

**FIRST UNITED CORPORATION PENSION PLAN**

**SUMMARY PLAN DESCRIPTION**

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# FIRST UNITED CORPORATION PENSION PLAN

## SUMMARY PLAN DESCRIPTION

### INTRODUCTION TO YOUR PLAN

#### **What kind of Plan is this?**

First United Corporation Pension Plan (the "Plan") has been adopted to provide you with additional income for retirement. This Plan is a type of qualified retirement plan commonly referred to as a defined benefit pension plan.

#### **What information does this Summary provide?**

This Summary Plan Description ("SPD") contains information regarding when you may become eligible to participate in the Plan, your Plan benefits, your distribution options, and many other features of the Plan. You should take the time to read this SPD to get a better understanding of your rights and obligations under the Plan. However, the Plan must be interpreted in light of the fact that the plan was closed to new entrants on April 30, 2010 (and no one was admitted to the Plan after that date) and benefit accruals were frozen on April 30, 2010 and subsequently partially thawed for certain participants on January 1, 2013.

In this summary, your Employer has addressed the most common questions you may have regarding the Plan. If this SPD does not answer all of your questions, please contact the Administrator or other plan representative. The Administrator is responsible for responding to questions and making determinations related to the administration, interpretation, and application of the Plan. The name and address of the Administrator can be found at the end of this SPD in the Article entitled "General Information About the Plan."

This SPD describes the Plan's benefits and obligations as contained in the legal Plan document, which governs the operation of the Plan. The Plan document is written in much more technical and precise language and is designed to comply with applicable legal requirements. If the non-technical language in this SPD and the technical, legal language of the Plan document conflict, the Plan document always governs. If you wish to receive a copy of the legal Plan document, please contact the Administrator.

The Plan and your rights under the Plan are subject to federal laws, such as the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code, as well as some state laws. The provisions of the Plan are subject to revision due to a change in laws or due to pronouncements by the Internal Revenue Service (IRS) or Department of Labor (DOL). Your Employer may also amend or terminate this Plan. If the provisions of the Plan that are described in this SPD change, your Employer will notify you.

#### **Cessation of All Benefit Accruals**

Effective as of April 30, 2010, no employees will enter the Plan after such date and benefit accruals were frozen as of that date and subsequently partially thawed for certain participants on January 1, 2013.

## ARTICLE I PARTICIPATION IN THE PLAN

#### **How do I participate in the Plan?**

The Plan was closed to new entrants on April 30, 2010. No employees will be eligible to begin participating after that date. If you were a former participant and are reemployed by the Employer on or after April 30, 2010, you will not be eligible to resume participation in the Plan.

## ARTICLE II DETERMINATION OF RETIREMENT BENEFIT

#### **What kind of benefit does this Plan provide?**

**Plan Design.** This Plan is designed to provide you with a benefit at your retirement. The benefit is expressed as an annual benefit that is payable to you each year beginning on your retirement and continuing for the remainder of your life. However, the actual payment of the benefit may vary depending upon certain factors, such as whether you are married. This Article describes how retirement benefits are determined under the Plan and later Articles describe how and when benefits will be paid to you.

**Funding.** Each year we are required to contribute an amount to the Plan which is actuarially determined. The amount of the contribution may vary from year to year, depending on, for example, participant turnover, benefit payments, and investment gains or losses of the trust fund. If we fail to meet minimum funding requirements, we can be subject to penalties, benefit payments may be restricted, and certain notices to participants may need to be provided.

**Benefit Restrictions.** The law requires that certain benefit restrictions be imposed if there is not sufficient funding of the Plan. These rules are designed to ensure that the funding level does not decrease any more than necessary due to additional accruals or significant cash distributions from the Plan. The Plan Administrator will notify you if these restrictions affect you.

### **What is my Normal Retirement Benefit?**

At your Normal Retirement Date, you will be entitled to a monthly benefit which is called your Normal Retirement Benefit. Under this plan that monthly benefit is assumed to be paid in the form of a life annuity with a guaranteed number of 120 monthly payments. However, the amount you actually receive at your Normal Retirement Date is your Accrued Benefit which is explained in the question "How much will I be paid when I retire?" found in this Article. If benefits are payable in a form other than described in the first sentence of this paragraph, then you will receive the actuarial equivalent of your accrued benefit.

**Normal retirement benefit.** Your Normal Retirement Benefit is the sum of (1) 1.0% of such Participant's Average Monthly Compensation multiplied by your total number of Years of Service, plus (2) 0.5% of such Average Monthly Compensation in excess of one-twelfth of \$10,000 multiplied by your total number of Years of Service, computed to the nearest cent. For any short Plan Year, the \$10,000 shall be reduced by a fraction, the numerator of which is the number of months in the short Plan Year and the denominator of which is twelve (12). Generally, your Years of Service with us credited after April 30, 2010 shall not be recognized for benefit accrual purposes. However, notwithstanding the above, as of January 1, 2013, employees for whom the sum of their attained age as of the nearest birthday (in years) and Years of Service for vesting purposes equals or exceeds eighty (80) shall receive future benefit service after January 1, 2013.

### **Are there any adjustments or limitations that affect my Normal Retirement Benefit?**

Your Normal Retirement Benefit will be adjusted in the following manner:

- If your Employer maintains two or more plans providing for an allocation or benefit in excess of a portion of your Compensation, then your Normal Retirement Benefit may be adjusted. The Administrator will notify you if your benefit will be affected.
- Your vested Accrued Benefit will be reduced by the actuarial value of any distributions of benefits to you.

### **How much will I be paid when I retire?**

At your Normal Retirement Date, you will be entitled to your Normal Retirement Benefit. However, the amount you actually receive each month is the amount of your Normal Retirement Benefit you have earned (or accrued) while employed with us. This amount is your Accrued Benefit.

**Accrued Benefit.** Your Accrued Benefit is that portion of your Normal Retirement Benefit you have earned as of a particular date based on your Average Monthly Compensation and Years of Service as of such date.

Your Accrued Benefit will be subject to the following rules and limitations:

- (a) If you are still employed after reaching your Normal Retirement Age, you will continue to accrue benefits based upon your service and Average Monthly Compensation determined at the close of any Plan Year coinciding with or following your Normal Retirement Age, subject to the freezing of benefit accruals on April 30, 2010 and the reversal as of January 1, 2013 of that freezing for certain participants as described above under "Normal retirement benefit"

### **Is there a limit on how much can be paid to me from the Plan?**

The law imposes a certain limit on the amount of benefits that can be paid to you. In general, the maximum annual benefit that can be paid to you at retirement may not exceed the lesser of 100% of your average compensation or \$225,000 for the Plan Year beginning in 2019. This dollar amount may be adjusted after 2019 for cost-of-living increases. In addition, this limit may need to be adjusted depending upon when you receive your benefits. The Administrator will automatically apply this limit if it applies to you at the time you are entitled to benefits.

### **How is my service determined for benefit accrual purposes?**

**Year of Service.** You will have completed a Year of Service for a Plan Year if you have completed at least 1,000 Hour(s) of Service during the Plan Year, including any such years prior to the Effective Date of the Plan. Generally, your Years of Service with us credited after April 30, 2010 shall not be recognized for benefit accrual purposes. However, notwithstanding the above, as of January 1, 2013, employees for whom the sum of their attained age as of the nearest birthday (in years) and Years of Service for vesting purposes equals or exceeds eighty (80) shall receive future benefit service after January 1, 2013.

If you have attained age 55 and have at least 90 days of paid time off credits, your credited service for benefit accrual purposes will be increased as follows:

- (a) three months of service if your paid time off credits are at least 90 days but less than 120 days; or

- (b) six months of service if your paid time off credits equal or exceed 120 days.

**Hour of Service.** You will be credited with your actual Hours of Service for:

- (a) each hour for which you are directly or indirectly compensated by the Employer for the performance of duties during the Plan Year;
- (b) each hour for which you are directly or indirectly compensated by the Employer for reasons other than the performance of duties (such as vacation, holidays, sickness, disability, lay-off, military duty, jury duty or leave of absence during the Plan Year); and
- (c) each hour for back pay awarded or agreed to by the Employer.

You will not be credited for the same Hours of Service both under (a) or (b), as the case may be, and under (c).

**Service with another Employer.** Years of Service with First National Bank of Oakland, Cumberland Savings Bank, First National Bank of Piedmont, and Myersville Bank will be recognized. A participant will receive Years of Service with Gonder Insurance Agency from the date of acquisition, May 18, 1999.

A Participant who is actively employed on or after July 1, 2001 may apply for and receive credit for Years of Service served during active duty in the Armed Forces of the United States. Requirements for credit will be based on the following requirements:

1. Service must have been earned prior to being employed by First United Corporation.
2. Credit will only be granted for years not used as eligible pension credit in any other pension plan including plans sponsored by other Employers.
3. Written documentation must be provided to the Human Resources Department.
4. A maximum of 5 years of military service credit will be granted.
5. Military service will be credited for benefit accrual purposes only and not for eligibility and/or vesting purposes.

**Military Service.** If you are a veteran and are reemployed under the Uniformed Services Employment and Reemployment Rights Act of 1994, your qualified military service may be considered service with the Employer. You should contact the Plan Administrator if you believe you might be affected by this law.

#### **What compensation is used to determine my Plan benefits?**

**Definition of compensation.** For the purposes of the Plan, compensation has a technical meaning. Compensation is generally defined as your total compensation that is subject to income tax and paid to you by your Employer during the Plan Year. If you are a self-employed individual, your compensation will be equal to your earned income.

**Adjustments to compensation.** The following adjustments to compensation will be made for purposes of determining your benefits:

- salary deferrals to any other plan or arrangement (such as a cafeteria plan) will be included

**Post-termination compensation.** Amounts paid to you after you terminate employment will be included to the extent provided below, but only if paid within 2 1/2 months after you terminate employment, or if later, the last day of the Plan Year in which you terminate employment.

- compensation paid after you terminate employment for services performed during your regular working hours, or for services outside your regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments that would have been made to you had you continued employment will be included.
- compensation paid for unused accrued bona fide sick, vacation or other leave, if such amounts would have been included in compensation if paid prior to your termination of employment and you would have been able to use the leave if employment had continued will be included.
- compensation will include nonqualified unfunded deferred compensation if the payment is includible in gross income and would have been paid to you had you continued employment.

#### **How is my Average Monthly Compensation determined?**

Your Normal Retirement Benefit is based on an Average Monthly Compensation.

Your "Average Monthly Compensation" is the average Compensation determined over the 60 consecutive "Measuring Periods" during the "Compensation History" which produce the highest average, divided by 12. If you have less than the number of specified number of "Measuring Periods" during the "Compensation History," then Average Compensation will be the amount Compensation during such shorter period divided by the months during such period.

"Compensation History" means the period that begins on the 120 consecutive Measuring Periods ending in the month of termination.

"Measuring Period" means a calendar month.

**Is there a limit on the amount of compensation which can be considered?**

The Plan, by law, cannot recognize annual compensation in excess of a certain dollar limit. The limit for the Plan Year beginning in 2019 is \$280,000. After 2019, the dollar limit may increase for cost-of-living adjustments.

**ARTICLE III  
DISTRIBUTION OF BENEFITS**

**What benefits will I receive at normal retirement?**

You will be entitled to start receiving benefits under the Plan when you reach your Normal Retirement Age. However, if you continue working after your Normal Retirement Age, payment of your benefits will be deferred until your Late Retirement Date.

Your Normal Retirement Date is the first day of the month coinciding with or next following your Normal Retirement Age.

You will attain your Normal Retirement Age when you reach your 65th birthday, or your 5th anniversary of joining the Plan, if later.

**What benefits will I receive at early retirement?**

You will be entitled to all your benefits under the Plan when you reach your Early Retirement Date. Payment of your early retirement benefits will, at your election, begin as soon as administratively feasible following your Early Retirement Date if you choose to retire on such date. However, if the value of your vested benefit is less than a certain dollar threshold, a distribution will be made to you within a reasonable time after you terminate employment. (See the question "How will my benefits be paid to me?" found in the Article of this SPD entitled "Form of Benefit Payment" for an explanation of the dollar threshold.)

Your Early Retirement Date is the first day of the month following the date you have attained age 55 and completed 5 Years of Service (for vesting purposes). You may elect to retire when you reach your Early Retirement Date.

If you retire on or after your Early Retirement Date, you will be entitled to receive your Accrued Benefit which will be paid at your Normal Retirement Date, unless you elect to receive it earlier.

If you elect to receive your Accrued Benefit prior to your Normal Retirement Date, you will receive an Early Retirement Benefit equal to the greater of your Accrued Benefit payable at your Normal Retirement Date reduced by 1/15th for each of the first five (5) years and then 1/30th for each of the next five (5) years and reduced actuarially for each additional year thereafter that the commencement of your Early Retirement Benefit precedes your Normal Retirement Date, OR the actuarial equivalent of your Accrued Benefit payable at your Normal Retirement Date if such benefit is distributed in a form other than a nondecreasing life annuity payable for a period not less than your life expectancy.

If you elect to receive your Accrued Benefit prior to your Normal Retirement Date, IRS regulations might restrict the amount that may be paid. Your Administrator will advise you of the amount of your Early Retirement Benefit at the time of your election to retire early. You may begin receiving benefits immediately or postpone receipt to a later date. You should discuss your alternatives with the Administrator.

**What benefits will I receive at late retirement?**

You may remain employed past your Plan's Normal Retirement Date and retire instead on your Late Retirement Date. Your Late Retirement Date is the first day of the month coinciding with or next following the date you choose to retire after first having reached your Normal Retirement Date. On your Late Retirement Date, you will be entitled to 100% of your Accrued Benefit. Actual benefit payments will begin as soon as administratively feasible following your Late Retirement Date.

The benefit you will receive at your Late Retirement Date generally takes into account the requirement that you continue to accrue (earn) benefits past your Normal Retirement Age until you retire. There may also be an actuarial increase to take into account because your pension did not start at Normal Retirement Age.

Your benefit calculated as described above will also reflect the freezing of benefit service on April 30, 2010 and the reversal as of January 1, 2013 of that freezing for certain participants. There are other laws that may require the Plan to begin distributions to you while you are

still employed. If distributions are made to you before you actually retire, your Late Retirement Benefit will be adjusted for these distributions.

**What happens if I leave the Employer's workforce before I retire?**

The Plan is designed to encourage you to stay with us until retirement. Payment of your Accrued Benefit under the Plan is available upon your death, disability or retirement. However, if the value of your vested benefit is less than a certain dollar threshold, a distribution will be made to you within a reasonable time after you terminate employment. (See the question "How will my benefits be paid to me?" found in the Article of this SPD entitled "Form of Benefit Payment" for an explanation of the dollar threshold.)

If your employment terminates for reasons other than those listed above, you will be entitled to receive only your vested percentage (your ownership rights) of your Accrued Benefit.

Payment of your benefits under the Plan is only available upon your death, disability or retirement. (See the question entitled "How will my benefits be paid to me?" for additional information.)

If you are a veteran and are reemployed under the Uniformed Services Employment and Reemployment Rights Act of 1994, your qualified military service may be considered service with the Employer. There may also be benefits for employees who die or become disabled while on active duty. Employees who receive wage continuation payments while in the military may benefit from law changes effective in 2009. You should contact the Plan Administrator if you believe you might be affected by these rules.

**How is the money in the Plan invested?**

The Trustee of the Plan has been designated to hold the assets of the Plan for the benefit of Plan Participants and their beneficiaries in accordance with the terms of this Plan. The trust fund established by the Plan's Trustee will be the funding medium used for the accumulation of assets from which Plan benefits will be distributed.

The Trustee or another designated person or entity is responsible for the investment of all assets held by the Plan. Investment decisions are made in the best interests of you and other Plan Participants. Periodically, you will receive a benefit statement that provides information on the Plan's investments. If you have any questions, contact the Administrator (or other Plan representative). The name and address of the Trustee can be found in the Article of this SPD entitled "General Information About The Plan."

**ARTICLE IV  
VESTING**

**What is my vested interest in the Plan?**

**Deferred vesting for accrued benefit.** If your employment terminates for reasons other than death, disability, early or normal retirement, you will be entitled to receive only a specified percentage of the amount that would otherwise be payable to you, in accordance with the vesting provisions described below. If you die prior to terminating employment, become disabled prior to terminating employment or retire early, you will be fully vested in the amount of your Accrued Benefit.

**Vesting schedules.** Your vested percentage for your accrued benefit is based on vesting Years of Service. This means at the time you stop working for a reason other than your death, disability, or retirement, your accrued benefit is subject to a vesting schedule. Thus, when your benefits become payable, your accrued benefit will be multiplied by your vested percentage.

Your vested percentage is determined under the following schedule.

Years of Service	Vesting Schedule	Percentage
Less than 5		0%
5		100%

**How is my service determined for vesting purposes?**

**Year of Service.** To earn a Year of Service, you must be credited with at least 1,000 Hour(s) of Service during a Plan Year. The Plan contains specific rules for crediting Hours of Service for vesting purposes. The Administrator will track your service and will credit you with a Year of Service for each Plan Year in which you are credited with the required Hours of Service, in accordance with the terms of the Plan. If you have any questions regarding your vesting service, you should contact the Administrator.

**Hour of Service.** You will be credited with your actual Hours of Service for:

- (a) each hour for which you are directly or indirectly compensated by the Employer for the performance of duties during the Plan Year;



- (b) each hour for which you are directly or indirectly compensated by the Employer for reasons other than the performance of duties (such as vacation, holidays, sickness, disability, lay-off, military duty, jury duty or leave of absence during the Plan Year); and
- (c) each hour for back pay awarded or agreed to by the Employer.

You will not be credited for the same Hours of Service both under (a) or (b), as the case may be, and under (c).

### **What service is counted for vesting purposes?**

**Service with the Employer.** In calculating your vested percentage, all service you perform for the Employer will generally be counted. However, there are some exceptions to this general rule.

**Break in Service rules.** If you terminate employment and are rehired, you may lose credit for prior service under the Plan's Break in Service rules.

For vesting purposes, you will have a Break in Service if you complete less than 501 Hours of Service during the computation period used to determine whether you have a Year of Service. However, if you are absent from work for certain leaves of absence such as a maternity or paternity leave, you may be credited with enough Hours of Service to prevent a Break in Service.

**Five-year Break in Service rule.** The five-year Break in Service rule applies only to Participants who had no vested interest in the Plan when employment had terminated. If you were not vested in any amounts when you terminated employment and you have five 1-Year Breaks in Service (as defined above), and the length of such Break in Service (of at least 5 years) is longer than your service prior to such 5-year Break in Service, then all the service you earned before the 5-year period no longer counts for vesting purposes. When that occurs, you will be treated as a new employee (with no service) for purposes of determining your vested percentage under the Plan.

**Service with another Employer.** Years of Service with First National Bank of Oakland, Cumberland Savings Bank, First National Bank of Piedmont, and Myersville Bank will be recognized. A participant will receive Years of Service with Gonder Insurance Agency from the date of acquisition, May 18, 1999.

A Participant who is actively employed on or after July 1, 2001 may apply for and receive credit for Years of Service served during active duty in the Armed Forces of the United States. Requirements for credit will be based on the following requirements:

1. Service must have been earned prior to being employed by First United Corporation.
2. Credit will only be granted for years not used as eligible pension credit in any other pension plan including plans sponsored by other Employers.
3. Written documentation must be provided to the Human Resources Department.
4. A maximum of 5 years of military service credit will be granted.
5. Military service will be credited for benefit accrual purposes only and not for eligibility and/or vesting purposes.

**Military Service.** If you are a veteran and are reemployed under the Uniformed Services Employment and Reemployment Rights Act of 1994, your qualified military service may be considered service with the Employer. There may also be benefits for employees who die or become disabled while on active duty. Employees who receive wage continuation payments while in the military may benefit from law changes effective in 2009. You should contact the Plan Administrator if you believe you might be affected by these rules.

### **What happens to my non-vested benefits if I'm rehired?**

If you were not vested in your Accrued Benefit when you left, then the non-vested portion of your Accrued Benefit was forfeited. However, if you return to service with us before incurring five consecutive 1-Year Breaks in Service, your Accrued Benefit will be restored.

If you were only partially vested in your Accrued Benefit when you terminated employment, then the non-vested portion of your Accrued Benefit will be forfeited on the earlier of the date:

- (a) of the distribution of your vested Accrued Benefit, or
- (b) that you incur five consecutive 1-Year Breaks in Service.

If you received a distribution of your vested Accrued Benefit, and are reemployed prior to incurring five consecutive 1-Year Breaks in Service, then you may repay this distribution. If you repay the entire amount of the distribution with interest, then we will restore your Accrued Benefit. You must repay this distribution with interest within five years from your date of reemployment. However, if such

distribution is not repaid with interest, then your Accrued Benefit will be reduced by the actuarial equivalent of the entire Accrued Benefit (i.e., by the amount that had been distributed to you as well as the amount forfeited).

The forfeited amount, if any, will be used to reduce the amount we are required to contribute to the Plan. However, you shall not accrue any benefit based on Years of Service or Compensation earned on or after your rehire date.

### What happens if the Plan becomes a "top-heavy plan"?

**Top-heavy plan.** A retirement plan that primarily benefits "key employees" is called a "top-heavy plan." Key employees are certain owners or officers of your Employer. A plan is generally a top-heavy plan when more than 60% of the present value of all accrued benefits under the Plan are attributable to key employees. Each year, the Administrator is responsible for determining whether the Plan is a top-heavy plan.

**Top-heavy rules.** If the Plan becomes top-heavy in any Plan Year, then employees may be entitled to certain "top-heavy" minimum benefits.

- If your Accrued Benefit is less than the top heavy minimum benefit, you may be entitled to at least the top heavy minimum benefit under this Plan.
- Instead of the vesting schedule described above, your nonforfeitable right to your accrued benefit will be determined according to the following schedule:

Years of Service	Vesting Schedule	Percentage
Less than 3		0%
3		100%

### What happens if I terminate employment due to disability?

**Definition of disability.** Under the Plan, disability is defined as a physical or mental condition resulting from bodily injury, disease, or mental disorder which renders you incapable of continuing any gainful occupation and which constitutes total disability under the federal Social Security Act.

**Payment of benefits.** If you become disabled while a Participant, you will become 100% vested in your accrued benefit under the Plan. Payment of your disability benefits will be made to you as if you had retired. However, if the value of your accrued benefit does not exceed \$5,000, then a distribution of your accrued benefit will be made to you, regardless of whether you consent to receive it. (See the question entitled "How will my benefits be paid to me?" for an explanation of how these benefits will be paid.)

If you become disabled while a participant and your condition continues for a period of six months, you will receive a disability benefit equal to your Early Retirement Benefit. However, IRS Regulations restricting the amount of an Early Retirement Benefit will not apply to your disability benefit.

## ARTICLE V FORM OF BENEFIT PAYMENT

### How will my benefits be paid to me?

**Annuity Distribution.** If you are married on the date your benefits are to begin and the lump-sum value of your vested accrued benefit exceeds \$5,000, you will automatically receive a joint and 50% survivor annuity, unless you elect an alternative form of payment. This means that you will receive payments for your life, and after your death, your surviving spouse will receive a monthly benefit for the remainder of his or her life equal to 50% of the benefit you were receiving at the time of your death. You may elect a joint and 75% or 100% survivor annuity instead of the standard joint and 50% survivor annuity. You should consult an advisor before making such election.

If you are not married on the date your benefits are to begin and the lump-sum value of your vested accrued benefit exceeds \$5,000, you will automatically receive a life annuity, unless you elect an alternative form of payment. This means you will receive payments for as long as you live.

**Lump Sum Distribution.** However, if the lump-sum value of your vested accrued benefit does not exceed \$5,000, then your vested accrued benefit may only be distributed to you in a single lump-sum payment.

**Consent requirements.** If the lump-sum value of your vested accrued benefit exceeds \$5,000, you must consent to any distribution before it may be made. In addition, if the lump-sum value of your vested accrued benefit exceeds \$5,000 and you want the distribution to be in a form other than an annuity, you (and your spouse, if you are married) must first waive the annuity form of payment.

**Medium of payment.** Benefits under the Plan will generally be paid to you in cash.

### **May I elect another form of benefit?**

**Waiver of annuity.** If the lump-sum value of your vested benefit in the Plan exceeds \$5,000, then when you are about to receive any distribution, the Administrator will explain the joint and survivor annuity or the life annuity to you in greater detail. You will be given the option of waiving the joint and survivor annuity or the life annuity form of payment during the 180-day period before the annuity is to begin. **IF YOU ARE MARRIED, YOUR SPOUSE MUST IRREVOCABLY CONSENT IN WRITING TO THE WAIVER IN THE PRESENCE OF A NOTARY OR A PLAN REPRESENTATIVE.** You may revoke any waiver. The Administrator will provide you with forms to make these elections. Since your spouse participates in these elections, you must immediately inform the Administrator of any change in your marital status.

**Other form of distribution.** If the lump-sum value of your vested accrued benefit exceeds \$5,000 and you and your spouse elect not to take a joint and survivor annuity, or if you are not married when your benefits are scheduled to begin and have elected not to take a life annuity, you may elect to receive a distribution of your vested accrued benefit in an alternative form of payment. This payment may be made in the form of:

- a different form of annuity

**Annuities.** The forms of annuity available are:

- Life annuity. A life annuity is a level monthly payment for your lifetime, without any payment continuing after your death to your beneficiary.
- Life annuity with a guaranteed minimum number of payments (60, 120, 180 or 240 monthly payments). A life annuity with guaranteed payments provides a minimum number of payments during your lifetime and, if your death occurs before payment of the guaranteed minimum number, the annuity payments continue to your beneficiary for the remaining guaranteed period.
- Joint and 50% survivor annuity. This annuity provides monthly payments to you for life and, after your death, 50% of your monthly payment to your beneficiary for the remainder of your beneficiary's life.
- Joint and 75% survivor annuity. This annuity provides monthly payments to you for life and, after your death, 75% of your monthly payment to your beneficiary for the remainder of your beneficiary's life.
- Joint and 100% survivor annuity. This annuity provides monthly payments to you for life and, after your death, 100% of your monthly payment to your beneficiary for the remainder of your beneficiary's life.

### **May I defer benefit payments?**

**Delaying distributions.** If the lump-sum value of your vested accrued benefit exceeds \$5,000, you may generally delay the distribution of your vested benefit. However, if you elect to delay the distribution of your benefits, there are rules that may require that certain minimum distributions be made from the Plan.

### **When must required distributions commence?**

If you are a 5% owner, distributions are required to begin not later than the April 1st following the end of the year in which you reach age 70 1/2. If you are not a 5% owner, distributions are generally not required to begin until the April 1st following the end of the year in which you reach age 70 1/2 or, if later, retire. You should contact the Administrator if you believe you may be affected by these rules.

## **ARTICLE VI BENEFITS AND DISTRIBUTIONS UPON DEATH**

### **What happens if I die while still employed prior to commencing to receive retirement benefits or if I die after terminating employment with a vested benefit, but prior to commencing to receive retirement benefits?**

#### **Minimum spousal death benefit.**

If you die prior to commencing to receive retirement benefits, your spouse will receive a death benefit equal to the actuarial equivalent of the minimum spouse's death benefit. No death benefits will be provided if you are not married at the time of your death. The minimum spouse's death benefit is the amount that would have been paid to your spouse if you had begun receiving distributions under a joint and 50% survivor annuity. For example, suppose that if you were to retire, you would receive an annuity paying you \$1,000 a month for your life and then upon your death, \$500 each month to your spouse. In this example, the amount payable to your spouse (i.e., the \$500 monthly annuity) is the minimum spouse's death benefit. The minimum spouse's death benefit, if you were credited with more than 30 years of service on your date of death, is equal to the amount that would have been paid to your spouse if you had begun receiving distributions under a joint and 100% survivor annuity. For example, suppose that if you were to retire, you would receive an annuity paying you \$1,000 a month for your life and then upon your death, \$1,000 each month to your spouse. In this example, the amount payable to your spouse (i.e., the \$1,000 monthly annuity) is the minimum spouse's death benefit.

### **How will the death benefit be paid to my spouse?**

**Annuity distribution.** If the death benefit payable to your spouse does not exceed \$5,000, then the benefit may only be paid as a lump sum. If the death benefit exceeds \$5,000, the death benefit will be paid in the form of an annuity, that is, periodic payments over the life of your spouse. Your spouse may direct that payments begin within a reasonable period of time after your death. The size of the monthly payments will depend on your Accrued Benefit at the time of your death.

**Other options.** Your spouse may elect an alternative form of payment, including a lump sum.

### **When must the last payment be made to my spouse?**

The law generally restricts the ability of a retirement plan to be used as a method of retaining money for purposes of your death estate. Thus, there are rules that are designed to ensure that death benefits are distributable within certain time periods.

If your designated beneficiary is a person (rather than your estate or most trusts) then minimum distributions of your death benefit must generally begin within one year of your death and must be paid over a period not extending beyond your beneficiary's life expectancy. If your spouse is the beneficiary, the start of payments may be delayed until the year in which you would have attained age 70 1/2. Generally, if your beneficiary is not a person, then your entire death benefit must be paid within five years after your death.

Since your spouse has certain rights to the death benefit, you should immediately report any change in your marital status to the Administrator.

### **What happens if I'm a Participant, terminate employment and die after starting to receive my benefits?**

If you terminate employment with the Employer and subsequently die after starting to receive benefits, your beneficiary will only be entitled to receive amounts, if any, that are payable under the form of the distribution you elected to receive. For example, if you were receiving payments as a single life annuity, then no amounts are payable after your death.

## **ARTICLE VII TAX TREATMENT OF DISTRIBUTIONS**

### **What are my tax consequences when I receive a distribution from the Plan?**

Generally, you must include any Plan distribution in your taxable income in the year in which you receive the distribution. The tax treatment may also depend on your age when you receive the distribution. Certain distributions made to you when you are under age 59 1/2 could be subject to an additional 10% tax.

## **ARTICLE VIII PROTECTED BENEFITS AND CLAIMS PROCEDURES**

### **Are my benefits protected?**

As a general rule, your interest in the Plan may not be alienated. This means that your interest may not be sold, used as collateral for a loan, given away or otherwise transferred. In addition, your creditors (other than the IRS) may not attach, garnish or otherwise interfere with your benefits under the Plan.

### **Are there any exceptions to the general rule?**

There are two exceptions to this general rule. The Administrator must honor a qualified domestic relations order. A qualified domestic relations order is defined as a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your accrued benefit under the Plan to your spouse, former spouse, child or other dependent. If a qualified domestic relations order is received by the Administrator, all or a portion of your benefits may be used to satisfy that obligation. The Administrator will determine the validity of any domestic relations order received. You and your beneficiaries can obtain from the Administrator, without charge, a copy of the procedure used by the Administrator to determine whether a qualified domestic relations order is valid.

The second exception applies if you are involved with the Plan's operation. If you are found liable for any action that adversely affects the Plan, the Administrator can offset your benefits by the amount that you are ordered or required by a court to pay the Plan. All or a portion of your benefits may be used to satisfy any such obligation to the Plan.

### **Can the Plan be amended?**

Your Employer has the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of Participants or their beneficiaries. Additionally, no amendment will cause any reduction in your accrued benefit.

## **What happens if the Plan is terminated?**

Although we intend to maintain the Plan indefinitely, we reserve the right to terminate the Plan under certain criteria established by law and set forth in the Plan. Upon termination, you will continue to be 100% vested in the present value of your Accrued Benefit, and benefits will be distributed to you in any manner permitted by the Plan as soon as practicable. (See the question "How will my benefits be paid to me?" found in the Article of this SPD entitled "Form of Benefit Payment.")

Upon termination of the Plan, the assets of the trust will be divided among Participants and beneficiaries in accordance with the following priorities:

- (a) to provide benefits to former Participants who have retired under the Plan prior to its termination without reference to the order of retirement.
- (b) equally among:
  - retired Participants and their beneficiaries to whom payment commenced at least 3 years prior to the date of termination; and
  - Participants who could have retired and received payment of their benefits at least 3 years prior to the date of termination.
- (c) to provide benefits to Participants who have reached their Normal Retirement Date but have not retired on the date of termination without reference to the order in which they will have reached their Normal Retirement Date.
- (d) to any benefits guaranteed and insured by the Pension Benefit Guaranty Corporation.
- (e) to provide benefits to Participants who have not reached their Normal Retirement Date on the date of termination, without reference to the order that each Participant will attain Normal Retirement Date. The benefit will be based on your Accrued Benefit at the time of termination.
- (f) to all other vested Accrued Benefits not insured by the Pension Benefit Guaranty Corporation.
- (g) to all other Accrued Benefits provided under the Plan.

Any excess funds will revert to your Employer.

## **Are my benefits guaranteed?**

Your pension benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a Federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under the Plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) Normal and early retirement benefits; (2) disability benefits if you become disabled before the Plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) Benefits greater than the maximum guaranteed amount set by law for the year in which the Plan terminates; (2) some or all of benefit increases and new benefits based on Plan provisions that have been in place for fewer than 5 years at the time the Plan terminates; (3) benefits that are not vested because you have not worked long enough for us; (4) benefits for which you have not met all the requirements at the time the Plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the Plan's Normal Retirement Age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your Plan Administrator or contact the PBGC, 1200 K Street N. W., Washington, D. C. 20005 or call 800-400-7242. TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 800-400-7242. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

## **How do I submit a claim for Plan benefits?**

You may file a claim for benefits by submitting a written request for benefits to the Plan Administrator. You should contact the Plan Administrator to see if there is an applicable distribution form that must be used. If no specific form is required or available, then your written request for a distribution will be considered a claim for benefits.

Decisions on the claim will be made within a reasonable period of time appropriate to the circumstances. "Days" means calendar days. If the Plan Administrator determines the claim is valid, then you will receive a statement describing the amount of benefit, the method or methods of payment, the timing of distributions and other information relevant to the payment of the benefit.

For purposes of the claims procedures described below, "you" refers to you, your authorized representative, or anyone else entitled to benefits under the Plan (such as a beneficiary). A document, record, or other information will be considered relevant to a claim if it:

- was relied upon in making the benefit determination;
- was submitted, considered, or generated in the course of making the benefit determination, without regard to whether it was relied upon in making the benefit determination;
- demonstrated compliance with the administrative processes and safeguards designed to ensure and to verify that benefit determinations are made in accordance with Plan documents and Plan provisions have been applied consistently with respect to all claimants; or
- constituted a statement of policy or guidance with respect to the Plan concerning the denied treatment option or benefit.

The Plan may offer additional voluntary appeal and/or mandatory arbitration procedures other than those described below. If applicable, the Plan will not assert that you failed to exhaust administrative remedies for failure to use the voluntary procedures, any statute of limitations or other defense based on timeliness is tolled during the time a voluntary appeal is pending; and the voluntary process is available only after exhaustion of the appeals process described in this section. If mandatory arbitration is offered by the Plan, the arbitration must be conducted instead of the appeal process described in this section, and you are not precluded from challenging the decision under ERISA §501(a) or other applicable law.

#### **What if my benefits are denied?**

Your request for Plan benefits will be considered a claim for Plan benefits, and it will be subject to a full and fair review. If your claim is wholly or partially denied, the Administrator will provide you with a written or electronic notification of the Plan's adverse determination. This written or electronic notification must be provided to you within a reasonable period of time, but not later than 90 days after the receipt of your claim by the Administrator, unless the Administrator determines that special circumstances require an extension of time for processing your claim. If the Administrator determines that an extension of time for processing is required, written notice of the extension will be furnished to you prior to the termination of the initial 90-day period. In no event will such extension exceed a period of 90 days from the end of such initial period. The extension notice will indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefit determination.

If the Plan Administrator determines that all or part of the claim should be denied (an "adverse benefit determination"), it will provide a notice of its decision in written or electronic form explaining your appeal rights. An "adverse benefit determination" also includes a rescission, which is a retroactive cancellation or termination of entitlement to disability benefits. The notice will be provided in a culturally and linguistically appropriate manner and will state:

- (a) The specific reason or reasons for the adverse determination.
- (b) Reference to the specific Plan provisions on which the determination was based.
- (c) A description of the Plan's review procedures and the time limits applicable to such procedures. This will include a statement of your right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (d) Appropriate information as to the steps to be taken if you or your beneficiary want to submit your claim for review.

If your claim has been denied, and you want to submit your claim for review, you must follow the Claims Review Procedure in the next question.

#### **What is the Claims Review Procedure?**

- (a) YOU MUST FILE THE CLAIM FOR REVIEW NO LATER THAN 60 DAYS (EXCEPT AS PROVIDED BELOW FOR DISABILITY CLAIMS) AFTER YOU HAVE RECEIVED WRITTEN NOTIFICATION OF THE DENIAL OF YOUR CLAIM FOR BENEFITS.
- (b) You may submit written comments, documents, records, and other information relating to your claim for benefits.
- (c) You will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

(d) Your claim for review must be given a full and fair review. This review will take into account all comments, documents, records, and other information submitted by you relating to your claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Administrator will provide you with written or electronic notification of the Plan's benefit determination on review. The Administrator must provide you with notification of this denial within 60 days after the Administrator's receipt of your written claim for review, unless the Administrator determines that special circumstances require an extension of time for processing your claim. In such a case, you will be notified, before the end of the initial review period, of the special circumstances requiring the extension and the date a decision is expected. If an extension is provided, the Plan Administrator must notify you of the determination on review no later than 120 days.

The Plan Administrator will provide written or electronic notification to you in a culturally and linguistically appropriate manner. If the initial adverse benefit determination is upheld on review, the notice will include:

- (a) The specific reason or reasons for the adverse determination.
- (b) Reference to the specific Plan provisions on which the benefit determination was based.
- (c) A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits.

If you have a claim for benefits which is denied, then you may file suit in a state or Federal court.

### **What are my rights as a Plan Participant?**

As a Participant in the Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan Participants are entitled to:

- (a) Examine, without charge, at the Administrator's office and at other specified locations, all documents governing the Plan and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- (b) Obtain, upon written request to the Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Administrator may make a reasonable charge for the copies.
- (c) Receive a summary of the Plan's annual financial report. The Administrator is required by law to furnish each Participant with a copy of this summary annual report.
- (d) Obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age and, if so, what your benefits would be at Normal Retirement Age if you stop working under the Plan now. If you do not have a right to a pension benefit, the statement will tell you how many years you have to work to get a right to a pension. **THIS STATEMENT MUST BE REQUESTED IN WRITING AND IS NOT REQUIRED TO BE GIVEN MORE THAN ONCE EVERY TWELVE (12) MONTHS.** The Plan must provide this statement free of charge.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Administrator to provide the materials and pay you up to \$110.00 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. You and your beneficiaries can obtain, without charge, a copy of the qualified domestic relations order ("QDRO") procedures from the Administrator.

If it should happen that the Plan's fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. The court may order you to pay these costs and fees if you lose or if, for example, it finds your claim is frivolous.

## **What can I do if I have questions or my rights are violated?**

If you have any questions about the Plan, you should contact the Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## **ARTICLE IX GENERAL INFORMATION ABOUT THE PLAN**

There is certain general information which you may need to know about the Plan. This information has been summarized for you in this Article.

### **Plan Name**

The full name of the Plan is First United Corporation Pension Plan.

### **Plan Number**

Your Employer has assigned Plan Number 001 to your Plan.

### **Plan Effective Dates**

This Plan was originally effective on April 1, 1951. The amended and restated provisions of the Plan become effective on January 1, 2019. However, this restatement was made to conform the Plan to new tax laws and some provisions may be retroactively effective. You should note, however, that effective as of April 30, 2010, this Plan is a frozen Plan to new entrants. In addition, benefit accruals were frozen on April 30, 2010 and subsequently partially thawed for certain participants on January 1, 2013.

### **Other Plan Information**

The Plan's records are maintained on a twelve-month period of time. This is known as the Plan Year. The Plan Year begins on January 1 and ends on each December 31.

The Plan and Trust will be governed by the laws of the State of Maryland to the extent not governed by federal law.

Service of legal process may be made upon your Employer. Service of legal process may also be made upon the Trustee or Administrator.

### **Employer Information**

Your Employer's name, address and identification number are:

First United Corporation  
19 S. Second Street  
Oakland, Maryland 21550  
52-1380770

### **Plan Administrator Information**

The Plan's Administrator is responsible for the day-to-day administration and operation of the Plan. For example, the Administrator maintains the Plan records, provides you with the forms you need to complete for Plan participation, and directs the payment of your benefit at the appropriate time. The Administrator will also allow you to review the formal Plan document and certain other materials related to the Plan. If you have any questions about the Plan or your participation, you should contact the Administrator. The Administrator may designate other parties to perform some duties of the Administrator.

The Administrator has the complete power, in its sole discretion, to determine all questions arising in connection with the administration, interpretation, and application of the Plan (and any related documents and underlying policies). Any such determination by the Administrator is conclusive and binding upon all persons.



The name, address and business telephone number of the Plan's Administrator are:

First United Corporation  
19 S. Second Street  
Oakland, Maryland 21550  
(301) 334-9471

**Plan Trustee Information and Plan Funding Medium**

All money that is contributed to the Plan is held in a trust fund. The Trustee is responsible for the safekeeping of the trust fund and must hold and invest Plan assets in a prudent manner and in the best interest of you and your beneficiaries. The trust fund established by the Plan's Trustee(s) will be the funding medium used for the accumulation of assets from which benefits will be distributed.

The Plan's Trustee is:

First United National Bank & Trust  
19 S. Second Street  
Oakland, Maryland 21550  
(301) 334-9471

The employer has appointed First United National Bank & Trust as the Trustee who is responsible for the collection of any contributions that are owed to the Plan.