

**CITY OF LAKE FOREST
QUALIFIED TRANSPORTATION EXPENSE
REIMBURSEMENT PLAN**

Plan Document and Summary Plan Description
Effective: January, 2013

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PURPOSE OF PLAN; ADOPTION OF THE PLAN

What is the purpose of the Plan?

The City of Lake Forest (the “Plan Sponsor”) has adopted this *qualified transportation expense reimbursement plan* (the “Plan”) as set forth herein and as amended from time to time for the exclusive benefit of *eligible employees*. The purpose of this *Plan* is to allow *eligible employees* to pay certain commuting expenses using pre-tax dollars.

The intention of the *Plan Sponsor* is that the *Plan* qualify as a qualified transportation fringe benefit program as described in Code § 132(f) and shall be construed in a manner consistent with that Section. The tax implications of this *Plan*, however, are subject to rulings, regulations and the application of the tax laws of the state and federal government. Although it may anticipate certain tax consequences as being likely, the *Plan Sponsor* does not represent or warrant to any *participant* that any particular tax consequence will result from participation in this *Plan*. By participating in this *Plan*, each *participant* understands and agrees that, in the event the Internal Revenue Service or any state or political subdivision thereof should ever assess or impose any taxes, charges and/or penalties upon any benefits received under the *Plan*, the recipient of the benefit will be responsible for those amounts, without contribution from the *Plan Sponsor*.

What is the effective date of the Plan?

This *Plan Document* is effective as of January, 2013 and each amendment is effective as of the date set forth therein (the “*effective date*”).

Adoption of the Plan Document

The *Plan Sponsor*, as the settlor of the *Plan*, hereby adopts this *Plan Document* as the written description of the *Plan*. This *Plan Document* represents both the *Plan Document* and the *Summary Plan Description*. This *Plan Document* amends and replaces any prior statement of the *qualified transportation expense reimbursement* contained in the *Plan* or any predecessor to the *Plan*.

IN WITNESS WHEREOF, the *Plan Sponsor* has caused this *Plan Document* to be executed.

The City of Lake Forest

By: _____

Name: _____

Date: _____

Title: _____

GENERAL PLAN INFORMATION

Name of Plan: The City of Lake Forest Qualified Transportation Expense Reimbursement Plan

Plan Sponsor: The City of Lake Forest
800 N. Field Drive
Lake Forest, IL 60045
847-810-3530

**Plan Administrator:
(Named Fiduciary)** The City of Lake Forest
800 N. Field Drive
Lake Forest, IL 60045
847-810-3530

Plan Sponsor ID No. (EIN): 36-6005960

Plan Year: January 1 through December 31

Plan Type: Qualified Transportation Expense Reimbursement Plan under Code § 132(f)

Participating Employer(s): The City of Lake Forest

Agent for Service of Process: The City of Lake Forest
Plan Administrator
800 N. Field Drive
Lake Forest, IL 60045
847-810-3530

DEFINITIONS

The following words and phrases have the following meaning when used in the *Plan Document*:

“Annual enrollment period” shall mean the month of November in each *plan year*.

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

“Employee” shall mean a person who is an employee of the *participating employer*, regularly scheduled to work for the *participating employer* in an employer-employee relationship, whether working full-time or part-time; however, the term *employee* specifically excludes sole proprietors, partners in a partnership, and independent contractors.

“Eligible employee” shall mean any current *employee* of the *participating employer* who works at least 30 hours per week.

“Mass transit expense reimbursement account” shall mean the accounting maintained by the *Plan Sponsor* of the amounts deducted from the *participant’s* pay for the payment of *mass transit expenses*, and the amounts reimbursed to the *participant* for such expenses.

“Mass transit expenses” shall mean those expenses incurred by a *participant* while commuting to work and include the following:

- The cost of a mass transit pass for a mass transit facility to get to work (e.g. cost of pass, token, fare card, voucher or similar item entitling a person to transportation). Mass transit facility includes a bus, subway, commuter railroad, trolley or ferry; or
- The cost of riding in a vanpool or similar arrangement.

“Participant” shall mean an *eligible employee* who has completed the appropriate *salary reduction election* and who is participating in the *Plan*.

“Participating employer” shall mean The City of Lake Forest.

“Plan Administrator” shall mean The City of Lake Forest.

“Plan Document” shall mean this *Plan Document and Summary Plan Description*.

“Plan Sponsor” shall mean The City of Lake Forest.

“Plan year” shall mean January 1 through December 31.

“Qualified parking expense reimbursement account” shall mean the accounting maintained by the *Plan Sponsor* of the amounts deducted from the *participant’s* pay for the purpose of paying *qualified parking expenses*, and the amounts reimbursed to the *participant* from that account.

“Qualified parking expense(s)” shall mean the costs, incurred by an *employee*, for parking either on or near the *participating employer’s* business premises, at or near a work location at which the *employee* provides services for the *participating employer*, or at a location from which the *employee* commutes to work (including commuting by carpool, mass transit facilities, or transportation provided by any person in the business of transporting persons for compensation or hire).

DEFINITIONS (Continued)

The term *qualified parking expense* does not include the value of parking provided to *employee* that is excludable from gross income under Code Section 132(a)(3) as a working condition fringe, reimbursement paid to an *employee* for parking costs that is excludable from gross income as an amount treated as paid under an accountable plan, or parking on or near property used by *employee* for residential purposes.

“***Salary reduction agreement***” shall mean a written agreement by a *participant* to reduce his or her salary or wage to fund either a *mass transit expense reimbursement account* or a *qualified parking expense reimbursement account*, or both.

“***Transit voucher***” shall mean a voucher that is readily exchangeable for any pass, token, fare card, or similar item entitling a person to mass transportation, provided by any person in the business of transporting persons for compensation or hire in a highway vehicle with a seating capacity of at least six adults (excluding the driver).

PARTICIPATION

What programs can I participate in?

You are eligible to participate in one or both of two expense reimbursement programs under this *Plan* if you are an *eligible employee*. The first is a program for the reimbursement of *mass transit expenses*, and the second is a program for the reimbursement of *qualified parking expenses*.

How do I participate?

In order to become a *participant* in the *Plan*, you must elect to make monthly pre-tax contributions to a *mass transit expense reimbursement account*, a *qualified parking expense reimbursement account*, or both accounts, by completing the proper *salary reduction agreement* and filing the *salary reduction agreement* with the *Plan Administrator* in the time set forth below.

You may enroll for coverage during the *annual enrollment period*. Coverage for *participants* who enroll during the *annual enrollment period* shall become effective on January 1. *Employees* who become eligible during the *plan year* shall be allowed to participate on the first of the month following their hire date and may make their salary reduction election upon becoming eligible.

Your *salary reduction agreement* shall terminate at the end of the *plan year*. You must make an affirmative election for salary reduction for each *plan year*.

Can I revoke my salary reduction agreement?

You may revoke or amend a *salary reduction agreement* at any time prior to the 5th day of the month preceding the month in which you wish the change in the *salary reduction agreement* to go into effect.

Termination of Participation

Participation in this *Plan* terminates upon the first to occur of the following:

- The last day of employment if due to termination of employment during the *plan year*;
- The date the applicable *salary reduction agreement* is revoked; or
- The date the *Plan* is terminated.

BENEFITS

The *Plan* shall reimburse you for *qualified transportation expenses* that you incur. Reimbursement for *qualified transportation expenses* during a *plan year* is limited to the amount directed by you to either a *qualified parking expense reimbursement account* or a *qualified mass transit expense reimbursement account*, or both, under a valid *salary reduction agreement*.

What are qualified parking expenses?

You may elect to participate in a *qualified parking expense reimbursement account* by completing the appropriate *salary reduction agreement*. By participating in the *qualified parking expense reimbursement account*, you are able to pay your monthly parking expenses (up to the maximum allowed by law per month) using pre-tax dollars. In order to be an eligible parking expense, the parking expenses must be *qualified parking expenses*. You must pre-pay your parking expenses, and then, upon substantiation of your parking expenses as provided in the section entitled "Claims Review Procedure," that amount will be reimbursed to you from your *qualified parking expense reimbursement account*. You may be reimbursed up to the current balance in your *qualified parking expense reimbursement account*, but at no time will you be reimbursed more than the maximum allowed by law per month.

What are mass transit expenses?

You may elect to participate in a *mass transit expense reimbursement account* by completing the appropriate *salary reduction agreement*. By participating in the *mass transit expense reimbursement account*, you are able to pay your monthly *mass transit expenses* using pre-tax dollars.

In the event that a *transit voucher* is not readily available to you, the *participating employer* may provide cash reimbursements for *mass transit expenses*. Such *mass transit expenses* must be substantiated in accordance with the section entitled "Claims Review Procedure." You should contact the *Plan Sponsor* if you believe a *transit voucher* is not readily available to you.

Can I combine my accounts?

You may not combine your *qualified parking expense reimbursement account* and your *mass transit expense reimbursement account* into one account; however, if you incur both types of expenses, you may elect to participate in both types of accounts.

How is non-compliance determined?

In the event that a determination is made that all or any part of the contributions to the *Plan* do not qualify as non-taxable *qualified transportation expenses* under Code § 132(f), the affected contributions made by you shall be treated as salary and, to the extent not yet expended, returned to you. You shall pay:

- Any state or federal income taxes due with respect to such amount, together with any interest or penalties imposed thereon;
- Your share (as determined in good faith by the *participating employer*) of any applicable FICA or FUTA contributions which would have been withheld from such amounts by the *participating employer* had such amounts been treated as salary and not as *qualified transportation expenses*; and
- An amount (as determined in good faith by the *participating employer*) equal to the portion of any applicable penalties and interest payable by the *participating employer* as the result of the failure to withhold and pay such amounts to the appropriate payee allocable to you.

FUNDING

How is the *Plan* funded?

- Upon the completion of an appropriate *salary reduction agreement*, you elect to reduce your salary or wage for each month in a *plan year* in order to pay certain *qualified transportation expenses*. The salary reduction amount so elected shall be funded pro rata over the number of consecutive pay periods in each month. The salary reduction amount for any one pay period may not exceed the amount of your salary or wage for that period, and, if it does, the amount elected for a pay period shall be reduced by the amount it exceeds your salary or wage for that period.
- *Qualified parking expenses* shall be reimbursed to you up to the current balance in your *qualified parking expense reimbursement account*, but shall not exceed the maximum allowed by law in any month.
- *Mass transit expenses* shall be reimbursed to you up to the current balance in your *mass transit expense reimbursement account*, but shall not exceed the maximum allowed by law in any month.
- The *Plan Administrator* shall establish an individual *qualified parking expense reimbursement account* or a *mass transit expense reimbursement account*, or both, for each *participant* who elects to contribute to such an account and shall credit to each *participant's* account salary reduction amounts elected under this Section.
- The *Plan* shall reimburse you for *qualified transportation expenses* in accordance with the section entitled "Claims Review Procedure."

How are funds accounted for?

The *Plan Administrator* shall maintain complete records of all amounts to be credited as a contribution or debited as a reimbursement of *qualified transportation expenses* on behalf of any *participant*. All contributions hereunder shall be held as part of the general assets of the *participating employer* and no trust fund shall be established and no other segregation or investment of assets shall be made to maintain accounts of contributions under this *Plan*.

SALARY REDUCTION ELECTIONS

What is the election period for salary reduction?

- In order to fund a *qualified transportation expense account* for a *plan year*, you must complete and file with the *Plan Administrator* an appropriate *salary reduction agreement* election form within the applicable election period. Although you are agreeing to a salary reduction on a monthly basis, unless the *salary reduction agreement* is amended or revoked during the *plan year*, such elections will be continued throughout the *plan year*.
- In order to fund a *mass transit expense reimbursement account* for a *plan year*, you must complete and file with the *Plan Administrator* an appropriate *salary reduction agreement* election form within the applicable election period. Although you are agreeing to a salary reduction on a monthly basis, unless the *salary reduction agreement* is amended or revoked during the *plan year*, such elections will be continued throughout the *plan year*.

Can I amend my salary reduction elections?

- Your *salary reduction agreement* election for a *plan year* shall terminate at the end of the *plan year*. You must make an affirmative election for salary reduction for each *plan year*.
- Termination, revocation, or amendment of salary reduction elections may only be made by you in accordance with the section entitled "Participation."

What if I do not use all of the money that I have set aside for *qualified transportation expenses*?

Balances existing in your *qualified parking expense reimbursement account* or *mass transit expense reimbursement account*, or both, at the end of the *plan year* will be carried forward to the next *plan year* and will be available for your use for such expenses, provided that you elect to continue your participation in the *Plan* and complete the appropriate *salary reduction agreement* as provided herein. If at any time you cease to be a *participant* in the *Plan*, the existing balances of your *qualified parking expense reimbursement account* or *mass transit expense reimbursement account*, or both, will not be reimbursed to you, and, rather, shall be forfeited by you to the *Plan Sponsor*.

PAYMENT OF CLAIMS REVIEW PROCEDURE

Who determines whether or not my expenses are *qualified transportation expenses*?

After receiving an appropriately submitted claim and the information required under this section, the *Plan Administrator* shall determine whether such expenses are *qualified transportation expenses*. The *Plan Administrator* may delegate the authority to administer claims under the *Plan* to a designated agent.

How are claims paid?

The *Plan* will pay properly submitted claims for reimbursement at such intervals as the *Plan Administrator* may consider appropriate.

Who pays for expenses associated with this *Plan*?

All administrative expenses incurred prior to the termination of the *Plan* that arise in connection with the administration of the *Plan* shall be paid by the *Plan Sponsor*.

How am I reimbursed for *qualified transportation expenses*?

- You must submit a properly completed claim for *qualified parking expenses* to the *Plan Administrator* along with written evidence identifying the type of expense, the location of the parking facilities (if applicable), the amount of such expense, the date(s) of service and such other information as the *Plan Administrator* may find necessary. In order to properly substantiate an expense, you must supply evidence that you have incurred the expense such as a receipt or a used transit card, if possible. Further, you must certify that the expense incurred was a *qualified transportation expense*.
- The *Plan Administrator* reserves the right to verify to its satisfaction all claimed expenses prior to reimbursement and to refuse to reimburse any amounts which are not *qualified transportation expenses*.
- All claims for reimbursement must be submitted not later than 180 days after the *qualified parking expense* was incurred but no more than 90 days following the end of the plan year.

PLAN ADMINISTRATION

Who has the authority to make decisions in connection with the *Plan*?

The *Plan* is administered by the *Plan Administrator* in accordance with the provisions of Code §132(f). An individual or entity may be appointed by the *Plan Sponsor* to be *Plan Administrator* and serve at the convenience of the *Plan Sponsor*. If the *Plan Administrator* resigns, dies, is otherwise unable to perform, is dissolved or is removed from the position, the *Plan Sponsor* shall appoint a new *Plan Administrator* as soon as reasonably possible.

The *Plan Administrator* shall administer this *Plan* in accordance with its terms and establish its policies, interpretations, practices and procedures. It is the express intent of this *Plan* that the *Plan Administrator* shall have maximum legal discretionary authority to construe and interpret the terms and provisions of the *Plan*, to make determinations regarding issues which relate to eligibility for benefits, to decide disputes which may arise relative to a *participant's* rights, and to decide questions of *Plan* interpretation and those of fact relating to the *Plan*. The decisions of the *Plan Administrator* as to the facts related to any claim for benefits and the meaning and intent of any provision of the *Plan*, or its application to any claim, shall receive the maximum deference provided by law and will be final and binding on all interested parties. Benefits under this *Plan* will be paid only if the *Plan Administrator* decides, in its discretion, that the *participant* is entitled to them.

What are the duties of the *Plan Administrator*?

The duties of the *Plan Administrator* include the following:

- Administering the *Plan* in accordance with its terms;
- Determining all questions of eligibility, status and coverage under the *Plan*;
- Interpreting the *Plan*, including the authority to construe possible ambiguities, inconsistencies, omissions and disputed terms;
- Making factual findings;
- Deciding disputes which may arise relative to a *participant's* rights;
- Prescribing procedures for filing a claim for benefits, to review claim denials and appeals relating to them and to uphold or reverse such denials;
- Keeping and maintaining the *plan documents* and all other records pertaining to the *Plan*;
- Delegating to any person or entity such powers, duties and responsibilities as it deems appropriate; and
- Performing each and every function necessary for or related to the *Plan's* administration.

Can the *Plan* be amended and/or terminated?

The *Plan Sponsor* expects to maintain this *Plan* indefinitely; however, as the settlor of the *Plan*, the *Plan Sponsor*, through its directors and officers, may, in its sole discretion, at any time, amend, suspend or terminate the *Plan* in whole or in part. This includes amending the benefits under the *Plan*.

Any such amendment, suspension or termination shall be enacted, if the *Plan Sponsor* is a corporation, by resolution of the *Plan Sponsor's* directors and officers, which shall be acted upon as provided in the *Plan Sponsor's* Articles of Incorporation or Bylaws, as applicable, and in accordance with applicable federal and state law. In the event that the *Plan Sponsor* is a different type of entity, then such amendment, suspension, or termination shall be taken and enacted in accordance with applicable federal and state law and any applicable governing documents. In the event that the *Plan Sponsor* is a sole proprietorship, then such action shall be taken by the sole proprietor, in his own discretion.

PLAN ADMINISTRATION (Continued)

If the *Plan* is terminated, the rights of the *participants* are limited to expenses incurred before termination. All amendments to this *Plan* shall become effective as of a date established by the *Plan Sponsor*.

Are there other additional operating rules?

A *participant's* salary reduction amount will not be subject to federal income tax withholding or to applicable Social Security (FICA or FUTA) tax withholding. Salary reduction amounts will not be subject to any state income tax withholding unless otherwise prohibited by applicable state law.

Salary reduction amounts under this *Plan* shall not reduce salary or wage for purposes of any other employer-sponsored employee benefit programs unless the provisions of those programs otherwise provide.

MISCELLANEOUS INFORMATION

Does this *Plan* provide me with any additional rights?

Nothing contained in the *Plan* shall give any *employee* the right to be retained in the employment of any *participating employer* or affect the right of the *participating employer* to dismiss any *employee*.

Are benefits under this *Plan* subject to alienation?

No benefit under the *Plan* is subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do is void.

What if the *Plan* makes an error?

Clerical errors made on the records of the *Plan* and delays in making entries on such records shall not invalidate coverage nor cause coverage to be in force or to continue in force. Rather, the *effective dates* of coverage shall be determined solely in accordance with the provisions of this *Plan* regardless of whether any contributions with respect to *participants* have been made or have failed to be made because of such errors or delays. Upon discovery of any such error or delay, an equitable adjustment of any such contributions will be made.

Are certain forms required under this *Plan*?

All communications in connection with the *Plan* made by a *participant* are effective only when duly executed on forms provided by and filed with the *Plan Administrator*.

Will the *Plan* conform with applicable laws?

This *Plan* shall be deemed to automatically be amended to conform as required by any applicable law, regulation or the order or judgment of a court of competent jurisdiction governing provisions of this *Plan*, including, but not limited to, stated maximums, exclusions, or limitations. In the event that any law, regulation or the order or judgment of a court of competent jurisdiction causes the *Plan Administrator* to pay claims which are otherwise limited or excluded under this *Plan*, such payments will be considered as being in accordance with the terms of this *plan document*. The provisions of this *Plan* shall be construed, administered, and enforced according to applicable Federal law and the laws of the State of Indiana.

What constitutes a fraudulent claim?

The following actions by any *participant*, or a *participant's* knowledge of such actions being taken by another, constitute fraud and will result in immediate termination of all *participant's* coverage and participation under this *Plan*:

- Attempting to submit a claim for expenses incurred by someone other than the *participant*;
- Attempting to submit a claim for expenses that are not *qualified transportation expenses*;
- Providing false or misleading information in connection with enrollment in the *Plan*; or
- Providing any false or misleading information to the *Plan*.

When must legal actions be filed?

No action at law or in equity shall be instituted to recover under this *Plan* prior to the expiration of 90 days after a claim for benefits has been filed in accordance with the requirements of this *Plan*. Any action with respect to a fiduciary's breach of any responsibility, duty, or obligation hereunder must be brought within one year after the expenses were incurred.

MISCELLANEOUS INFORMATION (Continued)

How will the *Plan* pay benefits?

All benefits under this *Plan* are payable, in U.S. Dollars, to the *participant* whose *qualified transportation expense* is the basis of a claim. In the event of the death or incapacity of a *participant* and in the absence of written evidence to this of the qualification of a guardian for his estate, this *Plan* may, in its sole discretion, make any and all such payments to the individual or institution which, in the opinion of this *Plan*, is or was providing the care and support of such *participant*.

Will the *Plan* provide a statement of benefits?

On or before January 31 of each year, the *Plan Administrator* will furnish each *participant* who received benefits under the *Plan* a written statement showing the amounts paid by the *Plan Sponsor* in providing reimbursement under the *Plan* with respect to the *participant* for the prior *plan year*.

How will the *Plan* recover payments made in error?

The *Plan* reserves the right to deduct from any benefits properly payable under this *Plan* the amount of any payment which has been made:

- In error;
- Pursuant to a misstatement contained in a proof of loss or a fraudulent act; or
- With respect to an ineligible person.