2000, the distribution to a Participant of a benefit under the Plan in the form of an Actuarial Equivalent single sum shall be determined in accordance with (1) and (2) below, whichever produces the greater single sum amount:

	<u>Pre-Retirement</u>	<u>Post-Retirement</u>
(1)		
Interest:	9%	9%
Mortality:	None	1983 Group Annuity Mortality Table (Male/Female)

(2)	<u>Pre-Retirement</u>	<u>Post-Retirement</u>
Interest:	The "applicable interest rate" defined below	The "applicable interest rate" defined below
Mortality:	None	The "applicable mortality table" defined below

For purposes of this Section 1.2, the term "applicable interest rate" means the annual rate of interest on 30-year Treasury securities, or such other applicable interest as prescribed by the Internal Revenue Service for purposes of Section 417(e) of the Code, for the calendar month that is two (2) months preceding the calendar month in which the distribution occurs. The "applicable interest rate" shall remain constant for one calendar month.

For purposes of this Section 1.2, the term "applicable mortality table" means the mortality table based upon a fixed blend of fifty percent (50%) of the unloaded male mortality rates and fifty percent (50%) of the unloaded female mortality rates underlying the 1994 Group Annuity Reserving Table, projected to 2002, which mortality table is set forth in Internal Revenue Service Revenue Ruling 2001-62, or such other applicable mortality table as prescribed by the Internal Revenue Service for purposes of Section 417(e) of the Code.

(c) In the event the factors used to determine Actuarial Equivalent are modified, the value of a Participant's benefit, on or after the effective date of such change, shall be the greater of (1) the Actuarial Equivalent of the Accrued Benefit determined as of the day before the effective date of the change in such factors, or (2) the Actuarial Equivalent of the Accrued Benefit as of the date of determination computed using the new factors.

1.3 "ACTUARY" shall mean an actuary appointed by the Administrator under whose supervision valuation reports and benefit calculations are performed for the Plan. The actuary must be enrolled under Federal practice.

1.4 "ADMINISTRATOR" shall mean the Pension Committee appointed in accordance with the provisions of Article Eight.

1.5 "BENEFICIARY" shall mean any person, trust, organization or estate entitled to receive a death benefit under the Plan on the death of a Participant.

1.6 "BREAK IN SERVICE" shall mean a Year of Service during which a Participant declines to make Employee Mandatory Contributions.

1.7 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.8 "COMPENSATION" shall mean:

(a) The monthly equivalent of a Participant's annual compensation, including longevity pay and holiday pay, but exclusive of bonuses, overtime and other forms of additional compensation, and exclusive of any program of deferred compensation, employee benefits, or additional remuneration payable other than in cash.

(b) *Compensation Limitations.* The annual Compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001 shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. Annual Compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual Compensation for the determination period that begins with or within such calendar year.

If a determination period consists of fewer than 12 months, the annual Compensation limit is an amount equal to the otherwise applicable annual Compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

If compensation for any prior determination period is taken into account in determining a Participant's allocations for the current Plan Year, the compensation for such prior determination period is subject to the applicable annual Compensation limit in effect for that prior period.

(c) **"AVERAGE COMPENSATION"** shall mean the Compensation of a Participant averaged over the one (1) year as an Employee prior to the earlier of (1) his termination of Service, (2) his retirement or (3) termination of the Plan.

1.9 "EFFECTIVE DATE." The Plan's initial Effective Date is October 1, 1981. The Plan has been amended and restated from time to time. The Effective Date of this restated Plan, on and after which it supersedes the terms of the existing Plan document, is July 1, 2011, except where the provisions of the Plan shall otherwise specifically provide. The rights of any Employee or Participant who separated from the Employer's service prior to that date shall be established under the terms of the Plan and Trust as in effect at the time of his separation, unless he subsequently returns to service with the Employer. Rights of spouses or beneficiaries of such Participants shall also be governed by those documents.

1.10 "EMPLOYEE" shall mean a permanent sworn member of the Police Department of the Town of Scituate who has received a permanent appointment to such department from the Town Council of the Town of Scituate. Employee shall not include the Chief of Police of the Town if the Chief of Police was hired by the Town from another municipality or was previously a member of the State Police of any State and such Chief of Police was included in a pension plan of that municipality or

State Police. Employee shall not include any individual who the Employer has classified as an independent contractor solely on account of his reclassification by the Internal Revenue Service as an employee.

1.11 **"EMPLOYEE MANDATORY CONTRIBUTIONS"** shall mean contributions made by the Employees as set forth in Section 7.2.

1.12 **"EMPLOYER"** shall mean the Town of Scituate, Rhode Island.

1.13 **"EMPLOYMENT DATE"** shall mean the first date as of which an Employee is employed by the Employer, provided that in the case of a Break in Service, his Employment Date shall be the first date thereafter.

1.14 **"NORMAL RETIREMENT AGE"** shall mean, effective for Employees hired by the Town prior to July 1, 2000: (a) a Participant's completion of twenty (20) Years of Service; or (b) a Participant's attainment of age fifty-six (56) with ten (10) Years of Service. **"NORMAL RETIREMENT AGE"** shall mean: effective for Employees hired by the Town on or after July 1, 2000, (a) a Participant's completion of twenty-five (25) Years of Service; or (b) a Participant's attainment of age fifty-six (56) with ten (10) Years of Service.

"NORMAL RETIREMENT DATE" shall mean the first day of the month coincident with or next following a Participant's attainment of Normal Retirement Age.

1.15 **"PARTICIPANT"** shall mean any Employee who has satisfied the eligibility requirements of Article Three and who is participating under the Plan, and shall include Participants who terminated Service with the Employer but have not received a total distribution of their vested Accrued Benefits.

1.16 **"PENSION COMMITTEE"** or **"COMMITTEE"** shall mean the committee provided for in Article Eight.

1.17 **"PLAN"** shall mean this Plan as set forth herein and as it may be amended from time to time.

1.18 **"PLAN YEAR"** shall mean the twelve (12)-consecutive-month period beginning July 1 and ending June 30.

1.19 **"TOWN"** shall mean the Town of Scituate, Rhode Island.

1.20 **"TRUST"** shall mean the Trust Agreement entered into between the Employer and the Trustee forming part of this Plan, together with any amendments thereto. "Trust Fund", or "Fund", shall mean any and all property held by the Trustee pursuant to the Trust Agreement, together with income therefrom.

1.21 **"TRUSTEE"** shall mean the Trustee or Trustees appointed by the Employer in accordance with Section 8.12, and any successors thereto.

1.22 **"VALUATION DATE"** shall mean the annual date selected by the Actuary as of which Plan assets are valued and liabilities determined for purposes of an actuarial valuation.

1.23 **"YEAR OF SERVICE"** shall mean the twelve (12)-consecutive month period measured from the Participant's Employment Date during which he makes Employee Mandatory Contributions to the Plan. Succeeding computation periods for determining Years of Service shall be measured from the anniversary date of the Participant's Employment Date. Credit shall also be given for fractional Years of Service, said fractional years being credited for each month during which the Participant makes Employee Mandatory Contributions to the Plan. Years of Service during which an Employee declined to make Employee Mandatory Contributions shall be disregarded for benefit accrual purposes.

A Participant shall also receive credit for a Year of Service for all purposes as may be credited by the Pension Committee for military service as set forth in Article Two.

ARTICLE TWO--SPECIAL RULES RELATED TO SERVICE

2.1 CESSATION OF EMPLOYMENT AND RETURN TO SERVICE. An Employee who returns to employment after a Break in Service shall retain credit for his pre-Break Years of Service, subject to the following rules:

(a) If, when the Employee incurred his Break in Service, he had not completed sufficient Years of Service to be credited with a vested benefit, his pre-Break Years of Service will be disregarded for vesting purposes if his consecutive Breaks in Service equal or exceed the aggregate number of pre-Break Years of Service. If, however, the non-vested Participant had received, upon termination of employment, a distribution of his Employee Mandatory Contributions, he shall receive credit for his pre-Break Years of Service only if such amounts are repaid as set forth in Section 2.1(b).

(b) If the Participant received full or partial payment of his vested interest in the Plan, or a return of his Employee Mandatory Contributions, pre-Break Years of Service will be restored for accrual purposes only if amounts are repaid, with five percent (5%) interest compounded annually, as of the earlier of the date which is five (5) years after the Participant's subsequent Employment Date, or the date which is the last day of the period in which the Participant incurs five (5) consecutive Breaks in Service commencing as of the date of distribution. It is the intention of the Employer that no Employee receive a duplication of benefits and this Section shall be so interpreted.

2.2 MILITARY SERVICE AND OTHER LEAVES OF ABSENCE. Any Employee who leaves his employment with the Town for service in the Armed Forces of the United States, or is absent on any other approved leave of absence, shall not be considered to have terminated his Service with the Town, provided that such Employee returns to the employ of the Town within ninety (90) days after he first becomes entitled to his release from the Armed Forces, or at the termination of his approved leave of absence. However, such an Employee will not accrue any benefits during such absence, nor shall any contributions be made for him with respect to such period of absence, unless he makes contributions as allowed under Section 7.4.

2.3 SPECIAL RULES RELATING TO VETERANS REEMPLOYMENT RIGHTS. Notwithstanding any provisions of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code. The provisions of this Section 2.3 are effective December 12, 1994.

ARTICLE THREE--PLAN PARTICIPATION

3.1 PARTICIPATION. All Employees participating in this Plan prior to the Plan's restatement shall continue to participate, subject to the terms hereof. Each other Employee shall be required, as a condition of employment, to become a Participant under the Plan effective as of his Employment Date as an Employee by the Town. No Employee is eligible to participate in the Plan unless he agrees to make Employee Mandatory Contributions as set forth in Section 7.2.

Employee shall not include any individual who the Employer has classified as an independent contractor solely on account of his reclassification by the Internal Revenue Service as an employee.

3.2 REEMPLOYMENT OF FORMER PARTICIPANT. For purposes of the Plan, a Participant whose participation ceased because of termination of employment with the Employer, and who is thereafter reemployed by the Town, shall be deemed to have been employed by the Town only from the date of his reemployment.

3.3 APPLICATIONS FOR PARTICIPATION. To become a Participant, an eligible Employee must sign an application accepting the terms of the Plan and authorizing the deduction of his Employee Mandatory Contributions from his Compensation. Such application must be completed and returned to the Employer within thirty (30) days after it is presented to the Employee, authorizing his Employee Mandatory Contributions from the date he is first eligible to join the Plan.

ARTICLE FOUR--RETIREMENT AND DISABILITY BENEFITS, VESTING

4.1 NORMAL RETIREMENT BENEFIT. Each Participant who retires at his Normal Retirement Date shall be entitled to receive a monthly retirement benefit as set forth in Section 4.1(a) or Section 4.1(b), as applicable, determined as of such date.

(a) Effective for Employees hired by the Town on or after July 1, 2000, the amount of the monthly benefit shall be equal to two and four tenths percent (2.4%) of his Average Compensation multiplied by his Years of Service not to exceed twenty-five (25) Years of Service. The amount of the monthly benefit for such a Participant who has completed twenty-five (25) Years of Service shall be equal to sixty percent (60%) of his Average Compensation. The monthly benefit shall not be increased for Years of Service in excess of twenty-five (25) Years of Service.

(b) Effective for Employees hired by the Town prior to July 1, 2000, the amount of the monthly retirement benefit shall be equal to two and one half percent (2.5%) of his Average Compensation multiplied by his Years of Service not to exceed twenty (20) Years of Service. The amount of the monthly benefit for such a Participant who has completed twenty (20) Years of Service shall be equal to fifty percent (50%) of his Average Compensation. The monthly benefit shall be increased by two percent (2.0%) for each Year of Service in excess of twenty (20) Years of Service; provided, however, that the maximum monthly benefit shall be equal to sixty percent (60%) of such Participant's Average Compensation.

(c) Notwithstanding the foregoing provisions of this Section 4.1, effective prior to July 1, 1999, the monthly retirement benefit of a Participant who has retired and is receiving his monthly benefit shall be increased in the amount of thirty percent (30%) of any dollar increase that has been granted in the monthly salary of the position or rank held by the Participant on the date of his retirement. Effective July 1, 1999, the monthly retirement benefit of a Participant who has retired and is receiving his monthly benefit shall be increased in the amount of thirty percent (30%) of any percentage increase that has been granted in the monthly salary of the position or rank held by the Participant on the date of his retirement.

A Participant's right to his benefit shall be nonforfeitable upon reaching Normal Retirement Age. It shall be payable under the rules specified in Article Five. In no event will the monthly retirement benefit be greater than the maximum permissible amount defined in Section 9.1(f)(9).

4.2 LATE RETIREMENT BENEFIT. A Participant who remains in the employ of the Employer after his Normal Retirement Date, regardless of whether he makes Employee Mandatory Contributions, shall not be eligible to receive his benefit until his actual retirement date, except if a minimum distribution is required by the rules specified in Section 5.6. Any such Participant shall be entitled to a monthly benefit equal to the amount of his monthly retirement benefit had he retired at his Normal Retirement Date.

4.3 DISABILITY RETIREMENT.

(a) *Occupational Disability Benefit.* The monthly occupational disability benefit payable to a Participant who becomes entitled thereto shall be an amount equal to sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of the Participant's Average Compensation. The benefit shall be payable monthly for the period of disability.

(b) *Ordinary Disability Benefit.* The monthly ordinary disability benefit payable to a Participant who becomes entitled thereto shall be an amount equal to one and two-thirds percent (1 $\frac{2}{3}$ %) of his Average Compensation at his ordinary disability retirement date multiplied by his Years of Service at his ordinary disability retirement date. The minimum ordinary disability benefit shall be twenty-five percent (25%) of the Participant's Average Compensation, and the maximum ordinary disability benefit shall be fifty percent (50%) of the Participant's Average Compensation.

(c) *Definition of Occupational Disability.* In the event that a Participant becomes totally and permanently disabled as a natural and proximate result of accident while in the performance of his duty and such disability is not the result of willful negligence or misconduct on the part of the Participant who has been examined by a physician appointed by the Town and remained away from regular employment as a member of the Police Department for a period of eighteen (18) months, such Participant shall be entitled to retire due to an occupational disability upon being deemed physically unfit for duty. The Town shall direct the Pension Committee to place such Participant on disability retirement as of the first day of the month following such determination. In the event that a Participant shall apply for an occupational disability retirement prior to the expiration of the eighteen-month period described above, the Pension Committee shall cause the Participant to submit to a medical examination by three (3) physicians engaged by the Pension Committee. Such Participant shall be considered to be totally and permanently disabled for purposes of this Section 4.3(c) if a majority of the physicians agree that the Participant is physically or mentally disabled for the performance of duty and such disability is not due to age or length of service.

(d) *Definition of Ordinary Disability.* In the event that a Participant becomes disabled as the result of injury or illness for any reason other than as provided in Section 4.3(c) and he has completed seven (7) Years of Service under the Plan, he shall be entitled to retire. A Participant shall be considered disabled for purposes of this Section 4.3(d) if he is unable to perform the duties of his position and examinations by a majority of three (3) physicians engaged by the Pension Committee determine that the Participant is physically or mentally disabled for the performance of further duty and ought to be retired.

(e) *Continuing Evidence of Disability.* Once each year the Pension Committee may require any disability pensioner who has not reached the number of Years of Service to otherwise receive a normal retirement benefit to undergo a medical examination by a physician engaged by the Pension Committee. If such an examination indicates that the disability pensioner is able to engage

in a gainful occupation, and if he is engaged in any gainful occupation or if he is offered employment with the Town, the Pension Committee shall adjust, and from time to time readjust, his retirement benefit to an amount which when combined with his earnings shall not exceed the rate of earnable compensation in force currently for the classification that the disability pensioner held prior to his disability retirement. If any disability pensioner who has not reached the minimum number of Years of Service for a normal retirement benefit refuses to submit to a medical examination in any year, by a physician engaged by the Pension Committee, his retirement benefits may be discontinued by the Pension Committee until he submits to such an examination.

(f) Time of Payment. The Participant may elect to have payment of benefits commence on the first day of the month following the date on which a determination of disability is made by the Pension Committee pursuant to the rules specified in this Section 4.3.

(g) Form of Payment. Payment shall be made in accordance with the provisions of Article Five. Payments shall be deemed disability income until the earlier of the first of the month following the Participant's death, recovery from disability or attainment of Normal Retirement Date. Any further payment after such event shall be governed by the form of payment selected at the time of disability.

4.4 VESTING. A Participant shall at all times have a nonforfeitable (vested) right to his Employee Mandatory Contributions. Except as otherwise provided with respect to Normal Retirement, disability, or death, a Participant shall have a nonforfeitable right to a percentage of his Accrued Benefit derived from Employer contributions as determined under the following schedule. The benefit shall be payable under the rules specified in Article Five.

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 10 years	0%
10 years and thereafter	100%

If a Participant terminates employment for reasons other than retirement, death or disability prior to his completion of ten (10) Years of Service, he shall be entitled to a refund of his Employee Mandatory Contributions. Distribution of this amount shall commence no later than sixty (60) days following the close of the Plan Year in which the Participant terminated employment.

4.5 ONLY ONE BENEFIT FROM TOWN. No benefits shall be paid under this Plan to any person otherwise entitled thereto while he is receiving compensation from the Town, unless such compensation is received by such person as a duly elected and qualified Town official, except to the extent that such benefit under the Plan exceeds his compensation from the Town.

4.6 MINIMUM PAYMENTS. If any amount payable under this Plan shall be less than ten dollars (\$10) a month if paid on a monthly basis, the Pension Committee may direct the Trustee to pay the Actuarial Equivalent of this amount on a quarterly, semi-annual, annual or lump sum basis.

4.7 CONDITIONS FOR RECEIVING BENEFITS.

(a) *Application for Benefits.* Each Participant, former Participant, retired Participant or Beneficiary entitled to benefits must make application on a form provided by the Pension Committee.

(b) *Current Address of Participant.* It shall be the duty of every Participant, former Participant, retired Participant or Beneficiary entitled to benefits hereunder to furnish the Trustee with his current address, from time to time, and the Trustee shall not be required to make any inquiry in order to ascertain the correct address of any person entitled to benefits.

(c) *Dishonesty.* Prior to termination of the Plan or permanent discontinuance of contributions, and notwithstanding any other provisions of the Plan, if a Participant leaves the employ of the Town or is discharged from the employ of the Town and is discovered to have been involved in an act stated to involve dishonesty, fraud or criminal action on the part of such Participant in connection with his position, which leads to a felony conviction, or if the Participant signs a written confession admitting such dishonesty, fraud or criminal action leading to a felony conviction, or the Participant is convicted by a court of competent jurisdiction as a felon, such Participant shall forfeit any and all benefits under the Plan, except a return of Employee Mandatory Contributions, whether or not vested under any provisions of this Plan.

ARTICLE FIVE--MODE AND TIME OF DISTRIBUTION OF PENSION BENEFITS

5.1 NORMAL FORM OF BENEFIT. The pension formula under Section 4.1 is calculated to produce a benefit in the form of equal monthly installments, payable to the Participant during his lifetime, with payments ceasing in the month of his death, subject to the succeeding provisions of Article Five. Alternatively, a Participant shall be permitted to select any of the options in Section 5.2.

5.2 OPTIONAL FORMS OF BENEFIT PAYMENTS. In lieu of the normal monthly income provided under Section 5.1, a Participant eligible for such benefits may elect to receive an alternative form of monthly payments that is the Actuarial Equivalent of his vested Accrued Benefit in accordance with any of the following options:

(a) A monthly income payable to and during the lifetime of the Participant with the provision that after his death a monthly income at the rate of 50%, 66.66% or 100% of his monthly income shall then be paid to and during the lifetime of his named Beneficiary. If the Participant is survived by a spouse or dependent child, election of this option shall not be effective. If the Participant and his named Beneficiary both die before the combined payments to both persons are at least equal to the Participant's Employee Mandatory Contributions, there shall be a death benefit payable to the Participant's Beneficiary, as such Beneficiary is designated pursuant to Section 6.2, equal to the Participant's Employee Mandatory Contributions, reduced by the amount of benefits paid under this Section 5.2(a). This option shall be subject to the minimum distribution rules of Section 5.6.

(b) A monthly income payable to and during the lifetime of the Participant. In the event of death after payments have commenced, but prior to the completion of one hundred eighty (180) (or two hundred forty (240), as elected by the Participant) monthly payments, the monthly payments shall continue to be paid to the Participant's designated Beneficiary until a combined total of one hundred eighty (180) (or two hundred forty (240), as elected by the Participant) monthly payments have been received by the Participant and the Beneficiary. If the Participant is survived by a spouse or dependent child, election of this option shall not be effective. If the Beneficiary predeceases the Participant, the balance of the payments will be made to the Participant's estate or to such other Beneficiary as the Participant elects.

(c) If any amount payable under this Plan shall be less than ten dollars (\$10) a month if paid on a monthly basis, the Pension Committee may direct the Trustee to pay the Actuarial Equivalent of this amount on a quarterly, semi-annual, annual or lump sum basis.

Benefit elections shall be in writing and shall be filed in accordance with uniform administrative procedures established by the Pension Committee. If the Beneficiary dies after the election of an option but prior to the commencement of monthly payments to the Participant, the election shall be

null and void and the Participant may elect any alternative form of payment. If the Beneficiary dies following the commencement of monthly payments to a Participant under Section 5.2(a), payment of the monthly income will continue only to the Participant.

5.3 REVOCATION OR CHANGE OF OPTIONAL FORM. A Participant may revoke or change any election previously made or deemed to be made under this Article Five prior to the commencement of benefit payments.

5.4 TIME OF COMMENCEMENT OF BENEFIT PAYMENTS.

(a) *Normal or Late Retirement.* Participants whose employment has terminated shall have distribution of their benefits commence within sixty (60) days following the close of the Plan Year in which occurred their Normal Retirement Date, unless the Participant elects to defer receipt of his benefits.

(b) *Disability Retirement.* A Participant whose employment has terminated due to disability may request in writing the distribution of his benefits to commence no later than sixty (60) days after the close of the Plan Year in which a determination of disability is made by the Pension Committee, subject to the provisions of Section 4.3.

(c) *Pre-retirement Termination of Employment.* If a Participant terminates employment for any reason other than Normal Retirement, disability or death, distribution of his vested Accrued Benefit, as set forth in Section 5.5, shall commence upon the later of:

(1) The 60th day following the close of the Plan Year in which the Participant's Normal Retirement Date occurs; or

(2) The 60th day after a Participant's written election to commence payment is delivered to the Administrator provided that such delivery occurs within 60 days of the date specified in Subsection (1) above.

(d) *Latest Commencement Date.* A Participant who terminates employment after his Normal Retirement Date may elect to defer receipt of his retirement benefits; provided, however, in no event shall the distribution of benefits commence later than the April 1st of the calendar year following the later of: (1) the calendar year in which the Participant attains age 70 1/2; or (2) the calendar year in which the Participant retires. The provisions of this Section 5.4(d) are subject to a timely election signed by a Participant that complies with the provisions of Section 242(b) of TEFRA.

(1) Any Participant attaining age 70 1/2 in years after 1995 may elect by April 1 of the calendar year following the year in which the Participant attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996) to defer distributions until the April 1 of the calendar year following the calendar year in which the Participant retires. If no such election

is made, the Participant will begin receiving distributions by the April 1 of the calendar year following the calendar year in which the Participant attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996).

(2) The preretirement age 70 1/2 distribution option is only eliminated with respect to Employees who reach age 70 1/2 in or after a calendar year that begins after December 31, 1998. The preretirement age 70 1/2 distribution option is an optional form of benefit under which benefits payable in a particular distribution form (including any modifications that may be elected after benefit commencement) commence at a time during the period that begins on or after January 1 of the calendar year in which an Employee attains age 70 1/2 and ends April 1 of the immediately following calendar year.

The provisions of this Section 5.4(d) (relating to required distributions) are intended to comply with Section 401(a)(9) of the Code, the regulations thereunder and any other applicable guidance, and shall be so interpreted.

5.5 TERMINATION OF EMPLOYMENT BEFORE RETIREMENT.

(a) *Return of Employee Mandatory Contributions.* If a Participant's employment with the Town is terminated for any reason other than death, disability, or retirement, the Participant shall be entitled to a payment equal to his Employee Mandatory Contributions.

(b) *Vested Benefits.* If a Participant has a vested Accrued Benefit and his employment is terminated for any reason other than death, retirement, disability, or discharge for cause, he may elect to leave his Employee Mandatory Contributions in the Fund and receive a deferred benefit commencing at his Normal Retirement Date, if he is living on such date. His vested benefit will be an amount equal to his Accrued Benefit at the date of termination of employment, based on the provisions of the Plan in effect on the date he terminated his employment.

(c) *Right to Leave Employee Mandatory Contributions in Fund.* A Participant who is not entitled to a vested benefit may leave his Employee Mandatory Contributions in the Fund and receive a benefit commencing at his Normal Retirement Date, payable for his lifetime, equal to the benefit which can be provided by his Employee Mandatory Contributions.

(d) *Death of Terminated Participant.* If a Participant who terminates his employment and leaves his Employee Mandatory Contributions in the Fund should die before he has received payments equal to his Employee Mandatory Contributions, his Beneficiary, as designated pursuant to Section 6.2, shall be entitled to a death benefit equal to the Employee Mandatory Contributions, reduced by the amount of the payments made to the Participant.

(e) *Effect of Return of Employee Mandatory Contributions.* A Participant who elects a return of his Employee Mandatory Contributions will not be entitled to any other benefits under the Plan.

5.6 MINIMUM DISTRIBUTION RULES.

(a) In General.

(1) Effective Date. The provisions of this Section 5.6 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(2) Precedence. The requirements of this Section 5.6 will take precedence over any inconsistent provisions of the Plan.

(3) Requirements of Income Tax Regulations Incorporated. All distributions required under this Section 5.6 will be determined and made in accordance with Section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit requirement in Section 401(a)(9)(G), and the Income Tax Regulations thereunder.

(4) Limits on Distribution Periods. As of the first distribution calendar year, distributions to a Participant, if not made in a single sum, may be made over one of the following periods:

(A) the life of the Participant,

(B) the joint lives of the Participant and a designated beneficiary,

(C) a period certain not extending beyond the life expectancy of the Participant, or

(D) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and a designated beneficiary.

(b) Time and Manner of Distribution.

(1) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

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

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

(B) If the Participant's surviving spouse is not the Participant'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 Participant died.

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

(D) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 5.6(b)(2), other than Section 5.6(b)(2)(A), will apply as if the surviving spouse were the Participant.

For purposes of this Section 5.6(b)(2) and Section 5.6(e), distributions are considered to begin on the Participant's required beginning date (or, if Section 5.6(b)(2)(D) applies, the date distributions are required to begin to the surviving spouse under Section 5.6(b)(2)(A)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 5.6(b)(2)(A)), the date distributions are considered to begin is the date distributions actually commence.

(3) Form of Distribution. Unless the Participant'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 5.6(c), 5.6(d) and 5.6(e). If the Participant'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 Income Tax Regulations. Any part of the Participant'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 Income Tax Regulations that apply to individual accounts.

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

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

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

(B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 5.6(d) or 5.6(e);

(C) 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;

(D) payments will either be nonincreasing or increase only as follows:

(i) by an annual percentage increase that does not exceed the percentage increase in an eligible cost-of-living index for a 12-month period ending in the year during which the increase occurs or a prior year;

(ii) by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index since the annuity starting date or, if later, the date of the most recent percentage increase;

(iii) by a constant percentage of less than five percent per year, applied not less frequently than annually; or

(iv) as a result of dividend or other payments that result from actuarial gains provided:

(I) actuarial gain is measured not less frequently than annually;

(II) the resulting dividend or other payments are either paid no later than the year following the year for which the actuarial experience is measured or paid in the same form as the payment of the annuity over the remaining period of the annuity (beginning no later than the year following the year for which the actuarial experience is measured);

(III) the actuarial gain taken into account is limited to the actuarial gain from investment experience;

(IV) the assumed interest rate used to calculate such actuarial gain is not less than three percent; and

(V) the annuity payments are not increased by a constant percentage as described in (iii) of this Section 5.6(c)(1)(D).

(v) to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Participant's beneficiary pursuant to a qualified domestic relations order with the meaning of Section 414(p) of the Code;

(vi) to provide a final payment upon the Participant's death not greater than the excess of the actuarial present value of the Participant's accrued benefit (within the meaning of Section 411(a)(7) of the Code) calculated as of the annuity starting date using the applicable interest

rate defined in Section 1.2 of the Plan and the applicable mortality table defined in Section 1.2 of the Plan (or, if greater, the total amount of employee contributions) over the total of payments before the Participant's death;

(vii) to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the Participant's death; or

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

(2) Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals. The amount that must be distributed on or before the Participant's required beginning date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 5.6(b)(2)(A) or (B)) 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. All of the Participant'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 Participant's required beginning date.

(3) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the Participant 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 Participants Lifetime.

(1) Joint Life Annuities Where the Beneficiary is not the Participant's Spouse. If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a nonspouse beneficiary, annuity payments to be made on or after the Participant's required beginning date to the designated beneficiary after the Participant'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 Participant using the table set forth in Section 1.401(a)(9)-6, Q & A 2(c)(2) of the Income Tax Regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant 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 Participant'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 Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9, Q & A 2 of the Income Tax Regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the

Uniform Lifetime Table set forth in Section 1.401(a)(9)-9, Q & A 2 of the Income Tax Regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the annuity starting date. If the Participant's spouse is the Participant'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 Participant's applicable distribution period, as determined under this Section 5.6(d)(2), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9, Q & A 3 of the Income Tax Regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the annuity starting date.

(e) Requirements for Minimum Distributions After the Participant's Death.

(1) Death After Distributions Begin. If the Participant dies after distribution of his or her interest begins in the form of an annuity meeting the requirements of this article, the remaining portion of the Participant's interest will continue to be distributed over the remaining period over which the distributions commenced.

(2) Death Before Distributions Begin.

(A) Participant Survived by Designated Beneficiary. If the Participant dies before the date distribution of his or her interest begins and there is a designated beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described in Section 5.6(b)(2)(A) or (B), 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 Participant'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.

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

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 5.6(e) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 5.6(b)(2)(A).

(f) Changes to Annuity Payment Period.

(1) Permitted Changes. An annuity payment period may be changed only in association with an annuity payment increase described in Section 5.6(c)(1)(D) or in accordance with Section 5.6(f)(2).

(2) Reannuitization. An annuity payment period may be changed and the annuity payments modified in accordance with that change if the conditions in Section 5.6(f)(3) are satisfied; and

(A) the modification occurs when the Participant retires or in connection with a plan termination;

(B) the payment period prior to modification is a period certain without life contingencies; or

(C) the annuity payments after modification are paid under a qualified joint and survivor annuity over the joint lives of the Participant and a designated Beneficiary, the Participant's spouse is the sole designated beneficiary, and the modification occurs in connection with the Participant becoming married to such spouse.

(3) Conditions. The conditions in this Section 5.6(f)(3) are satisfied if:

(A) the future payments after the modification satisfy the requirements of Section 401(a)(9) of the Code, Section 1.401(a)(9) of the Regulations, and this Section 5.6 (determined by treating the date of the change as a new annuity starting date and the actuarial present value of the remaining payments prior to modification as the entire interest of the Participant);

(B) for purposes of Sections 415 and 417 of the Code, the modification is treated as a new annuity starting date;

(C) after taking into account the modification, the annuity (including all past and future payments) satisfies the requirements of Section 415 of the Code (determined at the original annuity starting date, using the interest rates and mortality tables applicable to such date); and

(D) the end point of the period certain, if any, for any modified payment period is not later than the end point available to the Employee at the original annuity starting date under Section 401(a)(9) of the Code and this Section 5.6.

(g) Payments to a Surviving Child.

(1) Special Rule. For purposes of this Section 5.6, payments made to a Participant's surviving child until the child reaches the age of majority (or dies, if earlier) shall be treated as if such payments were made to the surviving spouse to the extent the payments become payable to the surviving spouse upon cessation of the payments to the child.

(2) Age of Majority. For purposes of this Section 5.6(g), a child shall be treated as having not reached the age of majority if the child has not completed a specified course of education and is under the age of 26. In addition, a child who is disabled with the meaning of Section 72(m)(7) of the Code when the child reaches the age of majority shall be treated as having not reached the age of majority so long as the child continues to be disabled.

(h) Definitions.

(1) Actuarial Gain. The difference between an amount determined using the actuarial assumptions (i.e., investment return, mortality, expense, and other similar assumptions) used to calculate the initial payments before adjustment for any increases and the amount determined under the actual experience with respect to those factors. Actuarial gain also includes differences between the amount determined using actuarial assumptions when an annuity was purchased or commenced and such amount determined using actuarial assumptions used in calculating payments at the time the actuarial gain is determined.

(2) Designated Beneficiary. The individual who is designated by the Participant (or the Participant's surviving spouse) as the beneficiary of the Participant's interest under the Plan and is the designated beneficiary under Section 401(a)(9) of the Code and Section 1.401(a)(9)-4 of the Income Tax Regulations.

(3) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 5.6(b)(2).

(4) Eligible Cost of Living Index. An index described in paragraphs (b)(2), (b)(3) or (b)(4) of Section 1.401(a)(9)-6, Q & A 14 of the Income Tax Regulations.

(5) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9, Q & A 1 of the Income Tax Regulations.

(6) Required Beginning Date. The date specified in Section 5.4(d) when distributions under Section 401(a)(9) of the Code are required to begin.

(i) TEFRA Section 242(b)(2) Elections.

(1) Notwithstanding the other requirements of this Section 5.6 and subject to the requirements of Section 5.2, distribution on behalf of any Employee, including a 5-percent owner, who has made a designation under Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (a "Section 242(b) election") may be made in accordance with all of the following requirements (regardless of when such distribution commences):

(A) The distribution by the Plan is one which would not have disqualified such Plan under Section 401(a)(9) of the Internal Revenue Code as in effect prior to amendment by the Deficit Reduction Act of 1984.

(B) The distribution is in accordance with a method of distribution designated by the Employee whose interest in the Plan is being distributed or, if the Employee is deceased, by a beneficiary of such Employee.

(C) Such designation was in writing, was signed by the Employee or the beneficiary, and was made before January 1, 1984.

(D) The Employee had accrued a benefit under the Plan as of December 31, 1983.

(E) The method of distribution designated by the Employee or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Employee's death, the beneficiaries of the Employee listed in order of priority.

(2) A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Employee.

(3) For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Employee, or the beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in Sections 5.6(i)(1)(A) and (E).

(4) If a designation is revoked, any subsequent distribution must satisfy the requirements of Section 401(a)(9) of the Code and the regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Section 401(a)(9) of the Code and the regulations thereunder, but for the Section 242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).

(5) In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Section 1.401(a)(9)-8, Q & A 14 and Q & A 15 of the Income Tax Regulations shall apply.

5.7 ANNUITY INCOME. The Administrator may direct the Trustee to purchase from an insurance company selected by the Administrator an annuity contract that will provide the monthly income in an amount equal to that which the Participant or Beneficiary is entitled under the Plan. In the event an annuity contract is so purchased, the contract may either be assigned to the Participant or his Beneficiary on a nontransferable basis or held by the Trustee for the benefit of the Participant or his Beneficiary.

5.8 DIRECT ROLLOVER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.

(a) This Section 5.8 applies to distribution made after December 31, 2001. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election, a Distributee may elect, at the time and in the manner prescribed by the Administrator, to have any portion of an Eligible Rollover Distribution that is equal to at least \$500 paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. If an Eligible Rollover Distribution is less than \$500, a Distribution may not make the election described in the preceding sentence to rollover a portion of the eligible rollover distribution.

(b) *Definitions:*

(1) *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; the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

For purposes of this Section 5.8, 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 transferred only to (1) an individual retirement account or annuity described in Section 408(a) or (b) of the Code; (2) for taxable years beginning after December 31, 2001 and before January 1, 2007: to a qualified trust which is part of a defined contribution plan 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; or (3) for taxable years beginning after December 31, 2006, to a qualified trust or to an annuity contract described in Section 403(b), if such

trust or contract provides for separate accounting for amounts so transferred (including interest thereon), 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.

(2) Eligible Retirement Plan: An Eligible Retirement Plan is an Individual Retirement Account described in Section 408(a) of the Code, an Individual Retirement Annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in Section 403(b) of the Code, 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, or a qualified defined contribution plan described in Section 401(a) of the Code, that accepts the Distributee's Eligible Rollover Distribution. In the case of an Eligible Rollover Distribution to the surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, an Eligible Retirement Plan means any of the foregoing arrangements. In the case of an Eligible Rollover Distribution to a Distributee who is a non-spouse beneficiary, an Eligible Retirement Plan is an Individual Retirement Account.

(3) Distributee: A distributee includes an Employee or former Employee and a non-spouse beneficiary for purposes of Section 402(c) of the Code. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. A distributee also includes the Participant's nonspouse designated beneficiary under Section 5.6(h)(2) of the Plan. In the case of a nonspouse beneficiary, the direct rollover may be made only to an individual retirement account or annuity described in Section 408(a) or Section 408(b) ("IRA") that is established on behalf of the designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Section 402(c)(11) of the Code. Also, in this case, the determination of any required minimum distribution under Section 401(a)(9) of the Code that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q & A 17 and Q & A 18, 2007-5 I.R.B. 395.

(4) Direct Rollover: A direct rollover is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

ARTICLE SIX--DEATH BENEFITS

6.1 DEATH BENEFITS.

(a) Death from Other Than Occupational Duty of an Active Participant Not Entitled to Receive a Normal Retirement Benefit. The designated Beneficiary of a Participant who dies as a result of other than occupational duty for the Town, prior to retirement and before becoming entitled to receive a monthly retirement benefit at Normal Retirement Age, shall be entitled to a death benefit equal to his Employee Mandatory Contributions.

In addition to the benefit set forth in the preceding paragraph of this Section 6.1(a), the designated Beneficiary of a Participant who dies prior to retirement from other than occupational duty shall be entitled to a lump sum benefit equal to eight hundred dollars (\$800) per Year of Service. The maximum lump sum death benefit which shall be paid to the designated Beneficiary is sixteen thousand dollars (\$16,000) and the minimum shall be four thousand (\$4,000).

The spouse of a Participant who dies as a result of other than occupational duty, prior to retirement and before becoming entitled to receive a monthly retirement benefit at Normal Retirement Age, shall receive a monthly benefit equal to thirty percent (30%) of the Participant's Average Compensation on the date of the Participant's death for the spouse's life or until the spouse remarries, if earlier. In addition, each child of the Participant shall be entitled to receive a monthly benefit equal to ten percent (10%) of the Participant's Average Compensation on the date of the Participant's death until the child attains age eighteen (18). The maximum monthly benefit pursuant to this paragraph shall be fifty percent (50%) of the Participant's Average Compensation on the date of his death.

(b) Death from Occupational Duty of an Active Participant Not Entitled to Receive a Normal Retirement Benefit. The designated Beneficiary of a Participant who dies as a result of occupational duty while in the active service of the Town, prior to retirement and before becoming entitled to receive a monthly retirement benefit at Normal Retirement Age, shall be entitled to a death benefit equal to his Employee Mandatory Contributions.

In addition to the benefit set forth in the preceding paragraph of this Section 6.1(b), the designated Beneficiary of a Participant who dies prior to retirement shall be entitled to a lump sum benefit equal to eight hundred dollars (\$800) per Year of Service. The maximum lump sum death benefit which shall be paid to the designated Beneficiary is sixteen thousand dollars (\$16,000) and the minimum shall be four thousand (\$4,000).

The spouse of a Participant who dies as a result of occupational duty while in the active service of the Town, prior to retirement and before becoming entitled to receive a monthly retirement benefit at Normal Retirement Age, shall receive a monthly benefit equal to fifty percent (50%) of the Participant's Average Compensation on the date of the Participant's death for the spouse's life or until she remarries, if earlier. In addition, each child of the Participant shall be entitled to receive a

monthly benefit equal to ten percent (10%) of the Participant's Average Compensation on the date of the Participant's death until the child attains age eighteen (18). The maximum monthly benefit pursuant to this paragraph shall be sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of the Participant's Average Compensation on the date of his death.

(c) *Death of an Active Participant Entitled to Receive a Normal Retirement Benefit.* If a Participant, who has attained Normal Retirement Age, would be entitled to receive his monthly retirement benefit but does not do so because he continues to work, and such Participant dies before beginning to receive the benefit to which he is entitled, his spouse shall receive a monthly benefit equal to sixty seven and one-half percent (67 $\frac{1}{2}$ %) of the monthly retirement benefit which would have been paid to such Participant had he retired on the day preceding his death. Such benefit shall be paid for the duration of the spouse's lifetime or, if earlier, until the spouse remarries. If there is no surviving spouse, each child of the Participant under the age of eighteen (18) shall share equally in the sixty seven and one-half percent (67 $\frac{1}{2}$ %) of the monthly retirement benefit until the last such child of the Participant shall have attained age eighteen (18).

In addition to the benefit set forth in the preceding paragraph of this Section 6.1(c), the designated Beneficiary of such Participant shall be entitled to the lump sum benefit as set forth in the second paragraph of Section 6.1(a).

(d) *Death of a Retired Participant.* The spouse of a Participant who dies following the Participant's retirement shall be entitled to a monthly benefit equal to sixty seven and one-half percent (67 $\frac{1}{2}$ %) of the monthly benefit which was being paid to the retired Participant at his death. Such benefit shall be paid for the duration of the spouse's lifetime or, if earlier, until the spouse remarries. If there is no surviving spouse, each child of the Participant under the age of eighteen (18) shall share equally in the sixty seven and one-half percent (67 $\frac{1}{2}$ %) of the monthly benefit until the last such child has attained age eighteen (18).

In addition to the benefit set forth in the preceding paragraph of this Section 6.1(d), the designated Beneficiary of a Participant who dies after retirement shall be entitled to a lump sum death benefit equal to eight hundred dollars (\$800) per Year of Service with a maximum of sixteen thousand dollars (\$16,000). The lump sum benefit shall be reduced by twenty-five percent (25%) for each year following retirement, but the minimum lump sum benefit shall be four thousand dollars (\$4,000).

6.2 DESIGNATION OF BENEFICIARY. Each Participant shall be entitled to file with the Pension Committee a designation of Beneficiary to receive payment of death benefits or other sums payable hereunder if such Beneficiary survives the Participant. Beneficiary designations may include primary and contingent Beneficiaries, and may be revoked or amended at any time in a similar manner or form, and the most recent designation shall govern. In the absence of an effective designation of Beneficiary or if the Beneficiary dies before complete distribution of the Participant's benefits, the Pension Committee shall make payment to any one or more of the following, and in such proportions as it may determine in its sole discretion: the Participant's spouse, children, parents, brothers or sisters, executor or administrator.

6.3 TIME OF DISTRIBUTING DEATH BENEFITS. The payment of death benefits, as set forth in Section 6.1, shall commence no later than sixty (60) days following the close of the Plan Year in which the Participant dies.

ARTICLE SEVEN--CONTRIBUTIONS

7.1 EMPLOYER CONTRIBUTIONS. The Employer shall retain an Actuary to assist it in determining the amount of contributions to make under the Plan. The contribution of the Employer may be paid to the Trustee on any date or dates which the Employer may select and shall be made in the form of cash or checks made payable to the Trustee, or in the form of property acceptable to the Trustee under the terms of the Trust. The Employer shall contribute to the Plan an amount equal to ten percent (10%) (eight percent 8% prior to July 1, 2000) of the Participants' total Compensation each year. Any increase in the cost of providing benefits under the Plan shall be borne equally with the Town providing fifty percent (50%) of the increase and the Participants contributing, pro rata, the other fifty percent (50%) of such increase. Notwithstanding the preceding sentence, the fifty percent (50%) of the increase in the cost of providing benefits under the Plan to be borne by the Participants shall be reduced, effective July 1, 2000, by sixteen and two-thirds percent (16.66%) for each Plan Year until the Participants' share of the increase is zero (0%) on June 30, 2003.

7.2 EMPLOYEE MANDATORY CONTRIBUTIONS. Each Participant shall contribute to the Plan an amount equal to ten percent (10%) (eight percent (8%) prior to July 1, 2000) of his Compensation each year until the earlier of his Normal Retirement Date or termination of Service. Although designated as Employee contributions, the Employee Mandatory Contributions shall be paid by the Employer in lieu of contributions by the Employee. Furthermore, the Participant does not have the option of receiving the contributed amounts directly instead of having them paid by the Employer to the Plan. Any increase in the cost of providing benefits under the Plan shall be borne equally with the Town providing fifty percent (50%) of the increase and the Participants contributing, pro rata, the other fifty percent (50%) of such increase. Notwithstanding the preceding sentence, the fifty percent (50%) of the increase in the cost of providing benefits under the Plan to be borne by the Participants shall be reduced, effective July 1, 2000, by sixteen and two-thirds percent (16.66%) for each Plan Year until the Participants' share of the increase is zero (0%) on June 30, 2003.

7.3 FORFEITURES. No forfeiture under the Plan shall be applied to increase the benefits that any Participant or Beneficiary would otherwise receive. Any amounts forfeited shall be held in the Trust Fund and used to reduce the contributions of the Employer.

7.4 MILITARY SERVICE. A Participant on authorized military leave of absence may continue active participation in the Plan for up to four (4) years by: (a) making an election in writing upon a form prescribed by the Pension Committee, and filed with the Town; and (b) making monthly contributions in the same amount as he made immediately prior to such absence. A Participant who had a previous period of military service in the U.S. Armed Services for which period he has not previously received credit for benefit accrual purposes under the Plan, shall be entitled to purchase up to four (4) full years of such military service. Such election shall provide that the Participant contribute at the rate of contributions of the annual rate of earnings upon becoming an Employee, or at the time of the military leave of absence, and such amount of employee contribution shall be fully paid to the Town within one (1) year of exercising such election. Notwithstanding the foregoing provisions of this Section 7.4, effective July 1, 2000, a Participant must elect to purchase credit for

prior military service within six (6) months of becoming a Participant in the Plan. The credit for prior military service must be purchased within four (4) years of such election. A Participant on an authorized military leave of absence while an Employee of the Town must, effective July 1, 2000, purchase credit for such military service within one year of his return from military service in order to receive credit for such military service.

7.5 IRREVOCABILITY OF CONTRIBUTIONS. Any and all contributions paid to the Fund shall be irrevocable. Such amounts shall be transferred by the Town to the Trustee to be used in accordance with the provisions of the Plan in providing the benefits of the Plan, and neither such contributions nor any income therefrom shall be used for or diverted to purposes other than for the exclusive benefit of Participants, former Participants and their Beneficiaries under the Plan.

7.6 MEDIUM OF FUNDING. This Plan shall be funded by contributions made by the Town and Employee Mandatory Contributions made by the Participants which are paid into a Trust Fund. The Trustee of the Trust Fund shall be a corporate trustee appointed by the Pension Committee. The duties of the Trustee shall be set forth in a separate Trust Agreement. The Trustee may be removed by the Pension Committee with sixty (60) days' notice.

7.7 INVESTMENT MANAGEMENT. The management of the assets of the Trust Fund may be assigned to a bank, insurance company, investment manager or such other entity or person appointed by the Pension Committee in its capacity to designate agents.

ARTICLE EIGHT--ADMINISTRATION OF THE PLAN

8.1 MEMBERS OF PENSION COMMITTEE. The general administration and the responsibility for the proper operation of the Plan is vested in a Pension Committee of five (5) persons. The Pension Committee shall consist of: (a) two (2) members of the Town Council of the Town appointed by majority vote of the Town Council; (b) two (2) members of Local 502, International Brotherhood of Police Officers (the "Union") appointed by the Union; and (c) the Town Treasurer of the Town.

8.2 QUALIFICATION OF COMMITTEE. The fact that any member of the Committee is a Participant in the Plan shall not disqualify him from performing any act or function which this Plan authorizes or requires him to perform as a Committee member, provided that he shall not act on any matter relating to himself exclusively.

8.3 RULES AND REGULATIONS. The Pension Committee shall from time to time establish rules and regulations for the administration of the Plan, by vote of a majority of the Committee and sixty (60) days' notice to the Trustee, and shall perform such other functions as are required in administering the Plan.

8.4 COMPENSATION. The members of the Pension Committee shall receive such compensation from the Town as is declared from time to time by the Town and its governing body.

8.5 DECISIONS OF THE COMMITTEE. The Committee may decide any questions hereunder and may take, or approve the taking, of any action hereunder by vote of a majority of the Committee at a meeting and recorded in the records of the meeting.

8.6 INTERPRETATION BY COMMITTEE. The Committee shall have full power to determine the meaning of any provision of this Plan and to determine the application of the provisions of this Plan to any particular situation. In exercising their powers of construction hereunder, the Committee shall pursue uniform policies and shall not discriminate in favor of or against any Participant or group of Participants. The acts or determinations of the Committee within the powers conferred by this Plan shall be valid, final and conclusive for all of the purposes of this Plan upon the parties hereto and the Participants and their Beneficiaries.

8.7 DISCRIMINATION. The Committee shall not take any action in respect of the powers conferred by the Plan upon the Committee which would be discriminatory in favor of Employees who are persons whose principal duties consist of supervising the work of other Employees, or highly compensated Employees.

8.8 REPORTS. The Pension Committee shall make an annual report to the Town Council setting forth their actions during the year, the status of the Fund, and their recommendations.

8.9 POWER TO DELEGATE. The Pension Committee may, by a majority vote, appoint agents to act on their behalf and to sign forms of a purely administrative nature.

8.10 EXCULPATORY CLAUSE. The members of the Pension Committee shall be protected with respect to any actions taken or suffered by them in good faith and shall be responsible only for loss resulting from gross negligence, or willful or wanton acts.

8.11 CLAIMS PROCEDURE. Notwithstanding anything elsewhere to the contrary, if any person is denied benefits under the Plan, the Committee shall notify such claimant of its decision in writing, giving the reason for such decision and advising the claimant of his right to request a hearing before the full Committee. Such request must be made in writing to the Committee within sixty (60) days after receipt of the Committee's notice. Within sixty (60) days of filing such request, the claimant shall be granted a hearing before the full Committee. The Committee shall advise the claimant in writing of the disposition of his appeal within one hundred and twenty (120) days after the request for a hearing is first received, giving the reasons for its decision and specific references to the Section of the Plan on which the decision is based.

8.12 TRUST AGREEMENT AND DESIGNATION OF TRUSTEE. The Employer has created and entered into a Trust Agreement with the Trustee as designated therein. The Employer may designate any number of persons, parties, corporate fiduciaries, or any combination thereof, to act as Trustees as the Employer deems appropriate.

ARTICLE NINE--BENEFIT LIMITATIONS

9.1 LIMITATION ON BENEFITS.

(a) *Effective Date.* The limitations of this Section 9.1 shall apply in Limitation Years beginning on or after July 1, 2007, and as applicable to a governmental plan within the meaning of Section 414(d) of the Code, except as otherwise provided herein.

(b) The Annual Benefit otherwise payable to a Participant under the Plan at any time shall not exceed the Maximum Permissible Benefit. If the benefit the Participant would otherwise accrue in a Limitation Year would produce an Annual Benefit in excess of the Maximum Permissible Benefit, the benefit shall be limited (or the rate of accrual reduced) to a benefit that does not exceed the Maximum Permissible Benefit.

(c) If the Participant is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Employer or a predecessor employer, the sum of the Participant's Annual Benefits from all such plans may not exceed the Maximum Permissible Benefit. Where the Participant's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the Maximum Permissible Benefit applicable at that age, benefits will be limited in the Plan.

(d) The application of the provisions of this Section 9.1 shall not cause the Maximum Permissible Benefit for any Participant to be less than the Participant's accrued benefit under all the defined benefit plans of the Employer or a predecessor employer as of the end of the last Limitation Year beginning before July 1, 2007 under provisions of the plans that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of such defined benefit plans that were both adopted and in effect before April 5, 2007 satisfied the applicable requirements of statutory provisions, regulations, and other published guidance relating to Section 415 of the Code in effect as of the end of the last Limitation Year beginning before July 1, 2007, as described in Section 1.415(a)-1(g)(4) of the Income Tax Regulations.

(e) The limitations of this Section 9.1 shall be determined and applied taking into account the rules in Section 9.1(g).

(f) *Definitions.* The following definitions are applicable to this Section 9.1.

(1) *Annual Benefit:* A benefit that is payable annually in the form of a straight life annuity. Except as provided below, where a benefit is payable in a form other than a straight life annuity, the benefit shall be adjusted to an actuarially equivalent straight life annuity that begins at the same time as such other form of benefit and is payable on the first day of each month, before applying the limitations of this Section 9.1. For a Participant who has or will have distributions commencing at more than one annuity starting date, the Annual Benefit shall be determined as of each such annuity starting date (and shall satisfy the limitations of this Section 9.1 as of each such date), actuarially

adjusting for past and future distributions of benefits commencing at the other annuity starting dates. For this purpose, the determination of whether a new starting date has occurred shall be made without regard to Section 1.401(a)-20, Q&A 10(d), and with regard to Section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Income Tax Regulations.

No actuarial adjustment to the benefit shall be made for (A) survivor benefits payable to a surviving spouse under a qualified joint and survivor annuity to the extent such benefits would not be payable if the Participant's benefit were paid in another form; (B) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, pre-retirement incidental death benefits, and post-retirement medical benefits); or (C) the inclusion in the form of benefit of an automatic benefit increase feature, provided the form of benefit is not subject to Section 417(e)(3) of the Code and would otherwise satisfy the limitations of this Section 9.1, and the Plan provides that the amount payable under the form of benefit in any Limitation Year shall not exceed the limits of this Section 9.1 applicable at the annuity starting date, as increased in subsequent years pursuant to Section 415(d) of the Code. For this purpose, an automatic benefit increase feature is included in a form of benefit if the form of benefit provides for automatic, periodic increases to the benefits paid in that form.

The determination of the Annual Benefit shall take into account social security supplements described in Section 411(a)(9) of the Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant Section 1.411(d)-4, Q&A-3(c), of the Income Tax Regulations, but shall disregard benefits attributable to employee contributions or rollover contributions.

Effective for distributions in Plan Years beginning after December 31, 2003, the determination of actuarial equivalence of forms of benefit other than a straight life annuity shall be made in accordance with Section 9.1(f)(1)(A) or Section 9.1(f)(1)(B).

(A) **Benefit Forms Not Subject to Section 417(e)(3) of the Code:** The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this Section 9.1(f)(1)(A) if the form of the Participant's benefit is either (1) a non-decreasing annuity (other than a straight life annuity) payable for a period of not less than the life of the Participant (or, in the case of a qualified pre-retirement survivor annuity, the life of the surviving spouse), or (2) an annuity that decreases during the life of the Participant merely because of (a) the death of the survivor annuitant (but only if the reduction is not below 50% of the benefit payable before the death of the survivor annuitant), or (b) the cessation or reduction of Social Security supplements or qualified disability payments (as defined in Section 401(a)(11)) of the Code).

(i) **Limitation Years beginning before July 1, 2007.** For Limitation Years beginning before July 1, 2007, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount: (I) the interest rate specified in Section 1.2 of the Plan

and the mortality table (or other tabular factor) specified in Section 1.2 of the Plan for adjusting benefits in the same form; and (II) a 5 percent interest rate assumption and the applicable mortality table defined in Section 1.2 of the Plan for that annuity starting date.

(ii) Limitation Years beginning on or after July 1, 2007. For Limitation Years beginning on or after July 1, 2007, the actuarially equivalent straight life annuity is equal to the greater of (1) the annual amount of the straight life annuity (if any) payable to the Participant under the Plan commencing at the same annuity starting date as the Participant's form of benefit; and (2) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5 percent interest rate assumption and the applicable mortality table defined in Section 1.2 of the Plan for that annuity starting date.

(B) Benefit Forms Subject to Section 417(e)(3): The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this paragraph if the form of the Participant's benefit is other than a benefit form described in Section 9.1(f)(1)(A). In this case, the actuarially equivalent straight life annuity shall be determined as follows:

(i) Annuity Starting Date in Plan Years Beginning After 2005. If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning after 2005, the actuarially equivalent straight life annuity is equal to the greatest of (I) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate specified in Section 1.2 of the Plan and the mortality table (or other tabular factor) specified in Section 1.2 of the Plan for adjusting benefits in the same form; (II) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table defined in Section 1.2 of the Plan; and (III) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate defined in section 1.2 of the Plan and the applicable mortality table defined in Section 1.2 of the Plan, divided by 1.05.

(ii) Annuity Starting Date in Plan Years Beginning in 2004 or 2005. If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning in 2004 or 2005, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount: (I) the interest rate specified in Section 1.2 of the Plan and the mortality table (or other tabular factor) specified in Section 1.2 of the Plan for adjusting benefits in the same form; and (II) a 5.5 percent interest rate assumption and the applicable mortality table defined in Section 1.2 of the Plan.

If the annuity starting date of the Participant's benefit is on or after the first day of the first Plan Year beginning in 2004 and before December 31, 2004, the application of this Section 9.1(f)(1)(B)(ii) shall not cause the amount payable under the Participant's form of benefit to be less than the benefit calculated under the Plan, taking into account the limitations of this Section 9.1, except that the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the great annual amount:

(I) the interest rate specified in Section 1.2 of the Plan and the mortality table (or other tabular factor) specified in Section 1.2 of the Plan for adjusting benefits in the same form;

(II) the applicable interest rate defined in Section 1.2 of the Plan and the applicable mortality table defined in Section 1.2 of the Plan; and

(III) the applicable interest rate defined in Section 1.2 of the Plan (as in effect on the last day of the last Plan Year beginning before January 1, 2004, under provisions of the Plan then adopted and in effect) and the applicable mortality table defined in Section 1.2 of the Plan.

(2) Compensation. For purposes of determining maximum permitted benefits under this Section 9.1., Compensation is defined as wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer maintaining the Plan to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable Plan (as described in Section 1.62-2(c) of the Income Tax Regulations), and excluding the following:

(A) Employer contributions (other than elective contributions described in Section 402(e)(3), Section 408(k)(6), Section 408(p)(2)(A)(i), or Section 457(b) of the Code) to a Plan of deferred compensation (including a simplified employee pension described in Section 408(k) or a simple retirement account described in Section 408(p), and whether or not qualified) to the extent such contributions are not includible in the employee's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a Plan of deferred compensation (whether or not qualified);

(B) Amounts realized from the exercise of a nonstatutory stock option (that is, an option other than a statutory stock option as defined in Section 1.421-1(b) of the Income Tax Regulations), or when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(C) Amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option;

(D) Other amounts that receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are not includible in the gross income of the employee and are not salary reduction amounts that are described in Section 125 of the Code); and

(E) Other items of remuneration that are similar to any of the items listed in (A) through (D).

For any self-employed individual, Compensation shall mean earned income.

Except as provided herein, for Limitation Years beginning after December 31, 1991, compensation for a Limitation Year is the compensation actually paid or made available during such Limitation Year.

For Limitation Years beginning on or after July 1, 2007, compensation for a Limitation Year shall also include compensation paid by the later of 2½ months after an employee's severance from employment with the Employer maintaining the Plan or the end of the Limitation Year that includes the date of the employee's severance from employment with the Employer maintaining the Plan, if: (a) the payment is regular compensation for services during the employee's regular working hours, or compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a severance from employment, the payments would have been paid to the employee while the employee continued in employment with the employer; (b) the payment is for unused accrued bona fide sick, vacation or other leave that the employee would have been able to use if employment had continued; or (c) the payment is received by the employee pursuant to a nonqualified unfunded deferred compensation Plan and would have been paid at the same time if employment had continued, but only to the extent includible in gross income.

Any payments not described above shall not be considered compensation if paid after severance from employment, even if they are paid by the later of 2 ½ months after the date of severance from employment or the end of the Limitation Year that includes the date of severance from employment, except, (a) payments to an individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of Section 414(u)(1) of the Code) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service; or (b) compensation paid to a Participant who is permanently and totally disabled, as defined in Section 22(e)(3) of the Code, provided salary continuation applies to all Participants who are permanently and totally disabled for a fixed or determinable period, or the Participant was not a highly compensated employee, as defined in Section 414(q), immediately before becoming disabled.

Back pay, within the meaning of Section 1.415(c)-2(g)(8) of the Income Tax Regulations, shall be treated as compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

For Limitation Years beginning after December 31, 1997, compensation paid or made available during such Limitation Year shall include amounts that would otherwise be included in Compensation but for an election under Section 125(a), Section 402(e)(3), Section 402(h)(1)(B), Section 402(k), or Section 457(b) of the Code.

For Limitation Years beginning after December 31, 2000, Compensation shall also include any elective amounts that are not includible in the gross income of the employee by reason of Section 132(f)(4) of the Code.

Compensation shall not include amounts paid as compensation to a nonresident alien, as defined in Section 7701(b)(1)(B) of the Code, who is not a Participant in the Plan to the extent the compensation is excludable from gross income and is not effectively connected with the conduct of a trade or business within the United States.

(3) *Defined Benefit Compensation Limitation.* One hundred percent (100%) of a Participant's High Three-Year Average Compensation, payable in the form of a straight life annuity.

In the case of a Participant who is rehired after a severance from employment, the Defined Benefit Compensation Limitation is the greater of one hundred percent (100%) of the Participant's High Three-Year Average Compensation, as determined prior to the severance from employment; or one hundred percent (100%) of the Participant's High Three-Year Average Compensation, as determined after the severance from employment under Section 9.1(f)(7).

(4) *Defined Benefit Dollar Limitation:* Effective for Limitation Years ending after December 31, 2001, the Defined Benefit Dollar Limitation is \$160,000, automatically adjusted under Section 415(d) of the Code, effective January 1 of each year, as published in the Internal Revenue Bulletin, and payable in the form of a straight life annuity. The new limitation shall apply to Limitation Years ending with or within the calendar year of the date of the adjustment, but a Participant's benefits shall not reflect the adjusted limit prior to January 1 of that calendar year.

(5) *Employer:* For purposes of this Section 9.1, Employer shall mean the Employer that adopts this Plan, and all members of a controlled group of corporations, as defined in Section 414(b) of the Code, as modified by Section 415(h)), all commonly controlled trades or businesses (as defined in Section 414(c), as modified, except in the case of a brother-sister group of trades or businesses under common control, by Section 415(h)), or affiliated service groups (as defined in Section 414(m)) of which the adopting employer is a part, and any other entity required to be aggregated with the Employer pursuant to Section 414(o) of the Code.

(6) Formerly Affiliated Plan of the Employer: A Plan that, immediately prior to the cessation of affiliation, was actually maintained by the Employer and, immediately after the cessation of affiliation, is not actually maintained by the Employer. For this purpose, cessation of affiliation means the event that causes an entity to no longer be considered the Employer, such as the sale of a member controlled group of corporations, as defined in Section 414(b) of the Code, as modified by Section 415(h), to an unrelated corporation, or that causes a Plan to not actually be maintained by the employer, such as transfer of Plan sponsorship outside a controlled group.

(7) High Three-Year Average Compensation: The average compensation for the three consecutive years of service (or, if the Participant has less than three consecutive years of service, the Participant's longest consecutive period of service, including fractions of years, but not less than one year) with the Employer that produces the highest average. A year of service with the employer is the 12-consecutive month period defined in Section 1.23 of the Plan. In the case of a Participant who is rehired by the Employer after a severance from employment, the Participant's high three-year average compensation shall be calculated by excluding all years for which the Participant performs no services for and receives no compensation from the Employer (the break period) and by treating the years immediately preceding and following the break period as consecutive. A Participant's compensation for a year of service shall not include compensation in excess of the limitation under Section 401(a)(17) of the Code that is in effect for the calendar year in which such year of service begins.

(8) Limitation Year: This is the 12-consecutive month period used to measure compensation in this Plan for benefit purposes shall be the Plan Year. All qualified Plans maintained by the employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

(9) Maximum Permissible Benefit: The lesser of the Defined Benefit Dollar Limitation or the Defined Benefit Compensation Limitation (both adjusted where required, as provided below).

(A) Adjustment for Less Than 10 Years of Participation or Service: If the Participant has less than 10 years of participation in the Plan, the Defined Benefit Dollar Limitation shall be multiplied by a fraction -- (i) the numerator of which is the number of Years (or part thereof, but not less than one year) of Participation in the Plan, and (ii) the denominator of which is 10. In the case of a Participant who has less than ten Years of Service with the employer, the Defined Benefit Compensation Limitation shall be multiplied by a fraction -- (i) the numerator of which is the number of Years (or part thereof, but not less than one year) of Service with the Employer, and (ii) the denominator of which is 10.

(B) Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement Before Age 62 or after Age 65: Effective for benefits commencing in Limitation Years ending after December 31, 2001, the Defined Benefit Dollar Limitation shall be adjusted if the annuity starting date of the Participant's benefit is before age 62 or after age 65. If the annuity

starting date is before age 62, the Defined Benefit Dollar Limitation shall be adjusted under Section 9.1(f)(9)(B)(i), as modified by Section 9.1(f)(9)(B)(ii). If the annuity starting date is after age 65, the Defined Benefit Dollar Limitation shall be adjusted under Section 9.1(f)(9)(B)(ii), as modified by Section 9.1(f)(9)(B)(iii).

(i) Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement Before Age 62:

(I) Limitation Years Beginning Before July 1, 2007. If the annuity starting date for the Participant's benefit is prior to age 62 and occurs in a Limitation Year beginning before July 1, 2007, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted under Section 9.1(f)(9)(A) for years of participation less than 10, if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount: (1) the interest rate specified in Section 1.2 of the Plan and the mortality table (or other tabular factor) specified in Section 1.2 of the Plan; or (2) a 5 percent interest rate assumption and the applicable mortality table as defined in Section 1.2 of the Plan.

(II) Limitation Years Beginning on or After July 1, 2007.

(a) Plan Does Not Have Immediately Commencing Straight Life Annuity Payable at Both Age 62 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is prior to age 62 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted under Section 9.1(f)(9)(A) for years of participation less than 10, if required) with actuarial equivalence computed using a 5 percent interest rate assumption and the applicable mortality table for the annuity starting date as defined in Section 1.2 of the Plan (and expressing the Participant's age based on completed calendar months as of the annuity starting date).

(b) Plan Has Immediately Commencing Straight Life Annuity Payable at Both Age 62 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is prior to age 62 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the lesser of the limitation determined under Section 9.1(f)(9)(b)(i)(II)(a) and the Defined Benefit Dollar Limitation (adjusted under Section 9.1(f)(9)(A) for years of participation less than 10, if required) multiplied by the ratio of the annual amount of the

immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the immediately commencing straight life annuity under the Plan at age 62, both determined without applying the limitations of this Section 9.1.

(ii) Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement After Age 66:

(I) Limitation Years Beginning Before July 1, 2007. If the annuity starting date for the Participant's benefit is after age 65 and occurs in a Limitation Year beginning before July 1, 2007, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted under Section 9.1(f)(9)(A) for years of participation less than 10, if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount: (1) the interest rate specified in Section 1.2 of the Plan and the mortality table (or other tabular factor) specified in Section 1.2 of the Plan; or (2) a 5 percent interest rate assumption and the applicable mortality table as defined in Section 1.2 of the Plan.

(II) Limitation Years Beginning Before July 1, 2007.

(a) Plan Does Not Have Immediately Commencing Straight Life Annuity Payable at Both Age 65 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is after age 65 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the Defined Benefit Dollar Limitation at the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted under Section 9.1(f)(9)(A) for years of participation less than 10, if required), with actuarial equivalence computed using a 5 percent interest rate assumption and the applicable mortality table for that annuity starting date as defined in Section 1.2 of the Plan (and expressing the Participant's age based on completed calendar months as of the annuity starting date).

(b) Plan Has Immediately Commencing Straight Life Annuity Payable at Both Age 65 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is after age 65 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the Defined Benefit Dollar Limitation at the Participant's annuity starting date is the lesser of the limitation determined under Section 9.1(f)(9)(B)(ii)(II)(a). and the Defined Benefit Dollar Limitation (adjusted under Section 9.1(f)(9)(A) for years of participation less than 10, if required) multiplied by the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the adjusted immediately commencing straight life annuity under the Plan at age 65, both determined without applying the limitations of this Section 9.1. For this purpose, the adjusted

immediately commencing straight life annuity under the Plan at the Participant's annuity starting date is the annual amount of such annuity payable to the Participant, computed disregarding the Participant's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing straight life annuity under the Plan at age 65 is the annual amount of such annuity that would be payable under the Plan to a hypothetical Participant who is age 65 and has the same accrued benefit as the Participant.

(iii) Notwithstanding the other requirements of this Section 9.1(f)(9)(B), no adjustment shall be made to the Defined Benefit Dollar Limitation to reflect the probability of a Participant's death between the annuity starting date and age 62, or between age 65 and the annuity starting date, as applicable, if benefits are not forfeited upon the death of the Participant prior to the annuity starting date. To the extent benefits are forfeited upon death before the annuity starting date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated as occurring upon the Participant's death if the Plan does not charge Participants for providing a qualified pre-retirement survivor annuity, as defined in Section 417(c) of the Code, upon the Participant's death.

(C) Minimum benefit permitted: Notwithstanding anything else in this Section 9.1 to the contrary, the benefit otherwise accrued or payable to a Participant under this Plan shall be deemed not to exceed the Maximum Permissible Benefit if:

(i) The retirement benefits payable for a Limitation Year under any form of benefit with respect to such Participant under this Plan and under all other defined benefit Plans (without regard to whether a plan has been terminated) ever maintained by the Employer do not exceed \$10,000 multiplied by a fraction - (I) the numerator of which is the Participant's number of Years (or part thereof, but not less than one year) of Service (not to exceed 10) with the Employer, and (II) the denominator of which is 10; and

(ii) The Employer (or a predecessor employer) has not at any time maintained a defined contribution plan in which the Participant participated (for this purpose, mandatory employee contributions under a defined benefit Plan, individual medical accounts under Section 401(h) of the Code, and accounts for post-retirement medical benefits established under Section 419A(d)(1) of the Code are not considered a separate defined contribution Plan).

(10) *Predecessor Employer*: If the Employer maintains a Plan that provides a benefit which the Participant accrued while performing services for a former employer, the former employer is a predecessor employer with respect to the Participant in the Plan. A former entity that antedates the Employer is also a predecessor employer with respect to a Participant if, under the facts and circumstances, the Employer constitutes a continuation of all or a portion of the trade or business of the former entity.

(11) Severance from Employment: An employee has a severance from employment when the employee ceases to be an employee of the Employer maintaining the Plan. An employee does not have a severance from employment if, in connection with a change of employment, the employee's new employer maintains the Plan with respect to the employee.

(12) Year of Participation: The Participant shall be credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (A) the Participant is credited with at least the number of hours of service (or period of service if the elapsed time method is used) for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, and (B) the Participant is included as a Participant under the eligibility provisions of the Plan for at least one day of the accrual computation period. If these two conditions are met, the portion of a year of participation credited to the Participant shall equal the amount of benefit accrual service credited to the Participant for such accrual computation period. A Participant who is permanently and totally disabled within the meaning of Section 415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period. In addition, for a Participant to receive a Year of Participation (or part thereof) for an accrual computation period, the Plan must be established no later than the last day of such accrual computation period. In no event shall more than one Year of Participation be credited for any 12-month period.

(13) Year of Service: For purposes of Section 9.1(f)(7), the Participant shall be credited with a Year of Service (computed to fractional parts of a year) for each accrual computation period for which the Participant is credited with at least the number of hours of service (or period of service if the elapsed time method is used) for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, taking into account only service with the Employer or a predecessor employer.

(g) Other Rules.

(1) Benefits Under Terminated Plans. If a defined benefit plan maintained by the Employer has terminated with sufficient assets for the payment of benefit liabilities of all plan participants and a Participant in the Plan has not yet commenced benefits under the Plan, the benefits provided pursuant to the annuities purchased to provide the Participant's benefits under the terminated plan at each possible annuity starting date shall be taken into account in applying the limitations of this Section 9.1. If there are not sufficient assets for the payment of all participants' benefit liabilities, the benefits taken into account shall be the benefits that are actually provided to the Participant under the terminated Plan.

(2) Benefits Transferred From the Plan. If a participant's benefits under a defined benefit plan maintained by the Employer are transferred to another defined benefit plan maintained by the Employer and the transfer is not a transfer of distributable benefits pursuant Section 1.411(d)-4, Q&A-3(c), of the Income Tax Regulations, the transferred benefits are not treated as being provided under the transferor plan (but are taken into account as benefits provided under the transferee Plan). If a participant's benefits under a defined benefit plan maintained by the Employer are transferred to

another defined benefit plan that is not maintained by the Employer and the transfer is not a transfer of distributable benefits pursuant Section 1.411(d)-4, Q&A-3(c), of the Income Tax Regulations, the transferred benefits are treated by the Employer's plan as if such benefits were provided under annuities purchased to provide benefits under a plan maintained by the Employer that terminated immediately prior to the transfer with sufficient assets to pay all participants' benefit liabilities under the plan. If a participant's benefits under a defined benefit plan maintained by the Employer are transferred to another defined benefit plan in a transfer of distributable benefits pursuant Section 1.411(d)-4, Q&A-3(c), of the Income Tax Regulations, the amount transferred is treated as a benefit paid from the transferor plan.

(3) Formerly Affiliated Plans of the Employer. A formerly affiliated plan of an Employer shall be treated as a plan maintained by the Employer, but the formerly affiliated plan shall be treated as if it had terminated immediately prior to the cessation of affiliation with sufficient assets to pay participants' benefit liabilities under the plan and had purchased annuities to provide benefits.

(4) Plans of a Predecessor Employer. If the employer maintains a defined benefit plan that provides benefits accrued by a participant while performing services for a predecessor employer, the participant's benefits under a plan maintained by the predecessor employer shall be treated as provided under a plan maintained by the Employer. However, for this purpose, the plan of the predecessor employer shall be treated as if it had terminated immediately prior to the event giving rise to the predecessor employer relationship with sufficient assets to pay participants' benefit liabilities under the plan, and had purchased annuities to provide benefits; the Employer and the predecessor employer shall be treated as if they were a single employer immediately prior to such event and as unrelated employers immediately after the event; and if the event giving rise to the predecessor relationship is a benefit transfer, the transferred benefits shall be excluded in determining the benefits provide under the plan of the predecessor employer.

(5) Special Rules. The limitations of this Section shall be determined and applied taking into account the rules in Section 1.415(f)-1(d), (e) and (h) of the Income Tax Regulations.

(6) Aggregation with Multiemployer Plans.

(A) If the Employer maintains a multiemployer plan, as defined in Section 414(f) of the Code, and the multiemployer plan so provides, only the benefits under the multiemployer plan that are provided by the Employer shall be treated as benefits provided under a plan maintained by the Employer for purposes of this Section 9.1.

(B) Effective for Limitation Years ending after December 31, 2001, a multiemployer plan shall be disregarded for purposes of applying the compensation limitation of Sections 9.1(f)(3) and 9.1(f)(9)(A) to a plan which is not a multiemployer plan.

ARTICLE TEN--AMENDMENT AND TERMINATION

10.1 AMENDMENT. The Employer shall have the right to amend, alter or modify the Plan at any time, or from time to time, in whole or in part. Any such amendment shall become effective under its terms upon adoption by the Employer. However, no amendment affecting the duties, powers or responsibilities of the Trustee may be made without the written consent of the Trustee. No amendment shall be made to the Plan which shall:

(a) be in contravention of the provisions of the collective bargaining agreement between the Employer and Local 502, International Brotherhood of Police Officers (the "Union") pertaining to pension benefits, supplements and rates of contribution for Participants as long as such agreement is in effect; or

(b) deprive any Participant without his consent of any portion of his Accrued Benefit prior to the date of such action; or

(c) make it possible for any part of the corpus or income of the Trust Fund (other than such part as may be required to pay taxes and administrative expenses) to be used for or diverted to purposes other than the exclusive benefit of the Participants or their Beneficiaries.

Notwithstanding the other provisions of this Section or any other provisions of the Plan to the contrary, any amendment or modification of the Plan may be made retroactively, if necessary or appropriate to conform to or to satisfy the conditions of any law, governmental regulation or ruling.

10.2 TERMINATION OF THE PLAN. The Employer reserves the right to terminate the Plan in whole or in part with respect to a specific group of Employees. In the event of full or partial termination, Employees affected thereby shall have a nonforfeitable right to their Accrued Benefits, to the extent funded. The Administrator, upon termination, shall cause the assets of the Plan to be allocated for the purposes set forth. Any residual assets remaining thereafter shall be disposed of as set forth in Section 10.5.

10.3 VALUATION OF FUND. If the Plan is terminated, the assets comprising the Fund, including the net income of the Fund and all other accretions thereto prior to the termination, shall be revalued at market by the Trustee.

10.4 RETURN OF EMPLOYEE MANDATORY CONTRIBUTIONS. The Pension Committee shall allocate, upon the termination of the Plan, to each Participant, retired Participant (including a Beneficiary) and former Participant, a benefit of an amount that is the Actuarial Equivalent of his Employee Mandatory Contributions, less any retirement benefits received by him.

10.5 ORDER OF PRECEDENCE. If any balance of the Fund shall remain, it shall then be allocated in the following manner:

First, for the benefit of Participants who have retired under the Plan and are receiving retirement benefits, in each case upon the basis of each Participant's retirement benefits, less the amount received under Section 10.4; and

Second, as to any balance remaining, for the benefit of Participants (including Participants who have retained retirement benefits under Section 5.6 of the Plan) who have reached Normal Retirement Date and are entitled to retire but have not yet commenced receiving retirement benefits, in each case upon the basis of their Accrued Benefits at the date of the Plan termination, less the amount received under Section 10.4; and

Third, as to any balance remaining, for the benefit of all Participants (including Participants who have retained retirement benefits under Section 5.6 of the Plan) who have reach their fiftieth (50th) birthday and have completed ten (10) Years of Service, in each case upon the basis of their Accrued Benefits at the date of the Plan termination, less the amount received under Section 10.4; and

Fourth, as to any balance remaining, for the benefit of all other Participants (including Participants who have retained retirement benefits under Section 5.6) who have completed ten (10) Years of Service, in each case upon the basis of their Accrued Benefit at the date of the Plan termination, less the amount received under Section 10.4; and

Fifth, as to any balance remaining, for the benefit of all other Participants.

10.6 APPORTIONMENT. Any apportionment within each group, in the order stated, shall be proportionate to, but not in excess of, the Actuarial Equivalent present values at the date of the termination of the Plan of their respective retirement benefits and Accrued Benefits.

10.7 METHOD OF DISTRIBUTION. Distribution of benefits in accordance with the foregoing allocation shall be made at the discretion of the Pension Committee by continuing the Fund for the payment of retirement benefits, by the purchase of annuity contracts, by cash, or any combination of the foregoing.

ARTICLE ELEVEN--MISCELLANEOUS PROVISIONS

11.1 PLAN DOES NOT AFFECT EMPLOYMENT. Neither the creation of this Plan nor any amendment of it nor the creation of any fund or amount nor the payment of benefits hereunder shall be construed as giving any legal or equitable right to any Employee or Participant against the Employer, its officers or Employees, or against the Trustee, and all liabilities under this Plan shall be satisfied, if at all, only out of the Trust Fund held by the Trustee. Participation in the Plan shall not give any Participant any right to be retained in the employ of the Employee subject to the law and/or collective bargaining agreement, and the Employer hereby expressly retains the right to hire and discharge any Employee subject to the law and/or collective bargaining agreement at any time with or without cause, as if the Plan had not been adopted, and any such discharged Participant shall have only such rights or interests in the Trust Fund as may be specified herein.

11.2 MERGER OF PLANS. In the case of any merger or consolidation of this Plan with, or transfer of the assets or liabilities of the Plan to, any other plan, the terms of such merger, consolidation or transfer shall be such that each Participant would receive (in the event of termination of this Plan or its successor immediately thereafter) a benefit which is not less than he would have received in the event of termination of this Plan immediately before such merger, consolidation or transfer.

11.3 BENEFITS NOT ASSIGNABLE. To the extent permitted by applicable law, none of the benefits, payments, proceeds, claims or rights of any Participant, former Participant or Beneficiary hereunder shall be subject to any claim of any creditor of such Participant, former Participant or Beneficiary and, in particular, the same shall not be subject to attachment or other legal process by any creditor of any Participant, former Participant or Beneficiary, nor shall such Participant, former Participant or Beneficiary have any right to anticipate, alienate, sell, transfer, assign, pledge, encumber, commute or charge any of the benefits, payments or proceeds which such person may expect to receive contingently or otherwise under the agreement.

11.4 NON-DUPLICATION OF BENEFITS. Notwithstanding anything in this Plan to the contrary, Participants will not be entitled to benefits under more than one retirement or pension plan of the Town covering any Years of Service, and the Pension Committee shall have authority to make rules to coordinate a Participant's benefit under this Plan with his benefits under any other retirement or pension plan of the Town.

11.5 REPAYMENTS TO THE EMPLOYER. Notwithstanding any provisions of this Plan to the contrary, and in the sole discretion of the Employer, any monies or other assets attributable to any contributions made to the Plan because of a mistake of fact may be returned to the Employer and/or Participants within one (1) year after the date of contribution.

11.6 DISTRIBUTION TO LEGALLY INCAPACITATED. In the event any benefit is payable to a minor or incompetent or to a person otherwise under legal disability, or who is by sole reason of advanced age, illness, or other physical or mental incapacity, incapable of handling the disposition of his property, the Administrator, in its sole discretion, may direct the Trustee to apply the whole or any part of such benefits, directly to the care, comfort, maintenance, support, education or use of such person or to pay or distribute the whole or any part of such benefit to the spouse of such person, the parent of such person, the guardian, committee or other legal representative, wherever appointed, of such person, the person with whom such person shall reside, any other person having the care and control of such person or such person personally. The receipt of any such payment or distribution so made shall be a complete discharge of liability for Plan obligations.

11.7 GOVERNING DOCUMENTS. A Participant's rights shall be determined under the terms of the Plan as in effect at his date of separation from eligible service.

11.8 GOVERNING LAW. The provisions of this Plan shall be construed under the laws of the State of Rhode Island, except to the extent such laws are pre-empted by Federal law.

11.9 CONSTRUCTION. Wherever appropriate, the use of the masculine gender shall be extended to include the feminine or neuter or vice versa; and the singular form of words shall be extended to include the plural; and the plural shall be restricted to mean the singular.

11.10 HEADINGS. The Article headings and Section numbers are included solely for ease of reference. If there is any conflict between such headings and numbers and the text of the Plan, the text shall control.

11.11 COUNTERPARTS. This Plan may be executed in any number of counterparts, each of which shall be deemed an original; said counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by any one counterpart.

11.12 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN. In the event that all or any portion of the distribution payable to a Participant or to a Participant's Beneficiary hereunder shall, at the expiration of five (5) years after it shall become payable, remain unpaid solely by reason of the inability of the Administrator to ascertain the whereabouts of such Participant or Beneficiary, after sending a registered letter, return receipt requested, to the last known address, and after further diligent effort, the amount so distributable shall be forfeited and used to offset the Employer contributions to the Plan. In the event a Participant or Beneficiary is located subsequent to the forfeiture of his Accrued Benefit, such benefit shall be restored.

11.13 USE OF ELECTRONIC MEDIA. Wherever appropriate, the reference to an action in writing shall be extended to include the use of electronic media.

IN WITNESS WHEREOF, the Employer, by its duly authorized representative, has caused this Plan to be executed on the 22nd day of July, 2011.

TOWN OF SCITUATE, RHODE ISLAND

By: Charles A. Olney