

800377

March 12, 2003

Jennifer Kiker
City of Carrollton
1945 East Jackson Road
Carrollton, Texas 75006

Dear Ms. Kiker:

This letter agreement will serve to amend the existing Agreement between City of Carrollton (the "Employer") and the ICMA Retirement Corporation ("ICMA-RC") to provide the City of Carrollton VantageCare Retirement Health Savings (RHS) Plan for Employer's eligible employees ("Accountholders").

The existing Agreement between Employer and ICMA-RC is hereby amended as follows:

1. Employer desires to make the RHS plan administered by ICMA-RC available to its employees. The details of the RHS plan shall be as mutually agreed between Employer and ICMA-RC, but in general shall be as set forth in the RHS plan materials developed by ICMA-RC and provided to Employer.
2. Absent an explicit agreement to the contrary between ICMA-RC and Employer, Accountholder fees and expenses shall be payable from RHS assets, in accordance with the requirements of the RHS plan as set forth in paragraph 8 below. Employer plan fees, as set forth in paragraph 10 below, shall be payable from the Employer's assets.
3. Each Accountholder will receive a consolidated quarterly statement providing information for any deferred compensation plan, qualified plan or RHS account maintained by each Accountholder and administered by ICMA-RC.
4. Tax withholding and reporting will be provided by ICMA-RC and its agents in conjunction with the Employer for each RHS Account administered by ICMA-RC.
5. Information required to be retained by the employer shall be set forth in the RHS plan materials developed by ICMA-RC and provided to Employer.
6. The details of ICMA-RC's administration of the RHS plan, as well as other features of the RHS plan, shall be as set forth in RHS plan materials. The RHS plan materials are hereby incorporated by reference and made a part of this Agreement, except that Employer and ICMA-RC may from time to time mutually agree in writing to terms that vary from the RHS plan materials.
7. The Employer understands that, as a general matter, the Internal Revenue Service ("IRS") may decline to rule on certain design features or provisions that the Employer may request to have added to the RHS plan materials. The Employer agrees to hold ICMA-RC harmless in connection with the addition and administration of any RHS plan feature or provision requested by the Employer for which the IRS will not provide express interpretive guidance.

8. Accountholder's account administration fees will be paid from RHS assets according to the following schedule:

- a. An annualized fee of .90% will be applied to the first \$7,000 of an Accountholder's account balance. (There will be a minimum annual charge of \$35).
- b. An annualized fee of .55% will be applied to assets between \$7,001 and \$23,000.
- c. For accounts greater than \$23,000, a maximum annual fee of \$150 will apply.

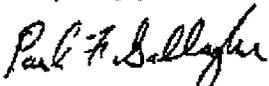
Account administration fees will be calculated each quarter based on the balance on the last day of the previous quarter, and will be charged against the account on a quarterly basis. Account administration fees are subject to change with appropriate prior notification.

For De Minimis (as defined in the RHS plan materials) and severance payouts, there will be a fee of \$25 collected at the time of disbursement.

9. Employer plan fees will be based on the Employer's total \$401 and \$457 plan assets and average participant \$401 and \$457 plan account balances administered by ICMA-RC. Employers with less than \$5 million in combined assets and average participant balances below \$25,000 will be charged the greater of (a)\$200 or (b) \$25 per Accountholder.

If City of Carrollton finds these terms agreeable, please so indicate by having the appropriate person sign and date this letter agreement in the space indicated below.

Very truly yours,



Paul Gallagher
Corporate Secretary

Agreed:



Authorized Official

km

Date 3-1-04

EMPLOYER VANTAGECARE RETIREMENT HEALTH SAVINGS (RHS) PLAN ADOPTION AGREEMENT

Plan Number: 8 00322

Employer Retirement Health Savings Plan Name: CITY OF CARROLLTON

I. Employer Name: City of CARROLLTON State: TX

II. The Employer hereby attests that it is a unit of a state or local government or an agency or instrumentality of one or more units of a state or local government

III. The Effective Date of the Plan: February 1, 2004

IV. The Employer intends to utilize the Trust to fund only welfare benefits pursuant to the following welfare benefit plan(s) established by the Employer:

Retiree Medical & Dental Expense Reimbursement Plan

V. Eligible Groups and Participant Eligibility Requirements

A. The following group or groups of Employees are eligible to participate in the VantageCare Retirement Health Savings Plan:

- All Employees (benefited)
- All Full-Time Employees
- Non-Union Employees
- Public Safety Employees -- Police
- Public Safety Employees -- Firefighters
- General Employees
- Collectively-Bargained Employees (Specify unit) _____
- Other (specify below) _____

The group specified must correspond to a group of the same designation that is defined in the statutes, ordinances, rules, regulations, personnel manuals or other material in effect in the state or locality of the Employer.

If this box is checked, in lieu of mandatory participation, the Employer provides for a one-time, irrevocable election by eligible Employees to participate in RHS. Until such time as the election is made, the Employee shall not participate in the Plan or receive contributions pursuant to Section VI.

Newly eligible Employees shall be provided an election window of 30 days (no more than 60 calendar days) from the date of initial eligibility during which they may make the election to participate. Participation may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to participate may be made in a later year. An annual election window of 45 days (no more than 60 calendar days) shall be provided during which the election may be made. The election window shall run from 10/15 to 11/30 (insert your annual time frame for the election window, e.g. October 1 to November 29). Participation may begin no earlier than the calendar year following the year of the election.

Once made, this election is irrevocable and may not be revoked while the participant is a member of the group covered by the RHS plan.

If the Employer's underlying welfare benefit plan or funding under this VantageCare Retirement Health Savings Plan is in whole or part a non-collectively bargained, self-insured plan, the nondiscrimination requirements of Internal Revenue Code (IRC) Section 105(h) will apply. These rules may impose taxation on the benefits received

by highly compensated Employees if the Plan discriminates in favor of highly compensated Employees in terms of eligibility or benefits. The Employer should discuss these rules with appropriate counsel.

B. Participant Eligibility

1. Minimum period of service required for participation is N/A (write N/A if an Employee is eligible to participate or to elect to participate immediately upon employment).

2. Minimum age required for eligibility to participate is N/A (write N/A if no minimum age is required).

VI. Contribution Sources and Amounts

A. Mandatory Contributions

1. Direct Employer Contributions

The Employer shall contribute on behalf of each Participant _____% of earnings or \$_____ for the Plan Year.

Definition of earnings:

Total Compensation

2. Mandatory Leave Contributions

The Employer will make mandatory contributions of leave as follows:

Accrued Sick Leave* Yes No

Accrued Vacation* Yes No

Other* (describe) _____ Yes No

* Please provide the formula for determining the Accrued Leave contribution:

An Employee shall not have the right to discontinue or vary the rate of annual leave contributions.

3. Mandatory Employee Compensation Contributions

The Employer will make mandatory contributions of Employee compensation as follows:

Reduction in Salary - _____% of earnings (as defined in VI.A.1.) or \$_____ will be contributed for the Plan Year.

Decreased Merit or Pay Plan Adjustment - All or a portion of the Employees' annual merit or pay plan adjustment will be contributed as follows:

An Employee shall not have the right to discontinue or vary the rate of mandatory contributions of Employee compensation.

B. Elective Contributions

1. Elective Pre-Tax Contributions

The Employer will permit each Employee to make the following elections to make pre-tax contributions to the Plan:

a. Irrevocable Election for Pre-Tax Contributions from Compensation: A one-time, irrevocable election of the amount of Employer contributions on compensation made on his or her behalf. The Employer limits the amount elected to either a fixed percentage or a range of percentages of an Employee's earnings, % of earnings (as defined in M.A. 11) or up to 25 % of earnings (as defined in M.A. 11) for the Plan Year.

Newly eligible Employees shall be provided an election window of 30 days (no more than 60) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 30 days (no more than 60) shall be provided during which the election may be made. The election window shall run from 10/15 to 1/30 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

b. Irrevocable Election for Pre-Tax Contributions of Accrued Leave: A one-time, irrevocable election of the amount of Employer contributions on Employee accrued long-term, banked, no-rollover leave made on his or her behalf. sick vacation other COMO rule (describe) leave made on his or her behalf. Yes No.

The Employer limits the amount elected as shown below: No. limit
other than allowed by city policy

Newly eligible Employees shall be provided an election window of 30 days (no more than 60 calendar days) from the date of initial eligibility during which they may make the election to contribute. Contributions may begin no earlier than the calendar month following the end of the election window.

If the Employee does not make the election in the year of initial eligibility, the election to contribute may be made in a later year. An annual election window of 30 days (no more than 60 calendar days) shall be provided during which the election may be made. The election window shall run from 10/15 to 1/30 (insert your annual time frame for the election window). Contributions may begin no earlier than the calendar year following the year of the election.

Once made, the election is irrevocable and may not be revoked.

c. Annual Prospective Election for Pre-Tax Contributions of Leave: An annual, irrevocable election to have his or her sick vacation other (describe) leave to be accrued in the next calendar year contributed to the Plan on his or her behalf.

The Employer limits the amount elected as shown below:

Contributions of future leave accruals will be remitted to the Plan

as earned at the end of the calendar year

The election to contribute must be made in the calendar year before the year in which contributions are to begin. Once made, the election shall apply to succeeding calendar years unless otherwise revised, or revoked by the Employee on an annual basis.

An annual election window of _____ days (no more than 60 calendar days) is provided during which eligible Employees may make the election to contribute. The election window shall run from _____ to _____. Insert your annual time frame for the election window.

In adopting section a, b, and/or c, the Employer acknowledges that the Internal Revenue Service has not ruled on irrevocable election contributions in an integral part trust. ICMA-RC has obtained the advice of counsel that such contributions are allowable under the conditions outlined in this Adoption Agreement. The Employer should discuss this issue with appropriate counsel.

2. Voluntary After-Tax Contributions

Each Employee may contribute up to _____% of earnings (as defined in VI.A.1.) or \$_____ for the Plan Year on a voluntary after-tax basis. In no event may aggregate Employee voluntary after-tax contributions exceed 25% of total contributions in any Plan Year.

An Employee shall have the right to discontinue or vary the rate of elective after-tax contributions of Employee earnings.

By adopting this section, the Employer acknowledges that the Internal Revenue Service has declined to rule on Employee after-tax contributions in an integral part trust. ICMA-RC has obtained the advice of counsel that such contributions are allowable in an insubstantial amount (i.e. no more than 25% of total contributions in any Plan Year). The Employer should discuss this issue with appropriate counsel.

C. Limits on Total Contributions

The total contribution on behalf of each Participant (including both Mandatory and Elective Contributions) for each Plan Year shall not exceed the following limit(s):

- _____% of earnings (as defined in VI.A.1.).
- \$_____.
- There is no Plan-defined limit on the percentage or dollar amount of earnings that may be contributed.

Limits on individual contribution types are defined within the appropriate section above.

See Section V.A. for a discussion of nondiscrimination rules that may apply to non-collectively bargained self-insured Plans.

VII. Vesting Schedule

A. The account is 100% vested at all times, unless specified otherwise in B. below.

B. The following vesting schedule applies to Direct Employer Contributions outlined in VI.A.1:

Years of Service Completed	Specified Percent Vesting
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

C. The account will become 100% vested upon the death, disability, retirement, or attainment of benefit eligibility by a Participant.

Definition of retirement: As defined by the primary pension plan (rms)

D. Any period of service by a Participant prior to a rehire of the Participant by the Employer shall not count toward the vesting schedule outlined in B. above.

VIII. Forfeiture Provisions

Upon separation from the service of the Employer or upon reversion to the Trust of a Participant's account assets remaining upon the participant's death (as outlined in Section XI), a Participant's non-vested funds shall:

- Remain in the Trust to be reallocated among all Plan Participant's as Direct Employer Contributions for the next and succeeding contribution cycle(s).
- Remain in the Trust to be reallocated on an equal dollar basis among all Plan Participants.
- Remain in the Trust to be reallocated among all Plan Participants based upon Participant account balances.
- Revert to the Employer.

In the case of separation from service, the Participant's non-vested funds shall be applied as shown above. In the case of reversion due to the Participant's death under Section XI, the remaining account assets shall be applied as shown above.

IX. Eligibility Requirements to Receive Medical Benefit Payments from the VantageCare Retirement Health Savings Plan

A. A Participant is eligible to receive benefits:

- At retirement only (as defined in Section VII.C.)
- At separation from service with the following restrictions
- _____
- _____ At age _____ only
- _____ At retirement and age _____
- _____ At retirement or age _____

B. Termination prior to general benefit eligibility: A Participant who separates from the service of the Employer prior to attaining benefit eligibility as outlined in Section IX.A. or C. will be eligible to receive benefits:

- Immediately upon separation from service.
- At age _____.

C. A Participant who dies or becomes totally and permanently disabled (as defined by the Social Security Administration) will become immediately eligible to receive medical benefit payments from his/her VantageCare Retirement Health Savings Plan account.

X. Permissible Medical Benefit Payments

Benefits eligible for payment consist of:

- A. All Medical Expenses eligible under IRC Section 213* other than direct long-term care expenses, **OR**
- B. The following Medical Expenses (select only the expenses you wish to cover under the VantageCare Retirement Health Savings Plan):

- _____ Medical Insurance Premiums
- _____ Medical Out-of-Pocket Expenses*
- _____ Medicare Part B Insurance Premiums
- _____ Medicare Supplement Insurance Premiums
- _____ COBRA Premiums
- _____ Dental Insurance Premiums
- _____ Dental Out-of-Pocket Expenses*
- _____ Long Term Care Insurance Premiums
- _____ Other (Must be eligible under IRC Section 213)*

* See Section V.A. for a discussion of nondiscrimination rules which may apply to non-collectively bargained, self-insured Plans.

XI. Death Benefit

In the event of a Participant's death, the following shall apply:

Account Transfer: The surviving spouse and/or surviving eligible dependents (as defined in Section XIII.F.) of the deceased Participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits specified in Section X above.

Upon notification of a Participant's death, the Participant's account balance will be transferred into the Vantagepoint Money Market Fund*. The account balance may be reallocated by the surviving spouse or dependents.

** Please read the current prospectus carefully prior to investing. An investment in this fund is neither insured nor guaranteed and there can be no assurance that the Fund will be able to maintain a stable net asset value of \$1.00 per share. Vantagepoint Mutual Funds are distributed by ICMA-RC Services, LLC, a controlled affiliate of ICMA Retirement Corporation. Member NASD/SIPC.*

If a Participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits of eligible dependents. Upon the death of all eligible dependents, the balance will be available for medical benefits for the designated beneficiary of the last dependent or spouse to die. Assets remaining upon the death of a designated beneficiary shall be available for medical benefits of the beneficiary's designated beneficiary. If there is no living beneficiary(ies), the account will revert to the Plan to be applied as specified in Section VIII.

There will be no elective withholding of federal, state, or local taxes for medical benefit payments to the Participant's spouse's or dependent's designated beneficiary(ies).

If there are no living spouse or dependents at the time of death of the Participant, the account will be available for medical benefits for the designated beneficiary(ies) of the Participant. Assets remaining upon the death of all designated beneficiaries shall be available for medical benefits of the beneficiary's beneficiary. If there is no living beneficiary(ies), the account will revert to the Plan to be applied as specified in Section VIII.

There will be no elective withholding of federal, state, or local taxes for medical benefit payments to the Participant's beneficiary(ies) or any beneficiary's beneficiary.

XII. De Minimis Accounts

Upon separation from the service of the Employer prior to a Participant becoming eligible for medical benefits from a VantageCare Retirement Health Savings Plan account, Participant accounts that are considered de minimis as specified below will be paid to the Participant.

- The de minimis account value shall be \$5,000 or less.
- The de minimis account value shall be \$_____ (insert dollar amount between \$0 and \$5,000) or less.
- The Plan shall not allow de minimis account distributions.

XIII. The Plan will operate according to the following provisions:

A. Employer Responsibilities

1. The Employer will submit all VantageCare Retirement Health Savings Plan contribution data via electronic submission.
2. Participant status updates and/or changes or personal information updates and/or changes (Participants' termination dates, Participants' benefit eligibility dates, etc.) will be provided via electronic submission.

B. Participant account administration fees will be paid through the redemption of Participant account shares, unless agreed upon otherwise in the Administrative Services Agreement.

C. Employer plan fees will be paid by the Employer as outlined in the Administrative Services Agreement.

D. Assignment of benefits is not permitted.

E. Payments to an alternate payee (payee other than a Participant) are not permitted with the exception of reimbursement of health insurance premiums to the Employer.

F. An eligible dependent is the Participant's lawful spouse and any other individual who is a person described in IRC Section 152(a).

G. The Employer will be responsible for withholding, reporting and remitting any applicable taxes, as outlined in the VantageCare Retirement Health Savings Plan Employer Manual.

XIV. The Employer hereby acknowledges it understands that failure to properly fill out this Employer VantageCare Retirement Health Savings Plan Adoption Agreement may result in the loss of tax exemption of the Trust and/or loss of tax-deferred status for Employer contributions.

EMPLOYER

By: *Ronald White* ^{KN}

Title: *CITY MANAGER*

Attest: *Anthony W. King*

Accepted: Vantagepoint Transfer Agents, LLC

Paula Brunel

Corporate Treasurer