

HIGHLIGHTS
OF THE
RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

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(AND DEFINITIONS)

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RTA Employees Defined Benefit Plan and Trust

Background

The RTA Employees Defined Benefit Plan and Trust (the “Plan”) was originally effective July 21, 1986. It has been amended and restated over the years to comply with required changes contained in legislation.

Together with Social Security and your personal savings, this Plan is designed to help provide financial security for your retirement.

These highlights summarize the main features of the plan, which include:

- a lifetime monthly benefit at normal, early, or delayed retirement;
- a continued lifetime benefit for your spouse after you die; and
- a vested right to certain retirement benefits if you leave RTA with three or more Years of Service.

Please read this material carefully. If you have any questions, contact your Plan Administrator for additional information.

Participation

As an *Employee*, you become a Participant in the Plan on your first day of employment or reemployment on a full-time basis. *RTA* pays all costs of the Plan, and *RTA* contributions are determined annually on an actuarial basis. Employee contributions to the Plan are neither required nor allowed.

You will continue to be a Participant as long as you continue to be an Employee without a *Break in Service* and thereafter as long as you or your *Beneficiary* retain any right to benefits under the Plan.

Definitions:

RTA – Corpus Christi Regional Transportation Authority.

Employee – A person who is employed by *RTA* on a **full-time** basis, who is receiving pay for services rendered to *RTA*, and who is not an independent contractor.

Break in Service – You terminate employment and complete a *One Year Break in Service*.

One Year Break in Service – A *Plan Year* during which you do not complete more than 500 hours of employment. For purposes of this definition, the following do count as hours of employment: (1) an authorized leave of absence, (2) maternity or paternity leave, or (3) a family/medical leave of absence.

Beneficiary – Person or legal entity designated in writing to receive benefits, if any, payable after the death of the Participant. *Beneficiary* may also include the Participant's spouse.

Vesting and Benefit Service

Your service with *RTA* impacts your benefits in two ways. First, your right to a benefit in the event you leave before reaching retirement eligibility (“Vesting”) is based on *Vesting Service*. Second, the amount of your benefit depends on the length of your *Years of Service*. Note that if you leave *RTA* and are later rehired, special rules apply (contact the *Plan Administrator* for details).

Employees generally vest according to the schedule below:

<u>Completed Years of <i>Vesting Service</i></u>	<u>Percent <i>Vested</i> in <i>Accrued Benefit</i></u>
Less than 3	0%
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 or more	100%

Definitions:

Vesting Service – A *Plan Year* in which you complete 1,000 or more Hours of Service. If you have fewer than 1,000 Hours of Service in your first and/or your last *Year of Service*, your *Years of Service* shall be adjusted (to the nearest month) to reflect the number of months in your first and last *Years of Service* in which you completed at least 83 hours of service as a participant.

For purposes of vesting, *Year of Service* includes one year for each consecutive twelve-month period you were employed by the City of Corpus Christi, Texas in its transit division immediately before you became an *Employee* of *RTA* under this Plan.

Plan Year – The *Plan Year* is the year ending December 31. The Plan’s records are maintained on a *Plan Year* Basis.

Year of Service – A *Plan Year* in which you complete 1,000 or more Hours of Service. If you have fewer than 1,000 Hours of Service in your first and/or your last *Year of Service*, your *Years of Service* shall be adjusted (to the nearest month) to reflect the number of months in your first and last *Years of Service* in which you completed at least 83 hours of service as a participant.

Plan Administrator – Corpus Christi Regional Transportation Authority

Vested – You become *Vested* in your retirement benefit according to your years of *Vesting Service*. This means you have a right to a percentage of the **Accrued Benefit** determined under the formula described below. Prior to vesting, you have no right to retirement benefits under the Plan.

RTA Employees Defined Benefit Plan and Trust

Accrued Benefit

Your annual retirement income is based on the *Compensation* and *Years of Service* you earn while an *Employee*. Your Accrued Benefit equals the product of (a) and (b):

- (a) 2% (0.02) of *Final Average Compensation*, times
- (b) *Years of Service*.

Example: A Participant retires and terminates employment at age 62 with 25 *Years of Service* and Average Earnings of \$25,000. The Accrued Benefit is calculated as follows:

(a) = (.02) x \$25,000	(b) = benefit service	Product = Accrued Benefit
\$500.00	25	\$12,500.00 / Year

The monthly Accrued Benefit equals 1/12th of \$12,500.00, or \$1,041.67 per month. It is payable as a *50% Joint and Survivor Annuity* if married and as a *Life Annuity* if not married (see **Forms of Payment**), commencing at *Normal Retirement Date*.

Benefits under the Plan may be limited by IRC Section 415. These provisions are exceedingly complex, and apply to very few, if any, Participants. The *Plan Administrator* will notify you if your benefit is limited by these rules.

Definitions:

Compensation – *Compensation* generally means your regular pay for the calendar year from *RTA*. This includes elective deferrals you make under IRC Sections 125, 457(b), and contributions made to the RTA Employee Defined Contribution Plan and Trust under 414(h)(2).

Compensation that may be considered by the Plan is limited each year to an amount specified in IRC Section 401(a)(17). The limit applicable to 2011 is \$245,000.

Final Average Compensation – This is the annual average determined by dividing the total of your pay received during your final three consecutive calendar years by the number of pay periods for which you received pay in such period, multiplied by the number of pay periods in a complete calendar year.

Normal Retirement Date – The first of the month coincident with or immediately following the date you attain age 62.

Retirement Benefits

Normal Retirement Benefit – You will be eligible to receive your monthly Accrued Benefit for the rest of your life if you retire from *RTA* on your *Normal Retirement Date*.

Postponed Retirement Benefit – You may continue to work for *RTA* after your *Normal Retirement Date*. When you eventually retire, your Postponed Retirement Benefit will equal your Accrued Benefit as of the date of your postponed retirement.

Early Retirement Benefit – You may retire early, any time after you have attained your 55th birthday and completed 10 *Years of Service*. Your Early Retirement Date is the first of the month coincident with or following the date you become eligible for Early Retirement. The Early Retirement benefit will be equal to your Accrued Benefit at the time you retire reduced by 5% for each year by which your Early Retirement Date precedes your *Normal Retirement Date*. If you defer the payment of this benefit until *Normal Retirement Date*, you will be eligible to receive your monthly Accrued Benefit as described above (Normal Retirement Benefit).

Deferred Vested Retirement Benefit – If you leave *RTA* after earning a *Vested* Accrued Benefit, it will be available for you at *Normal Retirement Date*. The amount of your Accrued Benefit will only reflect your *Compensation* and Benefit Service prior to leaving *RTA*.

Disability Retirement Benefit – If you were determined to be disabled under the terms of *RTA*'s long-term disability program as of June 1, 1999, you will be entitled to benefits under this Plan to the extent the Plan provisions in place on June 1, 1999 provided for such benefits. If you terminate employment with *RTA* by reason of Disability after earning a *Vested* Accrued Benefit, it will be available for you at *Normal Retirement Date*. The amount of your Accrued Benefit will only reflect your *Compensation* and Benefit Service prior to leaving *RTA*.

Small Benefits – If the Actuarial Equivalent present value of your *Vested* Accrued Benefit is equal to or less than \$5,000 when you leave *RTA*, *RTA* will pay you the value of your benefit as a Single Lump Sum (see **Forms of Payment** below) without your consent. If you receive a Single Lump Sum, no other Plan benefits will be due to you, to your spouse, or to any other beneficiary.

If you leave *RTA* before you are *Vested*, and before reaching retirement eligibility (Early or Normal), you are not entitled to any retirement benefit under the Plan.

Actuarial Equivalent – Each of the **Forms of Payment** available under the Plan is intended to have the same “value”, on average, as the Accrued Benefit. Technically, all Forms of Payment are Actuarially Equivalent, which means that the anticipated payments from the Plan under each Form of Payment have the same expected value. This expected value takes into account both the probability of payments occurring (i.e. mortality) and the time value of money (i.e. interest).

The interest and mortality rates used to assess Actuarial Equivalence are enumerated in the Plan, and in some cases mandated by law. When you elect a Form of Payment, you will be shown the benefit amount available to you in each Form of Payment so you and your spouse can make an informed election.

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Required Commencement – Unless elected otherwise by the Participant, benefits will commence on or before the sixtieth (60th) day after the latest of:

1. The last day of the *Plan Year* in which the Participant attains age sixty-two (62);
2. The last day of the *Plan Year* containing the 10th anniversary of plan participation; or
3. The last day of the *Plan Year* containing termination of Service.

In addition, minimum distributions are generally required by the April 1 following the calendar year of attainment of age 70½.

Disability – Disability means you were determined to be disabled under the terms of RTA's long-term disability program as of June 1, 1999.

Forms of Payment

If you are single when you commence Early, Normal, Delayed, Deferred Vested, or Disability Retirement benefits, the normal Form of Payment is a *life annuity*. If you are married, your benefit is automatically reduced to provide a *Joint & 50% Survivor Pension* for you and your spouse as the normal Form of Payment. However, you may elect one of the available optional Forms of Payment listed below.

You may elect, change, or cancel an option prior to 90 days before payments begin, or at any time prior to benefit commencement with approval of RTA, by filing an application with the *Plan Administrator*. In addition, you will have 90 days after the receipt of benefit option information to elect or decline a Joint & Survivor Pension. Once payments begin, you may not change the Form of Payment, and you may not change your named *Beneficiary* (unless you are receiving a Certain & Life Pension and your *Beneficiary* dies).

Definitions:

Pension – A Pension is a stream of monthly payments that will be paid to you from the Plan’s assets, which are held in a Trust to provide Plan benefits.

Joint & Survivor Pension – Under a Joint & Survivor Pension, you receive a reduced monthly income for as long as you live. When you die, **50%, 66⅔%, 75%, or 100%** (as elected at retirement) of the monthly amount continues to be paid to your named *Beneficiary* until he or she dies. Election of this option shall be cancelled if either the Participant or *Beneficiary* dies before benefit payments commence.

Single Lump Sum – If the Actuarial Equivalent present value of your Vested Accrued Benefit is less than \$5,000, you may elect to waive all pension payments and receive instead a Single Lump Sum payment. This will represent the entire value of your Plan benefits, and no other benefits will be due to you, to your spouse, or to any other *Beneficiary*. Before electing a Single Lump Sum, you should consult a tax advisor regarding rollover options, and potential taxes and penalties that may apply.

You may elect to “rollover” your Single Lump Sum into an Individual Retirement Account, or into any other tax-qualified retirement plan that accepts such rollovers. If you do not elect a rollover, Federal tax withholding of 20% will generally apply, though no distribution will be made unless you affirmatively elect either a rollover or a taxable distribution.

You will be given details regarding these and other tax rules when electing a Form of Payment, or when receiving a Single Lump Sum.

Death Benefits

If you die after retirement, the Form of Payment you have elected will determine what payments, if any, continue to your designated *Beneficiary*. Prior to retirement, death benefits are only payable if you are *Vested*.

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If you die while in Service, the amount payable to your designated *Beneficiary* will be the Actuarial Equivalent present value of your Vested Accrued Benefit. This amount will be payable as an annuity.