

SUMMARY PLAN DESCRIPTION

THE ESCONDIDO EDUCATORS' RETIREMENT SUPPLEMENTARY BENEFITS PLAN

July 1, 2014

I. PURPOSE OF THIS SUMMARY PLAN DESCRIPTION

The Escondido Union High School District ("District") and the Escondido Secondary Teachers' Association ("ESTA") created the Escondido Educators' Retirement Supplementary Benefits Trust ("Trust") and the Escondido Educators' Retirement Supplementary Benefits Plan (the "Plan"), pursuant to the collective bargaining agreement ("Union Contract") that became effective on July 1, 2003, (revised on March 5, 2005). A New Union Contract for the period beginning July 1, 2006, and ending June 30, 2009, was approved on or about November 15, 2006. The Trust was restated effective as of January 1, 2008.

This Summary Plan Description ("SPD") describes the key benefit provisions of the Plan. The Plan is important, and both the District and the ESTA want you to understand how it works.

The information in this summary presents a general description of the Plan, its benefits and operation. If the information in this SPD conflicts with the provisions of the other legal documents governing the Plan, including the Trust document, the Plan document and the Union Contract, the other legal documents will apply. Please read the section entitled "Administrative Information" for more information regarding the Plan.

This Plan is a governmental Plan that is not subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is governed by the laws of the State of California.

II. PLAN BENEFITS

This Plan provides Eligible Employees with an additional funding source to assist in the payment of retiree health and welfare insurance coverage. The Plan does not provide health and welfare insurance benefits. Rather, the Plan pays for a **portion of the cost of your premium payments** for the health and welfare insurance coverage provided under the District's Health and Welfare Program (the "District Program"). To receive benefits under this Plan you must elect coverage under the District Program while you are an active District employee, you must elect to continue to remain covered under the District Program at the time of your retirement, and you must continue such coverage until you become a Participant in this Plan.

III. ELIGIBILITY AND PARTICIPATION

1. Who is eligible to participate in this Plan?

1.1 Eligible Employees. This Plan provides benefits for Retired District Teachers who meet the conditions set forth in section 1.2 below.

1.1.1 District Teacher. A "District Teacher" is a teacher who is:

- (i) Employed by the District and a member of the ESTA bargaining Unit, or
- (ii) A teacher who has accepted a position with the District not covered by the ESTA bargaining Unit, such as an administrator or a special assignment teacher (defined under Article IX.B.8.c.2 of the 'Union Contract'), who has continued to make the mandatory Trust contributions described in Article IV, below.
- (iii) Grandfathered Employees. Employees who were not members of ESTA as of June 1, 2004, but had been District Teachers prior to accepting employment with the District in management or administration, may participate in the Trust by written notification to the Trust and the payment of all required contributions.

1.1.2 Retired District Teacher. A "Retired District Teacher" is one who has applied for and accepted a service or disability retirement from the District (as defined in the State Teachers Retirement Law, Cal. Educ. Code §§ 22146(d), 24101, 24102 and 24201).

1.2 Eligibility Conditions.

1.2.1 You must be employed by the District **and** covered under the District Program for a period of at least 10 consecutive years *immediately prior* to retirement from the District (as defined in Article IX.B.8.c.1 of the Union Contract). If you have declined, discontinued or terminated coverage under the District Program, you will not satisfy this condition and your participation cannot be reinstated in order to obtain benefits under this Plan **and**

1.2.2 You must have retired from employment with the District with a Retirement Date on or after January 1, 2004 following the attainment of Age 55 ("Retirement Date" is defined in the State Teachers Retirement Law, Cal. Educ. Code § 24204); **and**

1.2.3 You must not be an Excluded Employee (as defined in Section 1.3 below).

1.3 Excluded Employees.

The following District Teachers are **excluded** from participation in the Plan:

- 1.3.2 Adult Basic Education Teachers ("ABE").
- 1.3.3 English as a Second Language Teachers ("ESL"); and
- 1.3.4 Teachers employed under the San Diego Regional Occupation Program ("ROP").

2. When Can I Begin to Participate and Receive Benefits From the Plan?

Participation Requirements. If you have satisfied the Eligibility Conditions, you will automatically become a Plan Participant entitled to begin receiving benefits from the Plan, **but only if** you continue to meet the Eligibility Conditions **and you** have also satisfied the following **Participation Requirements:**

- 2.1 You must have attained age 65; and
- 2.2 You must have timely made all required payroll contributions to the Trust while you were an active employee of the District.

3. How Do I Enroll in the Plan?

There is no enrollment form for the Plan. If you have satisfied the Eligibility Conditions and the Participation Requirements, the Trust will notify you in writing of the date on which you will begin receiving Plan benefits, and will also inform you of the amount and due date of any co-payment that you may be required to pay.

IV. FUNDING AND CONTRIBUTIONS

1. Who Pays for the Plan Benefits?

The Plan is funded by a combination of a one-time \$500,000.00 contribution from the District, **mandatory** withholding contributions from all active District Teachers subject to the ESTA Certificated salary schedule (other than ABE, ESL and ROP Teachers) and a co-payment from Plan Participants, if required.

Immediately upon your employment as a District Employee who qualifies as an Eligible Employee, a percentage of your monthly salary will be deducted automatically by the District to meet your mandatory contribution requirement and will be forwarded to the Trust. The percentage withheld is determined annually by ESTA, subject to a maximum percentage specified in the Union Contract.

2. How does the Trust Calculate My Required Co-Payment?

The amount of your required co-payment, if any, will be determined based on several factors, including your years of service, the cost of your retiree health and welfare insurance premiums, the amount the Trust has available in reserve to contribute toward the premium costs of all Trust Beneficiaries for the year, the actual and projected rate of return on Trust assets, and the number

of projected and actual Participants in the Plan. Your co-payment is recalculated every year based upon these factors. Your required co-payment, if any, will generally be due on a monthly basis, but may be made on a quarterly basis, subject to the approval of the Contract Administrator. The Trust is required to forward your Plan benefit contribution, plus the co-payment, if applicable, at least 15 days in advance of the first day of the month for which coverage applies.

The following example illustrates how a Beneficiary's co-payment is calculated:

Example

Beneficiary ("Mr. B") was hired by the District on July 1, 1996, and retired on June 30, 2005, with 10 years of successive service with the District. Mr. B has just turned age 65, and, therefore, is eligible to receive benefits from the Trust. Based on a report that the Board of Trustees received from its Actuary, the Board has determined that the maximum amount it can contribute toward any individual Beneficiary's insurance premiums for the 2007-2008 Plan Year is \$7200 for the year, or \$600 per month. The Contract Administrator determines the maximum amount the Trust will pay each month on behalf of Mr. B, using the schedule below:

Years of Service	Percent of Maximum Trust Contribution	Maximum Trust Contribution for 2007-2008 Plan Year
10	50%	\$3600 (\$300/mo.)
11	55%	\$3960 (\$330/mo.)
12	60%	\$4320 (\$360/mo.)
13	65%	\$4680 (\$390/mo.)
14	70%	\$5040 (\$420/mo.)
15	75%	\$5400 (\$450/mo.)
16	80%	\$5760 (\$480/mo.)
17	85%	\$6120 (\$510/mo.)
18	90%	\$6480 (\$540/mo.)
19	95%	\$6840 (\$570/mo.)
20	100%	\$7200 (\$600/mo.)

Because Mr. B has 10 Years of Service to his credit, the Maximum Trust Contribution payable for Mr. B's insurance coverage is \$300 per month, as indicated on the first line of the table. The insurance company providing coverage under the District Retiree Medical Insurance Program has advised the District and the Contract Administrator that the insurance premium for Mr. B's health coverage for 2007-2008 will be \$5400 for the year (or \$450 per month). The Contract Administrator applies the Trust contribution of \$300 per month toward the insurance premium of \$450 per month, and calculates that the required co-payment for Mr. B is \$150 per month. The Contract Administrator will advise Mr. B of this co-payment requirement. If Mr. B fails to pay the co-payment in a timely manner, his coverage under the District Program and his benefits under this Plan will both be terminated.

V. HOW BENEFITS ARE APPLIED TO REDUCE YOUR OUT-OF-POCKET RETIREE HEALTH AND WELFARE COSTS

The benefits available under this Plan are applied as follows:

1. Participant Only Coverage. Your Plan benefit is applied against the cost of your coverage under the District Program. The difference between your Plan benefit and the actual cost of your coverage will equal your co-payment, if any.
2. Spousal or Family Coverage. Spousal Coverage means health and welfare insurance under the District Program covering you and your spouse. Family Coverage means health and welfare insurance under the District Program covering some combination of you, your eligible dependents and/or your spouse. If you elect Spousal Coverage or Family Coverage under this Plan, the value of your Plan benefit will be applied to the cost of the Spousal or Family Coverage you have elected. The difference between your Plan benefit and the actual cost of coverage of the Spousal or Family Coverage you have elected will equal your co-payment, if any.
3. Spousal or Family Coverage where two or more members of the same family are Participants. When a Participant has a Spouse or other eligible Family member who is also a covered Participant under this Plan, each Participant will be covered under this Plan as an individual, and none of these family member Participants may elect to be covered as the beneficiary of any of the other Family member(s).

In the case of Spouses who are both Participants and who wish to cover other family members who are not Participants, the assignment of other family members to one or the other Participant will be governed by the rules applicable under the District Plan.

VI. LOSS OF BENEFITS UNDER THE PLAN

There are a number of circumstances that may result in the loss or forfeiture of benefits under the Plan.

1. Termination of Employment Before Age 55. If your employment with the District terminates for any reason before you reach the age of 55, you will not be entitled to benefits under the Plan. All of the mandatory contributions withheld from your salary while you were an active District Teacher will be forfeited.
2. Years of Service. You must accrue a *minimum of 10 consecutive years of service* immediately prior to your Retirement Date in order to receive benefits under this Plan. If you do not, you will not be entitled to participate in the Plan and all of the mandatory contributions withheld from your salary while you were an active District Teacher will be forfeited.
3. Failure to pay Co-Payments Timely. If you fail to make any of your co-payments on a timely basis, as determined by the Contract Administrator, your coverage under this Plan and the

District Program will terminate. You will not be entitled to a refund of any mandatory contributions withheld from your salary while you were an active District Teacher under any circumstances. The Board of Trustees may, in its sole discretion, waive termination for a late co-payment in the case of financial hardship.

4. Failure to Elect Coverage under the District Program. The benefits under this Plan apply only to coverage under the District Program and may not be transferred to any other form of health and welfare insurance coverage, including Medicare. If you fail to elect or decline coverage under the District Retiree Health Plan or terminate such coverage, all benefits under this Plan will terminate. You will not be entitled to a refund of any mandatory contributions withheld from your salary while you were an active District Teacher under any circumstances.

5. Death of the Eligible Employee. If you die before you begin participation or before you meet the age and service requirements, you will forfeit all mandatory contributions withheld from your salary while you were an active District Teacher.

6. Death of the Participant. If you die while you are a Participant in the Plan, your coverage will terminate and your estate will not be entitled to a refund of any remaining mandatory contributions withheld while you were an active District Teacher under any circumstances.

VII. OTHER FACTS YOU SHOULD KNOW

1. May I Transfer My Interest in My Account?

No. You may not transfer your interest in the Plan. You may not sell it, use it as collateral, or otherwise give it away. Your creditors may not attach or garnish your interest in the Plan. It is not an asset of your estate upon your death.

2. May the Plan or Trust be Amended or Terminated?

Yes. The Plan may be amended at any time by the Board of Trustees, subject to the approval of the District for certain types of amendments. The Trust can also be amended by the ESTA with the written approval of a majority of the Trustees. The Plan and the Trust may be terminated at any time in accordance with the terms of the Plan and/or the Trust and the Plan's administrative procedures.

3. What if I stop making or there is a gap in my Mandatory Contributions?

The Board of Trustees has set up an agreement arrangement to make up any missed mandatory contributions. The arrangement allows you to make the choice to make up any missed contribution to maintain eligibility or to start over and forfeit all previous contributions to the Trust.

4. Are My Benefits Guaranteed or Insured?

No. The Plan will continue to pay benefits only to the extent that it has funds to do so. The obligation of the Plan to pay benefits is limited to the amount of funds held by the Trust.

5. Does COBRA apply to this Plan?

Generally, no. COBRA rights apply only to medical, dental and vision benefits provided under the District Program. However, if a Participant under this Plan (or a Participant's spouse) is receiving benefits under the District Program as a COBRA participant, the benefits under this Plan will be applied toward payment of the COBRA premiums. In the case of a spouse on COBRA, payment of benefits toward the COBRA premiums will cease when the Participant dies or otherwise terminates coverage under this Plan.

6. Who Makes Decisions About the Plan?

The Board of Trustees, in its capacity as the Contract Administrator, has final discretionary authority to determine all questions of eligibility, vesting, and benefits under the Plan, and to interpret and construe the terms and provisions of the Plan's governing documents.

7. Your Legal Rights.

If you believe your rights under the Plan have been violated, you have the right to bring legal action against the Plan in a court of law. The Contract Administrator is the agent named to receive service of legal process. The Trustee may also receive service of legal process. As a governmental Plan, this Plan is not governed by ERISA. The Plan is governed by California trust law.

8. Retiree Obligations.

You must keep the Contract Administrator advised of your home address at all times. The Contract Administrator cannot be responsible for locating you. The District, the ESTA, the Administrator, and the Trustees make no guarantees or representations with respect to the amount of benefits that will be available to each Participant.

9. Effective Date of this Summary Plan Description.

The provisions in this Summary Plan Description are effective as of January 1, 2008.

VIII. ADMINISTRATIVE INFORMATION

If there are any questions about the Plan, the following are names that should provide you with the necessary information and other facts concerning the Plan:

1. Official Name of Plan: Escondido Educators' Retirement Supplementary Benefits Plan
2. Original Effective Date of Plan: June 1, 2004
3. Type of Administration: Trustee Administration

4. Administrator: The Board of Trustees of the Escondido Educators' Retirement Supplementary Benefits Trust.

The business address of the Contract Administrator is

c/o A.J. Cunningham & Associates
403 W. 5th Avenue, Ste. A
Escondido, CA 92025-4851

5. Plan Year: The Plan Year is the twelve (12) consecutive month period beginning on July 1st and ending on June 30th.
6. Plan Records: Plan records are kept on the basis of the "Plan Year."
7. Type of Plan: The Plan is a governmental health and welfare benefits plan that is tax-exempt as a Voluntary Employee Beneficiary Association ("VEBA") under §501(c)(9) of the Internal Revenue Code. The VEBA or Trust provides a means by which the District will make contributions to the Plan on behalf of the Eligible Employees, but for which the Employees will not recognize the contributions as taxable income. Eligible Employees may be required to make co-payments to the Plan upon commencement of participation. The benefits provided by this type of Plan are the payment of a portion of the cost of insurance premiums for retiree health and welfare coverage under the District Program.