



Meeting Date: June 30, 2021

Agenda Item: D.4

AGENDA SUMMARY REPORT

SUBJECT:

Adoption of Resolution 2021-__ Adopting Mendocino Transit Authority's Section 125 Program Plan

SUMMARY:

A Section 125 Flexible Benefit Plan (cafeteria plan) is an employee benefits program designed to take advantage of Section 125 of the Internal Revenue Code. This plan allows employees to choose among different types of benefits and select the combination best suited to their individual goals, desires, and needs. These choices include an option to receive certain benefits in lieu of taxable compensation.

A section 125 plan is the only means by which MTA can offer employees a choice between taxable and nontaxable benefits without the choice causing the benefits to become taxable. MTA has historically offered employees pretax deductions for payment of health, dental and vision benefits as well as pretax deductions for MTA's Flexible Spending Account Plan (FSA) and Dependent Care Account Plan (DCAP), AFLAC disability insurance and 457 SIP contributions. Employees can also choose the "Opt Out" provision which provides for taxable cash-in-lieu rather than deductions for benefits.

The Section 125 Plan needs to be adopted on or before the first day of the plan year that it will be effective to ensure compliance with IRS code.

Staff has been unable to locate any previous plan document and is recommending adoption of the Section 125 Plan document today in an effort to ensure MTA is in compliance with Section 125 of the IRS code and established MTA practices and policies.

STAFF RECOMMENDATION:

Adopt Resolution 2021-__ Adopting Adopting Mendocino Transit Authority's Section 125 Program Plan.

ATTACHMENTS:

Resolution 2021-__
Section 125 Plan Document for Fiscal Year 21-22.

Resolution 2021-__
of the
Board of Directors
of
Mendocino Transit Authority
Adopting a Section 125 Program Plan

WHEREAS , Mendocino Transit Authority provides employees with certain benefits, including partially funded health insurance, and;

WHEREAS , employee spending on health care and related services can be significant, and;

WHEREAS , Section 125 of the Federal Revenue Act of 1978 authorizes the establishment of Section 125 Plans for public sector employees, and;

WHEREAS , such a plan allows employees to pay for certain eligible expenses on a pre-tax basis, thereby saving both the employee and Mendocino Transit Authority the cost of certain taxes, including payroll taxes. The plan also offers employees to receive taxable cash-in-lieu rather than enrolling in MTA's benefit plan.

NOW, THEREFORE be it resolved by the Board of Directors of Mendocino Transit Authority that MTA is hereby authorized to establish and implement a "Section 125 Plan" for its employees, in accordance with provisions of Section 125 of the Revenue Act of 1978; and

BE IT FURTHER RESOLVED that the MTA Executive Director is authorized and directed to take such actions as are appropriate and necessary to adopt the Plan.

Adopted this 30th day of June 2021 upon motion by Director _____ and seconded by Director _____ by roll call vote.

AYES:

NOES:

ABSTAIN:

ABSENT:

Chairperson, Saprina Rodriguez

AMENDED AND RESTATED
Mendocino Transit Authority
SECTION 125 PREMIUM ONLY PLAN

EFFECTIVE PLAN YEAR July 1, 2021
RESTATED ORIGINAL PLAN January 01, 2018

WHEREAS, the Employer previously adopted the Mendocino Transit Authority Section 125 Premium Only Plan (the "Plan");

WHEREAS, the Employer retained the right to amend the Plan pursuant to Section 7.1 of the Plan; and

WHEREAS, the Employer desires to amend and restate the Plan in its entirety.

NOW, THEREFORE, effective July 1, 2021 the Employer hereby adopts the Client Section 125 Premium Only Plan (the "Plan") to read as follows:

Article 1. Introduction.

- 1.1 Purpose of Plan. The Employer adopts the Plan. The purpose of this Plan is to provide Participants with a choice between cash compensation and Optional Benefit Coverages.
- 1.2 Cafeteria Plan Status. This Plan is intended to qualify as a "cafeteria plan" under Section 125 of the Internal Revenue Code of 1986, as amended, and is to be interpreted in a manner consistent with the requirements of Section 125. The Administrator is authorized to take any and all actions which it deems to be appropriate to maintain the Plan in compliance with the provisions of Section 125 of the Code as a "Cafeteria plan" including modification or revocation of elections hereunder.

Article 2. Definitions.

- 2.1 "Administrator" means the Employer or such other person or committee as may be appointed from time to time by the Employer to supervise the administration of the Plan.
- 2.2 "Adopting Employer" means an entity that adopts the Plan with the approval of the Employer. In order to be an Adopting Employer, the entity must be member of a controlled group of corporations with an Employer, as defined in Section 414(b) of the Code, all trades and businesses (whether or not incorporated) which are under common control, as defined in Section 414(c) of the Code, any member of an affiliated service group, as defined in Section 414(m) of the Code, and any other entity which is required to be aggregated with an Employer under Section 414(o) of the Code. The effective date of adoption by an Adopting Employer shall be the date specified in the resolution approving the adoption.

- 2.3 "Benefit Coverage Period" means the period during which a Participant is eligible under any Optional Benefit Coverage.
- 2.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any regulations there under and any comparable or succeeding provisions of any legislation which amends, supplements or replaces such section or subsection.
- 2.5 "Coverage Period" means the Plan Year.
- 2.6 "Dependent" means such persons as are identified as dependents pursuant to the terms of the Optional Benefit Coverages made available to Participants.
- 2.7 "Effective Date" means January 01, 2018. The restated effective date means July 1, 2021.
- 2.8 "Eligible Employee" means an Employee who meets the eligibility requirements described in Section 3.1. An individual who does not meet the eligibility requirements in Section 3.1 will not be eligible to participate in the Plan under any circumstances.
- 2.9 "Employee" means any common law employee of the Employer or Adopting Employer. Employee will not include an independent contractor, consultants, leased employee, 2% shareholder of an S-Corporation or an individual who is self-employed (including partner) in accordance with Code Section 401(c). Any such determination of an individual's status as an Employee will be made solely by the Employer without regard to whether any determination by an agency, governmental or otherwise, or court concludes that such classification or characterization was in error.
- 2.10 "Employer" means Mendocino Transit Authority
- 2.11 "Key Employee" means any person who is a key employee, as defined in Code Section 416(i)(1), with respect to the Employer.
- 2.12 "Optional Benefit Coverages" means the coverage option(s) available to a Participant as set forth in the eligible benefit plans sponsored by Mendocino Transit Authority.
- 2.13 "Participant" means any individual who participates in the Plan in accordance with Article 3.
- 2.14 "Plan" means this cafeteria plan named the Mendocino Transit Authority Section 125 Premium Only Plan.
- 2.15 "Plan Year" means the twelve (12) month period commencing July 1 and ending June 30.

- 2.16 "Waiting Period" means the period during which an otherwise Eligible Employee is ineligible to participate in the Plan because he or she has not met the eligibility requirements in Article 3.

Article 3. Participation.

- 3.1 Commencement of Participation. Each Eligible Employee will become a Participant in this Plan on the date he or she satisfies the eligibility criteria for any Optional Benefit Coverage, subject to any applicable Waiting Period. Each Participant may elect Optional Benefit Coverages in accordance with, and subject to, the procedures set forth in Article 4 and such other procedures as may be established by the Administrator from time to time.
- 3.2 Cessation of Participation. A Participant will cease to be a Participant as of the earlier of (a) the date on which the Plan terminates, (b) the end of the Participant's Benefit Coverage Period, or (c) the date the Participant ceases to be an Eligible Employee.
- 3.3 Reinstatement of Former Participant. A former Participant who meets the requirements for an Eligible Employee will become a Participant again if and when he or she becomes an Eligible Employee, subject to the completion of any applicable Waiting Period and upon proper enrollment as prescribed by the Administrator.

Article 4. Optional Benefit Coverages.

- 4.1 Coverage Options. Each Participant may choose under this Plan to receive his or her full compensation in cash or to have all or a portion of such compensation applied by the Employer toward the cost of the Optional Benefit Coverages elected by the Participant.
- 4.2 Description of Optional Benefit Coverages. While the election of Optional Benefit Coverages may be made under this Plan, the coverages and benefits elected by Participants will be provided not by this Plan but by the applicable benefit plans governing the Optional Benefit Coverages. The types and amounts of benefits available under each benefit plan, the requirements for participating in such benefit plan, and the other terms and conditions of coverage and benefits under such benefit plan are as set forth from time to time in such benefit plan's plan document. See component plan documents for benefit coverage details. If offered by employer and elected by participant, the following group plans are available for pretax salary deduction contributions under this plan:
- a) Medical Insurance
 - b) Dental Insurance

- | | |
|---|--|
| c) Vision Insurance | i) Long-term Disability and Short-term Disability Coverage |
| d) Prescription Drug Coverage | j) Premiums for Individual Coverage Health Reimbursement Arrangement (ICHRA) |
| e) Health FSA | k) 401(k) Contributions |
| f) Dependent Care FSA | l) Any other allowable benefits under Section 125 |
| g) Health Savings Account (HSA) Contributions | |
| h) Accidental Death & Dismemberment Coverage | |

4.3 No Financial Responsibility for Optional Benefit Coverages. In no event will the Employer or any of its affiliates or subsidiaries or any of their agents, directors, employees, consultants, insurers or owners have any obligation whatsoever to provide any actual benefits or cost reimbursements under Optional Benefit Coverages as a result of this Plan. The Employer's sole and exclusive obligation under this Plan is to collect from Participants compensation reductions elected hereunder.

4.4 Election of Opt-Out Benefit for Medical Coverage. Employees are offered a choice to receive an "opt-out" benefit when waiving medical coverage, in situations where they already have coverage (See Plan Administrator for opt-out benefit details). The opt-out program is not intended to be a reimbursement of any kind. This benefit is taxable and is considered unrestricted cash compensation. The cash benefit is not intended for the direct or indirect purchase or reimbursement of any other medical insurance premium (whether individual or group coverage). This provision is only available to the extent permitted by law.

4.5 Election of Optional Benefit Coverages in Lieu of Cash. A Participant may elect under this Plan, in accordance with the procedures described in Sections 4.6, 4.7 and 4.8, to receive one or more Optional Benefit Coverages to the extent available to the Participant under terms of such plans. If a Participant elects an Optional Benefit Coverage for a Coverage Period, the Participant is required to pay the employee portion of the cost of such coverage. Such share will be paid by a reduction in the Participant's regular compensation for the Coverage Period. In the event that the Participant's compensation during any pay period is insufficient in amount to pay the Participant's share of the monthly cost of such Optional Benefit Coverage by compensation reduction, the Employer has no responsibility under this Plan to cover, pay or advance on behalf of the Participant any such shortfall and the Participant must make

immediate arrangements with the plan administrator of such Optional Benefit Coverage to pay such shortfall on an after-tax basis.

- 4.6 Election Procedure. Prior to the commencement of each Coverage Period, the Administrator will provide (or make available) a means of election to each individual who is eligible to become a Participant at the beginning of the applicable Coverage Period, i.e. an "Open Enrollment". Each Participant who desires to elect an Optional Benefit Coverage available for the Coverage Period must specify in his or her election during Open Enrollment. The election will be effective as of the first day of the Coverage Period. The Participant must agree to a reduction in his or her compensation equal to the employee portion of the cost of the Optional Benefit Coverages elected. Each election must be made on or before such date and in such manner as the Administrator specifies. If a Participant fails to complete an election form for this Plan but elects an Optional Benefit Coverage, such Participant will be deemed to have elected to pay such employee portion of the cost of benefits on a pre-tax basis.
- 4.7 New Participants. Upon becoming a Participant mid-year, the Administrator will provide the means of election described in Section 4.6 to such participant. If the individual desires one or more Optional Benefit Coverages for the balance of the Coverage Period, the individual must specify in his or her election. The Participant shall agree to a reduction in his or her compensation equal to the cost of the Optional Benefit Coverages elected. Each election must be made on or before such date and in such manner as the Administrator specifies. Compensation reductions and elections will become effective as of the first day of the first Benefit Coverage Period specified by the Administrator following completion of the enrollment and election process.
- 4.8 Failure to Make Election.
- (a) A new Participant's failure to make an election under Section 4.6 for this Plan on or before the due date specified by the Administrator for the Coverage Period in which he or she becomes a Participant but elects an Optional Benefit Coverage, such Participant will be deemed to have elected to pay the employee portion of the cost of the Optional Benefit Coverages on a pre-tax basis.
- (b) An existing Participant's failure to make an election under this Plan relating to an Optional Benefit Coverage on or before the due date specified by the Administrator for any subsequent

Coverage Period constitutes

- (1) a re-election of the same coverage, if any, as was in effect just prior to the end of the preceding Coverage Period (to the extent such Optional Benefit Coverage remains available under the Plan), and
- (2) an agreement to a reduction in the Participant's compensation for the subsequent Coverage Period equal to the cost of such coverage on the same basis (pre-tax or post-tax) as was previously elected.

4.9 Revocation or Change of Election by the Participant during the Coverage Period.

- (a) Any election made under the Plan (including an election made through inaction under Section 4.8) will be irrevocable by the Participant during the Coverage Period except as otherwise provided in
 - (b) through (k) below.
- (b) With respect to an Optional Benefit Coverage, a Participant may revoke an election for the balance of the Coverage Period and, if desired, file a new election in writing if, under the facts and circumstances,
 - (1) a Change in Status occurs, and
 - (2) the requested revocation and new election satisfy the consistency requirements in Section 4.10 below.

For this purpose, a Change in Status includes the following events:

- Legal marital status. An event that changes a Participant's legal marital status, death of spouse, divorce, or legal separation or annulment.
- Number of dependents. An event that changes a Participant's number of dependents (as defined in Treasury Regulation 1.125-4(i)(3)), including birth, death, adoption or placement for adoption.
- Employment Status. An event that changes the employment status of the Participant, the Participant's spouse or dependent, including termination or commencement of employment, a strike or lockout, a commencement or return from an unpaid leave of absence, and a change in

worksite, as well as any other change in the individual's employment status that results in the individual becoming (or ceasing to be) eligible under the qualified benefit plans of the Employer.

- Requirements for Unmarried Dependents. An event that causes a dependent (as defined in Treasury Regulation 1.125-4(i)(3)) to satisfy or cease to satisfy the requirements for coverage under an Optional Benefit Coverage on account of attainment of age, student status, marital status or any similar circumstance.
 - Residence. A change in the place of residence of the Participant or his or her spouse or dependent (as defined in Treasury Regulation 1.125-4(i)(3)).
 - Significant Change in Cost. There is a significant change in the cost of an Optional Benefit Coverage.
 - Coverage Curtailment. Coverage under an Optional Benefit Coverage is significantly curtailed.
 - New or Eliminated Optional Benefit Coverage. A new Optional Benefit Coverage is offered or an Optional Benefit Coverage is eliminated.
 - Change in Coverage under Spouse or Dependent's Plan. There is a change in coverage under the Participant's spouse's plan or Participant's dependent's (as defined in Treasury Regulation Section 1.125-4(i)(3)) plan.
 - Open Enrollment in Spouse or Dependent's Plan. The enrollment period for coverage under the Participant's spouse's plan or Participant's dependent's (as defined in Treasury Regulation Section 1.125-4(i)(3)) plan occurs while the Participant's elections are in effect.
 - Other Events. Such other events that the Administrator determines will permit the revocation of an election (and, if applicable, the filing of a new election) during a Coverage Period under regulations and rulings of the Internal Revenue Service.
- (c) In the case of coverage under a group health plan, a Participant may revoke an election for the balance of the Coverage Period and file a new election that corresponds with the special enrollment rights provided in Code Section 9801(f) pertaining to HIPAA special enrollment rights.
- (d) In the case of a judgment, decree or order ("order") resulting from a divorce, legal separation, annulment, or change in legal custody (including a qualified medical child support order) that

requires health coverage for a Participant's child who is a dependent (as defined in Treasury Regulation Section 1.125-4(i)(3)) of the Participant, a Participant may change his or her election:

- (1) to provide coverage for the child under a health coverage required by the order, or
 - (2) to cancel a health coverage identified required by the order, if the order requires the Participant's spouse or former spouse or another individual to provide coverage for the child and that coverage is, in fact, provided.
- (e) In the case of an accident or health plan Optional Benefit Coverage, a Participant may revoke an election in writing for the balance of the Coverage Period and file a new election in writing in order to cancel or reduce such Optional Benefit Coverage for the Participant and/or for one or more covered dependents (as defined in Treasury Regulation Section 1.125-4(i)(3)) of the Participant to the extent that such individual becomes entitled to coverage under Part A or Part B of Title XVIII of the Social Security Act (Medicare) or Title XIX of the Social Security Act (Medicaid), other than coverage consisting solely of benefits under Section 1928 of the Social Security Act (the program for distribution of pediatric vaccines). In addition, if the Participant or any eligible dependent (as defined in Treasury Regulation Section 1.125-4(i)(3)) who has been entitled to Medicare or Medicaid loses eligibility for such coverage, the Participant may file a new election in writing for the balance of the Coverage Period to commence or increase an accident or health plan Optional Benefit Coverage.
- (f) A Participant taking leave under the Family Medical Leave Act, if applicable, may revoke existing group health plan coverage and make such other election for the remaining portion of the Coverage Period as may be provided for under the Family Medical Leave Act.
- (g) The Administrator may automatically change a Participant's contribution towards premiums to obtain Optional Benefit Coverages to reflect increase or decrease cost.
- (h) Any application for a revocation or new election under this Section 4.9 must be made within the time specified by the Administrator following the date of the actual event and will be effective at such time as the Administrator prescribes, unless otherwise required by law.
- (i) A Participant may revoke and or change an election relating to contributions to any health

savings account on a prospective basis at least monthly or, if permitted by the Administrator, more frequently than monthly.

- (j) A Participant may revoke an election for group health Optional Benefit Coverage prospectively for the remainder of the Coverage Period if the Participant has been in an employment status under which the Participant was reasonably expected to average at least 30 hours of service per week and there is a change in such status so that the Participant will reasonably be expected to average less than 30 hours of service per week after the change (even if such reduction in hours does not result in the Participant ceasing to be eligible under the group health Optional Benefit Coverage), the revocation corresponds to the intended enrollment of the Participant (and any related individuals) in another plan that provides minimum essential coverage, and such new coverage is effective no later than the first day of the second month following the month that includes the date the group health Optional Benefit Coverage is revoked.
 - (k) A Participant may revoke an election for group health Optional Benefit Coverage prospectively for the remainder of the Coverage Period if the Participant is eligible for a special enrollment period to enroll in a qualified health plan through a marketplace or the Participant seeks to enroll in a qualified health plan through a marketplace during the marketplace's annual open enrollment period and the revocation of the election under the group health Optional Benefit Coverage corresponds to the intended enrollment of the Participant (and any related individuals) in a qualified health plan through a marketplace for coverage that is effective beginning no later than the day immediately following the last day of the revoked group health Optional Benefit Coverage.
- 4.10 Consistency Rules. A Participant's requested revocation and new election will be consistent with a change in status if the election change is on account of and corresponds with a change in status that affects the eligibility for coverage under a plan of the Employer or under a plan maintained by the employer of the Participant's spouse or dependent (as defined in Treasury Regulation Section 1.125-4(i)(3)). A change in status that affects eligibility under the Employer's plan includes a change in status that results in the increase or decrease in the number of a Participant's family members or dependents (as defined in Treasury Regulation

Section 1.125-4(i)(3)) who may benefit from coverage under the plan.

- 4.11 Changes by Administrator. If the Administrator determines, before or during any Coverage Period, that the Plan may fail to satisfy for such year any nondiscrimination or other requirement imposed by the Code or any limitation on benefits provided to Key Employees, the Administrator may take such action as the Administrator deems appropriate to assure compliance with such requirement or limitation. Such action may include, without limitation, a modification of elections by highly compensated Employees (as defined by the Code for purposes of the nondiscrimination requirement in question) or Key Employees without the consent of such Employees.
- 4.12 Adjustment of Compensation Reductions. If the cost of an Optional Benefit Coverage provided to a Participant increases or decreases during a Coverage Period, including any increase or decrease due to a change in the Participant's salary, a corresponding change will be made in the compensation reductions of the Participant in an amount reflecting such increase or decrease, as determined by the Administrator to the extent the Administrator is advised of such change by the providers of such Optional Benefit Coverages which Participants may have elected.
- 4.13 Automatic Termination of Election. Any election made under this Plan (including an election made through inaction under Section 4.8) will automatically terminate at the close of the Benefit Coverage Period on which the Participant ceases to be a Participant in the Plan, although coverage or benefits may continue if and to the extent provided by such coverage. In the event such a former Participant again becomes a Participant within 30 days of ceasing to be a Participant, the elections previously in effect for the Participant will be automatically reinstated for the balance of the Coverage Period, except as otherwise elected by the Participant in accordance with Section 4.9.
- 4.14 Cessation of Required Contributions. Nothing in this Plan will prevent the cessation of coverage or benefits under any Optional Benefit Coverage, in accordance with the terms of such coverage, on account of a Participant's failure to pay the Participant's share of the cost of such coverage or benefits, through compensation reduction or otherwise.
- 4.15 Elections Via Other Media. The Administrator may, in its discretion, use any telephonic,

electronic or other alternative media form that it deems necessary or appropriate for the election of Optional Benefit Coverages under the Plan.

4.16 Coordination with FMLA. Notwithstanding any other provision of this Plan, the Administrator may

(a) permit a Participant to revoke (and subsequently reinstate) his or her election of one or more Optional Benefit Coverages under the Plan, and (b) adjust a Participant's compensation reduction as a result of a revocation or reinstatement to the extent the Administrator deems necessary or appropriate to assure the Plan's compliance with the provisions of the Family and Medical Leave Act of 1993 and any regulations pertaining thereto, if applicable.

4.17 Special Rule for Certain Covered Individuals. Notwithstanding anything in this Plan to the contrary, the cost of providing Optional Benefit Coverage to an individual as a Dependent of the Participant, where the covered individual is not a dependent of the Participant for purposes of Code Section 152 (as modified by Code Section 105(b) and IRS Notice 2004-79) will be paid by the Participant with after- tax contributions. Such costs will either be deducted by the Employer from the after-tax compensation of the Participant or, to the extent the cost of such Optional Benefit Coverage is paid from compensation reduction or any other form of Employer contribution, such contribution will be treated as taxable compensation received by the Participant and contributed by the Participant on an after-tax basis.

Article 5. Administration of Plan.

5.1 Administrator. The administration of the Plan will be under the supervision of the Administrator. It is a principal duty of the Administrator to see that the Plan is carried out, in accordance with its terms without discrimination among participants. The Administrator has full discretionary power to administer the Plan in all of its details, subject to applicable requirements of law. For this purpose, the Administrator's discretionary powers include, but are not limited to, the following discretionary authority, in addition to all other powers provided by this Plan:

(a): To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

- (b): To interpret the Plan;
- (c): To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;
- (d): To appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan; and
- (e): To delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan, any such delegation or designation to be in writing.

Any determination by the Administrator, or its authorized delegate, is final and conclusive on all persons. Notwithstanding the foregoing, any claim which arises under any Optional Benefit Coverage will not be subject to review under this Plan, and the Administrator's authority under this Section 5.1 does not extend to any matter as to which another administrator or entity is empowered to make determinations under such Optional Benefit Coverage.

Article 6. Amendment and Termination of Plan.

- 6.1 Amendment of Plan. The power to amend the Plan, in whole or in part, is vested in the Employer, which has the sole discretion to make all amendments to the Plan or any of its provisions. Such amendment will be effected by a written instrument signed by a duly authorized representative of the Employer, or his or her authorized delegate, and delivered to the Administrator.
- 6.2 Termination of Plan. The Employer has established the Plan with the bona fide intention and expectation that it will be continued indefinitely, but the Employer will have no obligation whatsoever to maintain the Plan for any given length of time and may discontinue or terminate the Plan at any time, without liability, by a written instrument signed by a duly authorized representative of the Employer, or his or her authorized delegate, and delivered to the Administrator.

Article 7. Miscellaneous Provisions.

- 7.1 Information to be Furnished. Participants will provide the Employer and the Administrator with such information and evidence, and will sign such documents, as may reasonably be requested from time to time for the purpose of administration of the Plan.
- 7.2 Limitation of Rights. Neither the establishment of the Plan nor any amendment thereof, nor

the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer or the Administrator.

- 7.3 Employment Not Guaranteed; No Vested Rights. Nothing contained in the Plan, nor any action taken hereunder, will be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Employer. Nothing in this Plan is to be interpreted or construed in creating any vested rights in any benefits, coverage entitlements or compensations of any type.
- 7.4 Unsecured General Creditor. Participants, their beneficiaries, and all others have no rights or interests in any property of the Employer or its affiliates. Assets of the Employer will not be held under any trust for the benefit of Participants, their beneficiaries, or others or as collateral security for fulfilling of the obligations of the Employer under this Plan. All Employer assets will be unpledged and unrestricted assets of the Employer. Each Participant or beneficiary will be treated as a general unsecured creditor of the Employer and has no greater right to any assets other than an unsecured creditor.
- 7.5 No Liability for Action or Omission. Neither the Employer, nor any director, officer or employee of the Employer will be liable in any manner to any Participant, beneficiary or any other person claiming through them for any benefit or action taken or omitted in connection with interpretation and administration of this Plan.
- 7.6 Liability for Benefit Payments and Successorship. The Plan will not be automatically terminated by the Employer's acquisition by or merger into any other entity, but the Plan will be continued after such acquisition or merger if the successor employer elects and agrees to continue the Plan. All rights to amend, modify, suspend or terminate the Plan will be transferred to the successor as of the effective date of the merger or acquisition. This Plan and all of its terms will be binding upon such successors and the Employer's assigns.
- 7.7 Governing Law and Venue for Disputes. This Plan shall be construed in accordance with and governed by the laws of the State of California to the extent not superseded by federal law, without reference to California's conflict of laws provisions. Any action, dispute or challenge regarding the interpretation or enforcement of this Agreement must be brought and litigated in the United States District Court for California, if it otherwise has subject matter jurisdiction, or otherwise in the Circuit Court for State of California.

- 7.8 Correction of Defects. The Employer and Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any payment as it deems appropriate. If a Participant is overpaid or receives amounts, or has amounts paid on its or their behalf, which the Employer determines have been incorrectly paid to the Participant, the Participant must return such payments to the Employer upon demand. And, the Employer reserves the right to collect from, and offset, against the Participant's future wages from the Employer any amounts which the Employer determines have been overpaid or mistakenly paid to or for the benefit of any Participant.
- 7.9 Severability of Provisions. If any provision of this Plan is held invalid or unenforceable, such invalidity or unenforceability will not affect any other provisions hereof, and this Plan will be construed and enforced as if such provisions had not been included.
- 7.10 Acceptance of Terms. As a condition to receipt of benefits under the Plan and being permitted to participate under it, each Participant agrees to accept the terms of this Plan.
- 7.11 No Fiduciary Relationship. Nothing contained in this Plan, and no action taken pursuant to its provisions by the Employer or the Participants will create, or be construed to create a fiduciary relationship between the Employer, Administrator or any Participant or beneficiary.

IN WITNESS WHEREOF, Mendocino Transit Authority has caused this Plan to be executed in its name and on behalf of its officers there unto duly authorized this 30th day of June, 2021.

Mendocino Transit Authority

By: _____

Title: _____