Explanation of Benefits

The Diocese of Bridgeport Dependent Care Reimbursement Plan

Effective 01/01/2011, a new Plan Year for the The Diocese of Bridgeport Dependent Care Reimbursement Plan will begin. This Explanation of Benefits will detail the Plan and the benefits available to you and your covered dependents.

What is a Dependent Care Reimbursement Plan (or DCRP)? The purpose of the The Diocese of Bridgeport Dependent Care Reimbursement Plan is to allow eligible employees the ability to pay for eligible dependent care expenses with pretax dollars as provided in Section 129 of the Internal Revenue Code. Eligible Employees may enroll in the DCRP and reduce their annual compensation to pay for these expenses. With this reduction in compensation, the Employee's taxable base decreases, therefore lowering federal income taxes. The plan has been created for the purpose of allowing the Employee (and spouse, if married) to be gainfully employed or look for employment.

Who is eligible to enroll in the Dependent Care Reimbursement Plan? Most full-time employees who have met the new hire waiting period are eligible to participate in the Plan. (Self-employed individuals, partners in a partnership and more than 2% shareholders in a Subchapter S corporation are ineligible to enroll in a DCRP.) If the employee is married, the spouse must be:

1) Employed or searching for gainful employment;
2) A full-time student; or
3) Mentally or physically incapable of caring for him or herself.

There are some special situations whereby the employee would not have to meet the waiting period to become eligible for the Plan.

1) Employees who were on a leave of absence under FMLA or absent from employment on account of military service covered by the Uniformed Services Employment and Reemployment Rights Act (USERRA) are immediately eligible upon their return to work.
2) Individuals who separate employment with the organization and are rehired within six months of their separation date are eligible without meeting the waiting period.

Once you are deemed eligible to enroll in the Plan, you must complete the necessary paperwork and submit it to the Plan Administrator prior to (or within ten days if you receive immediate entry into the Plan) your Entry Date. Your Entry Date is determined based upon your eligibility for the Plan. The following should help you determine your Entry Date.

1) Newly hired employees shall have an Entry Date of the day after meeting the waiting period.
2) Active employees that have met the waiting period prior to the effective date of this Plan Year shall have an Entry Date of 01/01/2011.
3) Employees having their waiting period waived (for the special situations explained earlier), shall have an immediate Entry Date.

What are "eligible expenses" under the Plan? Section 129 allows employees to use pre-tax dollars to pay for the following types of dependent care:

1) Child Daycare for dependents under age 13;
2) Care for any dependent that is physically or mentally incapacitated; and
3) Care for the spouse who is physically or mentally incapable of taking care of him or herself.

To receive care outside the home, the dependent must either be a child under age 13 or other person who regularly spends at least eight hours per day in your home. Therefore, expenses for a parent in a full-time nursing home would not qualify for reimbursement under the Dependent Care Reimbursement Plan. Other services that are <u>not</u> considered as an eligible expense under the plan are:

1) Baby-sitting fees (if the service is for times other than when the parent(s) are working or looking for employment);
2) Fees for an Overnight Camp; or
3) Travel costs to and from a daycare facility.

What is the definition of an eligible dependent? The Working Families Tax Relief Act of 2005 (WFTRA) redefined the definition of an "eligible dependent" to offer consistency throughout numerous government programs. This DCRP plan will use the WFTRA definition of "eligible dependent "as stated below:

1) Your child, stepchild, grandchild, brother, sister, stepbrother, stepsister, niece and nephew who is under age thirteen and resides with you for at least half of the year; or
2) Your spouse, child, stepchild, grandchild, brother, sister, stepbrother, stepsister, niece and nephew who is physically or mentally incapable of self-care and resides with you for at least half of the year.

Who are eligible Daycare or Service Providers? Expenses for a child daycare center are reimbursable if the center:
1) Provides care for six or more individuals;
2) Receives a fee, grant or payment for providing these services; or
3) Complies with all applicable state and federal laws.

The following do not qualify as an eligible care provider:
1) A child of the employee (or spouse) under the age of 19; or
2) A parent of the employee (if the employee or spouse claims them as a dependent).

What are the Maximum and Minimum Salary Reduction Amounts under the Plan? Employees are limited to the maximum and minimum annual salary reduction amounts described below:

1) The Plan has set forth the maximum of $5,000.00 that an employee may reduce his/her annual income for the DCRP.
2) If your spouse files a separate income tax return, your maximum salary reduction under the Plan is $2,500.00.

How long is the Plan in effect? The 2011 Plan Year will begin on 01/01/2011 and end on 12/31/2011. Every year thereafter will be a new Plan Year requiring eligible employees to submit a new Enrollment Form and Salary Reduction Agreement.

Will I pay any administrative cost under the DCRP? No, the cost of administering the Plan is paid by the company.

How does a Dependent Care Reimbursement Plan work? Upon completing an Enrollment Form and Salary Reduction Agreement, the Company will reduce the enrolling employee’s income in equal amounts (every pay period) and place the funds in a personalized administrative account (known as a Benefit Account). Since the Company has reduced your income (and not payroll deducted the amount), your federal taxes should be less.

As you experience and obtain eligible expenses, you will submit receipts (or photocopies) that name the provider of services, the dependent receiving services, date of the services and the amount for those services to Benefit Planning Services, LLC. Benefit Planning Services, LLC will be responsible for reviewing the claim to verify that it is for an eligible expense and either authorize it for payment or deny reimbursement. Once approved, the Participant shall be reimbursed the lesser of the following:

1) The full amount of the claim; or
2) If the claim is greater than the Participant's Benefit Account Balance, the Participant shall be reimbursed the current Benefits Account Balance. The remaining portion of the claim may be reimbursed at a later date if there are sufficient future debits to the Benefits Account.

Reimbursements for eligible expenses shall be made on a scheduled basis (at the discretion of the employer). The employer will notify you of the schedule for reimbursements. Please do not submit an expense and ask for immediate reimbursement.

How do I enroll in the Plan? To enroll in the plan, you must have met the eligibility criteria as explained above. Next, you must complete the Enrollment Form, Salary Reduction Agreement and submit it to the Plan Administrator. If you do not submit the appropriate paperwork prior to your Entry Date, you will not be eligible to enroll in the Plan until the next Plan Year. It is the Employee’s responsibility to obtain and complete an Enrollment Form and submit it to the appropriate company representative. If the form is incomplete or late, the employer has the right to deny the form and your request to participate in the Plan. (Enrollment in the Plan does not constitute a contract of employment and has no affect on your employment with the company.)

May I change my Salary Reduction Amount? The Code for a DCRP states that you may only change your Salary Reduction Amount under the following circumstances, commonly know as a "Changes in Life Status."

1) The employee gets married, divorced, legally separated;
2) The adoption, birth or death of a dependent child;
3) The employee, spouse or dependent becomes newly employed or unemployed;
4) The employee, spouse or dependent's employment goes from part-time to full-time or full-time to part-time;
5) A dependent child becomes (or ceases to be) an eligible "dependent" under the plan; or
6) A change in providers or services rendered

Any change in a Participant's existing election must be consistent with the Change in Life Status. A change in election must be made no later than thirty (30) days after the date of the Change in Life Status. The Plan Administrator shall determine whether a Change in Life Status has occurred and whether a Participant's change in coverage is consistent with such Change in Life Status.

If I experience a Change in Life Status during the Plan Year, may I enroll at that time? Yes.

When may I submit eligible receipts to the Plan Administrator? Beginning on the effective date of the DCRP, you may submit receipts. Only receipts with a Service Date during the Plan Year will be reimbursable. After the Plan Year ends, you still may submit receipts (with a Service Date in the Plan Year) for an additional 3 months (known as the Post Plan Year Receipt Submission Time Frame). After that time frame, you will be unable to submit receipts for the Plan Year.

What happens if I do not utilize all the funds in my Benefits Account? All funds remaining in your Benefits Account after the end of the Post Plan Year Receipt Submission Time Frame cannot be reimbursed directly to you and will become part of the Plan's general fund. This is known as the "Use it or lose it" principal. For this reason, it is vital that you do not over estimate your expenses and over fund your Benefits Account. As stated earlier, you will not be able to change your Annual Salary Reduction amount unless you experience a Change in Life Status.

What happens if I separate employment from the Company? If you separate employment (either voluntarily or involuntarily), your coverage under the DCRP will be terminated. You may submit receipts with Service Dates prior to your termination date for reimbursement.

Since I am reducing my salary/income, will this affect my Social Security Benefits? For employees earning less than the FICA Taxable Wage Base ($90,000 for 2005 and adjusted as needed), your Social Security benefits may be minimally affected. Employees earning in excess of the Taxable Wage Base would not be affected. Social Security benefits are based upon your income while working so if you decrease your salary, it may affect your benefits upon retirement. If you have a concern or are close to retirement, you may want to speak to a tax advisor for further information on how your Social Security benefits will be affected.

How do I file a claim under the Plan? You may submit a written claim to the Plan Administrator for review. The Plan Administrator shall make a decision in writing, within 60 days upon receipt of the claim. The Plan Administrator's explanation as to why benefits were denied will refer to the specific sections of the Plan relied upon.

If benefits are denied, you may file a written request for review with the Plan Administrator within 60 days. The he Plan Administrator will decide your appeal within 60 days.

Who should I contact if I have further questions or have issues with the Plan? For further information regarding the Plan or if you wish to review the Plan Document, feel free to contact the Plan Administrator. The Plan Administrator for this Plan year is:

MaryAnn Pagano
Benefit Planning Services, LLC
P.O. Box 551-3 Belden Avenue
Norwalk, CT 06851
203-840-8877

Can the Plan change? The company reserves the right to alter (or terminate) the Plan to maintain compliance with the Code. A major compliance issue is whether the Plan favors "Highly Compensated Employees." If the Plan is determined to discriminate in favor of highly compensated employees, the company reserves the right to terminate any (or all) of the Highly Compensated Employees (or five percent owners) from the DCRP to maintain compliance.

What if I have a Qualified Medical Child Support Order (QMCSO)? A QMCSO is a decree or court order that obligates a parent to provide health benefits for a child. If you receive a QMCSO during the Plan Year, contact the Plan Administrator. The Plan Administrator will inform you if the QMCSO is in accordance with Section 609(a)(3) of ERISA. If so, the Plan shall be obligated to offer benefits to the child.

Can you illustrate my savings if I make $26,000 per year, claim 2 withholding allowances and I elect to reduce my salary by $200 per pay period to be distributed in a Benefits Account? The following example is based upon the 2005 Wage Withholding Tables for a married employee, claiming 2 withholding allowances.

Explanation	Enrolled in DCRP	Not Enrolled in DCRP
Salary Per Pay Period	$1,000.00	$1,000.00
Salary Reduction Amount	**200.00**	0.00
Taxable Base	$ 800.00	$1,000.00
Less: Taxes		
Federal	$ 24.00	$ 44.00
FICA	61.20	76.50
State (Varies among States)	6.00	11.00
Income After Taxes	$ 708.80	$ 868.50
Less: After-tax cost for Dependent Care	$ 0.00	**$ 200.00**
Take Home Pay	$ 708.80	$ 668.50

Savings Under the DCRP **$ 40.30** (or 20.15% of the cost of the eligible expenses)

(This is for example purpose only. Your savings under the Plan may vary.)