

**SECOND AMENDMENT TO
THE RESTATED PUBLIC SCHOOLS OF PETOSKEY CAFETERIA PLAN**

The Public Schools of Petoskey, a Michigan government entity (the "Employer"), having approved and adopted The Restated Public Schools of Petoskey Cafeteria Plan (the "Plan"), effective as of September 1, 2011, and having previously once amended the Plan, does hereby approve and adopt this Second Amendment to the Plan, effective as of September 1, 2013.

WHEREAS, the Board of Education of the Employer approved and adopted the Plan with the intent that the Plan qualify under Section 125 and 105 of the Internal Revenue Code of 1986, as amended (the "Code"), and for the purpose of offering certain Benefits to Employees who satisfy the eligibility requirements for participation in the Plan; and

WHEREAS, the Employer now wishes to make certain amendments to the Plan relating to the addition of a new Benefit.

NOW, THEREFORE, the Employer hereby adopts this Second Amendment to the Plan, as follows:

1. Effective as of September 1, 2013, Exhibit A to the Plan (Benefit Schedule) is amended in its entirety and replaced with the Exhibit A that is attached hereto, and incorporated herein by reference.

2. Except as specifically affected by this Second Amendment, all of the terms and provisions of the Plan, as previously amended, shall remain in full force and effect, the same and unchanged.

IN WITNESS WHEREOF, the Employer has caused this Second Amendment to be executed on the _____ day of _____, 2013.

THE PUBLIC SCHOOLS OF PETOSKEY
a Michigan governmental entity

By: _____

Its: Superintendent

**THE RESTATED PUBLIC SCHOOLS OF PETOSKEY
CAFETERIA PLAN
[Restated Effective September 1, 2013]**

EXHIBIT A

BENEFIT SCHEDULE

Medical Plan Coverage

Each Participant who wants coverage under the insured Medical Plan maintained by the Employer for a Plan Year will receive coverage under the Policy or Policies maintained by the Employer to provide such coverage as designated by the Participant in the election form or forms executed by the Participant for the Plan Year under the terms of such Policy or Policies. The coverage available to the Participant will be in accordance with the pertinent provisions of the Collective Bargaining Agreement between the Employer and the bargaining unit that represents the Participant, or in the case of non-organized Participants, in accordance with the terms of the Participant's employment with the Employer.

Pre-Tax Premium Benefit; Automatic Enrollment

The Salary of each Participant will be reduced to pay the Participant's contribution to the Premium under the Policy or Policies maintained by the Employer to provide medical coverage in the amount, when added to the Employer's portion (if any), that is required for the coverage designated by the Participant in the Participant's election form, and amounts so reduced in each pay period during the relevant Plan Year will be credited to the Participant's Medical Insurance Premium Account. Premiums will be paid from the Participant's Medical Insurance Premium Account in accordance with the terms of the Policy. Amounts credited to a Participant's Medical Insurance Premium Account may only be used to pay medical insurance Premiums, and any amounts credited to that Account within a Plan Year that are not so used before the end of that Plan Year will be deemed forfeited.

Notwithstanding any other provisions of the Plan, any Employee who is enrolled in the Employer's medical insurance plan, who under the terms of such Employee's employment is required to pay a share of the Premiums for such coverage, shall be automatically enrolled in this Benefit so that such Employee's salary shall be automatically reduced on a pre-tax basis to pay for the Employee's portion Premiums; unless, however, the Employee affirmatively elects not to participate in this Benefit for a Plan Year, during the relevant Election Period. Therefore, at the time an Employee is hired, the Administrator shall provide the Employee a written notice explaining the automatic enrollment process and the employee's right to decline coverage and have no reduction to Compensation. The notice shall include the pay reduction amounts for employee-only coverage and family coverage, procedures for exercising the right to decline coverage, a form for making an election to decline coverage, information on the time by which an election must be made, and the period for which an election will be effective. The notice shall also be given to each Employee before the beginning of each Plan Year, during the Election

Period, except that the notice for a current Employee shall include a description of the Employee's existing coverage, if any. The Administrator shall develop procedures for the distribution of notices and the submission of declinations.

Waiver of Health Insurance; Cash Option

Each Participant who does not want coverage under the Employer's insured medical plan may elect to not receive such coverage for a Plan Year by executing a Waiver form provided by the Administrator within the relevant Election Period. A Participant who elects to waive coverage under the Employer's insured medical plan will receive cash in lieu of health insurance coverage in an amount and at the times determined by referencing the pertinent provisions of the Collective Bargaining Agreement between the Employer and the bargaining unit that represents the Participant, or in the case of non-organized Participants, the terms of the Participant's employment with the Employer. Unless otherwise provided, a Participant's waiver of health insurance shall apply to major medical coverage for which the Participant is eligible, and shall not apply to other insured benefits such as dental or vision coverage.

Health Care Flexible Spending Account Plan

The Salary of each Participant electing this Benefit will be reduced in accordance with a Salary Reduction Agreement to fund the Participant's Health Care Reimbursement Account established for the Participant under the Employer's Medical Expense Reimbursement Plan. The amount and payment of Benefits will be determined under the Medical Expense Reimbursement Plan. This Benefit is **not** available to Participants who participate in the Health Savings Account (HSA) Contributions Benefit offered under this Plan.

Limited Purpose Flexible Spending Account Plan

The Salary of each eligible Participant electing this Benefit will be reduced in accordance with a Salary Reduction Agreement to fund the Participant's Health Care Reimbursement Account established for the Participant under the Employer's Limited Purpose Medical Reimbursement Plan. The amount and payment of Benefits will be determined under the Limited Purpose Medical Reimbursement Plan. This Benefit is available to Employees who participate in the Health Savings Account Contributions Benefit under this Plan.

Dependent Care Assistance Flexible Spending Account Plan

The Salary of each Participant electing this Benefit will be reduced in accordance with a Salary Reduction Agreement to fund the Participant's Dependent Care Reimbursement Account established for the Participant under the Employer's Dependent Care Assistance Plan. The amount and payment of Benefits will be determined under the Dependent Care Assistance Plan.

Health Savings Account (HSA) Contributions

In accordance with Code Section 223, on and after September 1, 2011, a Participant under this Plan who is eligible to participate and who enrolls in a Health Savings Account (HSA) sponsored by the Employer may elect to participate in this Benefit by electing to pay HSA contributions on a pre-tax Salary Reduction basis to an HSA owned by the Participant and established and maintained outside of the Plan by a trustee/custodian to which the Employer can forward contributions to be deposited. A Participant is eligible to contribute to an HSA under this Plan provided the Participant has elected qualifying High Deductible Health Plan coverage offered by the Employer and, further provided, the Participant does not have disqualifying non-High Deductible Health Plan coverage.

The provisions of the Plan pertaining to permitted changes to benefit elections notwithstanding, a Participant may revoke or modify a Salary Reduction Agreement to fund an HSA, prospectively, at any time during a Plan Year; provided that any such change shall be effective no later than the first day of the next month following the date that the election change was submitted to the Plan Administrator. The Plan Administrator may establish rules and a procedure for the election of salary reductions by Participant's to fund HSAs that are reasonably and practicably consistent with the provisions of the Plan, and in compliance with applicable laws, regulations and published guidance.

Participants may not elect this HSA Benefit if they participate in the Health Care Flexible Spending Account Plan sponsored by the Employer under this Cafeteria Plan. In addition, a Participant who has an election under the Health Care Flexible Spending Account Plan that is in effect on the last day of a Plan Year cannot elect this HSA Benefit for any of the first three calendar months following the close of that Plan Year, unless the balance in the Participant's Health Care Reimbursement Account is \$0 as of the last day of that Plan Year.

Subject to the next paragraph, the annual contribution for a Participant's HSA Benefit is equal to the annual benefit amount elected by the Participant, but in no event shall the amount elected exceed the statutory maximum amount for HSA contributions applicable to the Participant's High Deductible Health Plan coverage option (i.e., single or family) for the calendar year in which the contribution is made. An additional catch-up contribution may be made for Participants who are age 55 or older up to the statutory catch-up contribution amount.

Notwithstanding the foregoing, the maximum annual contribution shall be: (a) reduced by any matching HSA contribution made by the Employer through this Plan on the Participant's behalf; and (b) prorated for the number of months in which the Participant is eligible to participate in an HSA.

The Employer will make a matching HSA contribution to the HSA of each Participant who elects to make pre-tax Salary Reduction HSA contributions under this Benefit. The amount of the Employer's matching contribution on behalf of a Participant shall be equal to the lesser of: (a) the amount the Participant's HSA contributions made under this Plan on a pre-tax Salary Reduction; and (b) an annual cap, the amount of which shall be determined by the Employer each year and announced to Participants prior to the first day of each Plan Year. The

timing and amounts of matching contributions on behalf of a Participant for a Plan Year shall correspond to the timing and amounts of HSA contributions reduced from each of the Participant's paychecks pursuant to the Participant's Salary Reduction Agreement, but shall cease when the amount of the matching contributions reaches the cap for the applicable year.

The HSA trustee/custodian, not the Employer, will establish and maintain Participants' HSAs. The HSA trustee/custodian will be chosen by the Participant, not by the Employer; provided, however, that the Employer may limit the number of HSA providers to whom it will forward contributions that the Employee makes via pre-tax Salary Reductions. The Plan Administrator will maintain records to keep track of HSA contributions an Employee makes through this Plan, but it will not create a separate fund or otherwise segregate assets for this purpose. The Employer has no authority or control over the funds deposited in a HSA.