To Whom It May Concern:

Please find enclosed a packet of material on the Section 125 Cafeteria Plan (Flexible Benefits Plan). The items in the packet are as follows:

- Commonly Asked Questions about a Cafeteria Plan.
- A copy of the IN-KY Conference UCC, Section 125 Flexible Spending Plan that you can adopt at your church after filling in the relevant information in the blank spaces on the cover page and pages (i), 1, 3, 4, 5, 17 & 18.
- A copy of the first amendment to the plan to include the employee portion of health & dental premiums in the UCC Plan that you can adopt at your church after filling in the blanks.
- A Medical Expense Calculator and Dependent Care Calculator to help your employees determine what amounts to redirect from their salary. Be sure to fill in your church name in the blank spaces.
- An election form that you will have your employees complete in order to participate in the plan. Be sure to complete the blank spaces before giving to your employees.
- A step-by-step process of how to implement this benefit plan at your church.

If you have any questions or concerns about this plan, implementation of this plan for your employees or the information included in this packet, please do not hesitate to call me at the Conference Office. I look forward to helping you offer competitive benefits to your employees.

Sincerely,

Rebecca Braganza
Business Administrator

Enclosures

What is a Section 125 Cafeteria Plan?
A cafeteria plan is a way of providing you with valuable benefits and significant tax savings. Benefits under a cafeteria plan may include, but are not limited to, reimbursement of dependent care expenses and medical expense not covered by insurance.

How does a cafeteria plan work?
You select benefits you want from the cafeteria plan menu. You "pay for" these benefits by redirecting your salary in an amount sufficient to pay for each selected benefit. The advantage of redirecting your salary to pay for these benefits through the plan is that these amounts are redirected from you salary before being subject to federal income tax or Social Security taxes. Without the cafeteria plan, these expenses are paid for with after-tax dollars.

For non-insurance benefits such as the dependent care reimbursement program and the medical reimbursement plan, any money you direct into the plans are placed into a separate benefit account for each benefit you elect. As you incur a qualifying expense, for example a daycare bill, you submit a claim and are reimbursed from the money in your benefit account.

The primary benefit of participating in the cafeteria plan is that you are not taxed on the salary you redirect into each benefit account, nor are you taxed when reimbursements are made. Therefore, through a cafeteria plan, you can now pay, with pre-tax dollars, the same expenses you were previously paying for with after-tax dollars.

How will I benefit form joining a cafeteria plan?
You will benefit from joining the plan because your disposable income will increase as you pay for these ongoing expenses with pre-tax rather than after-tax dollars. (See illustration)

Exactly what benefits are offered as part of the Indiana-Kentucky Conference's plan?
- Dependent Care Reimbursement Plan
- Medical Expense Reimbursement Plan (for non-covered medical expenses)

What kind of medical expenses can be paid for by the Medical Expense Reimbursement Plan?
The medical reimbursement plan covers medical expenses not covered or paid by a group medical plan or any other similar reimbursement program. That might include co-payments, prescription drugs, medical supplies, various hearing aids, vision care products such as eyeglasses and contact lenses, hospital bills, operations and related treatments and X-rays. Check out IRS Publication 502 for further information.

What kind of dependent care expenses can be paid from the Dependent Care Reimbursement Plan?
Only expenses for your dependents that you incur to allow you and your spouse to work can be reimbursed from the Dependent Care Reimbursement Plan. You dependents are defined as persons under age 13 who you claim as a dependent for income tax purposes or a dependent who is not able to care for himself or herself. Also these expenses have to be paid to a "qualified provider." You cannot include amounts you pay your own dependent for whom you claim an exemption, or to your own child (even if he or she is not your dependent) to care for your other child unless the older child is at least age 19. For more information see IRS publication 503.

When are salary redirections and benefits elected?
A cafeteria plan operates on a 12-month period know as the plan year. In the case of the Conference that year begins on January 1 and ends on December 31. Prior to the beginning of each plan year, you select what benefits (if any) you want and how much money you want to go to each benefit. It is important to be conservative when deciding how much money to contribute each year so that you use up your entire account during the plan year.

Once the election is made, can I change my mind during the year?
Generally, no, you must wait until the next plan year. However, certain situations can arise during the plan year, which will allow a change of election. These situations are called "changes in family status" and include events such as marriage, divorce, death, birth or adoption of a child, or employment changes for you or your spouse.

Are there limits on how much I can elect to put into any single benefit?
The Plan of the Indiana – Kentucky Conference, caps the medical expenses at 100 % of compensation from the Conference. For Dependent Care reimbursement the cap is the least of (a) your Earned Income for the calendar year; (b) if you are married, the actual or deemed Earned income of your spouse for the calendar year; (c) $5,000 ($2,500 if you are married and file separate returns). You plan document will specifically state these.

What happens if there is money left in my account at the end of the year and I have no more reimbursement requests?
You forfeit the money in the account. This is why you need to make conservative estimates of your reimbursable expenses prior to each plan year.

Are there any employees that cannot participate in a Cafeteria Plan?
Partners in a partnership, sole proprietors and owners who own 2 % or more of a Subchapter S Corporation cannot participate in a Cafeteria Plan. In addition, your particular plan may also exclude other categories of employees.

SECTION 125 CAFETERIA PLAN IS IT RIGHT FOR YOU?

Whether you are a single parent, part of a dual-income household, or a family person with a non-working spouse, Section 125 Cafeteria Plan will provide you with additional benefits and more take-home pay.

	The Single Parent		**The Working Couple**		**The Family Person with Non-Working Spouse**	
	Without Sect 125	**With Sect 125**	**Without Sect 125**	**With Sect 125**	**Without Sect 125**	**With Sect 125**
Monthly Income	$ 2,000.00	$ 2,000.00	$ 3,750.00	$ 3,750.00	$ 3,000.00	$ 3,000.00
Less Non-Taxable Benefits						
Medical/Dental Expenses	$ -	$ 50.00	$ -	$ 100.00	$ -	$ 100.00
Dependent Care Expense	$ -	$ 250.00	$ -	$ 300.00	$ -	$ -
Less Withholdings						
Federal & State Taxes*	$ 350.00	$ 338.00	$ 630.00	$ 614.00	$ 492.00	$ 488.00
Social Security Tax*	$ 153.00	$ 130.05	$ 286.88	$ 256.28	$ 229.50	$ 221.85
After Tax Income	$ 1,497.00	$ 1,231.95	$ 2,833.13	$ 2,479.73	$ 2,278.50	$ 2,190.15
After Tax Expenses						
Medical/Dental Expenses	$ 50.00	$ -	$ 100.00	$ -	$ 100.00	$ -
Dependent Care Expenses	$ 250.00	$ -	$ 300.00	$ -	$ -	$ -
Spendable Income	$ 1,197.00	$ 1,231.95	$ 2,433.13	$ 2,479.73	$ 2,178.50	$ 2,190.15
Income Increases/Month		$ 34.95		$ 46.60		$ 11.65

* 1999 Withholding rates

UNITED CHURCH OF CHRIST

FLEXIBLE BENEFITS PLAN

UNITED CHURCH OF CHRIST

FLEXIBLE BENEFITS PLAN

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INDOCS2/227800/1/MSWORD

INTRODUCTION

The ___________________________United Church of Christ (the "Church"), has established and maintains the __________________________ United Church of Christ Flexible Benefits Plan (the "Plan"). The Plan is a "cafeteria plan" within the meaning of Internal Revenue Code ("Code") section 125. This document sets out the Plan's provisions in effect on January 1, 2000. It serves as both the official plan document and the summary description of the Plan.

The purpose of the Plan is to permit Eligible Employees to use a portion of their pre-tax compensation to purchase optional benefits that are generally excludable from taxable income.

The following "Highlights" section briefly summarizes the Plan's major provisions without most of the detail that is important but more time consuming to explain. You will probably find the Plan easier to understand if you read the "Highlights" section first and then read the in-depth sections. But do read the entire Plan. The "Definition" section at pages 3-6 of this Plan defines the capitalized words and terms used throughout this Plan. When you encounter a capitalized word or term, you should turn to the Definition section and find its meaning.

HIGHLIGHTS

* **Eligibility to Participate**. If you are an Eligible Employee, you may join the Plan on the later of_______________________, or the first Enrollment Date on or after you become an Eligible Employee.

  The first day of every month is an Enrollment Date. The Plan Administrator, which oversees the operation of the Plan, will notify you of your eligibility to participate in the Plan and will request that you complete certain forms and furnish needed information required by the Plan Administrator. For additional information regarding eligibility and when you can start to participate, see the "Eligibility and Participation" section, page 6.

* **Benefit Elections**. You may elect to authorize the Church to redirect your cash compensation to purchase optional benefits under the Plan based on your particular goals, needs and desires. If you make a valid election to purchase optional benefits, the Church will reduce your cash compensation by an amount equal to the cost of those benefits, and that salary redirection amount will be used to provide the elected benefits. There are two optional benefits offered under the Plan from which you may choose:

  (1) A Medical Expense Reimbursement Account; and

  (2) A Dependent Care Reimbursement Account.

  See the "Benefit Elections" section, pages 6-10, for additional details regarding the optional benefits offered and the procedures you must follow to select those benefits.

* **Claims Procedures**. You are entitled to make claims for benefits and to have any denied claims reviewed by the Plan Administrator. See the "Claims Procedures" section, page 15 for additional details.

* **Tax Consequences**. The "Federal Tax Consequences" section, page 16 briefly outlines the general federal income tax consequences of your election to receive optional benefits under this Plan. You should, however, consult your own tax advisor for specific information relating to your own tax planning.

The Plan is designed to provide a way for you to receive additional benefits while reducing your taxable income. Here is an example that illustrates the tax effectiveness of the Plan. Suppose two employees each have $1,000 in eligible medical reimbursement expenses in a year. John chooses not to pay those expenses under the Plan. Carol, however, elects to redirect $1,000 of her cash compensation to purchase nontaxable medical reimbursement benefits. For tax purposes, let's assume that both John and Carol earn $24,000 a year, that each is married, and that each claims three exemptions. Carol will have $226 more after taxes than John because she saves $226 by being a Plan participant.

Here is how their situations compare:

	John (Does Not Make Contribution)	Carol (Makes Pre-Tax Contribution to the Flexible Benefits Plan)
Annual pay	$24,000	$24,000
Pre-tax payment of medical reimbursement expenses	0	1,000
Taxable income before personal exemptions	$24,000	$23,000
Taxes at 2000 rates: Federal 15%	- 3,600	-3,450
Social Security 7.65%	-1,836	-1,760
After-tax payment of medical reimbursement expenses	-1,000	0
Net income	$17,564	$17,790
Tax savings	$ 0	*$ 226

- *Savings on state and local income taxes would be in addition to this amount.*

DEFINITIONS

Whenever used in this document the following terms, when capitalized, shall have the following meanings, unless a different meaning is clearly required by the context:

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and interpretive rules and regulations.

"Church" means the ________________________United Church of Christ.

"Dependent" means a dependent as defined in Code section 152, as modified by Code paragraph 21(e)(5) (relating to certain dependent children of divorced parents).

"Dependent Care Assistance" means reimbursement for services that, if paid for by the Participant, would be considered employment-related expenses under Code paragraph 21(b)(2).

"Dependent Care Reimbursement Account" means the account maintained for bookkeeping purposes only for a Plan Year by the Church for the purpose of reimbursing a Participant for Dependent Care Expenses.

"Dependent Care Expenses" means an employment-related expense within the meaning of Code paragraph 21(b)(2). The term includes only expenses incurred to enable a Participant to be gainfully employed for any period during which there are one or more Qualifying Individuals with respect to the Participant. The term includes expenses for household services and expenses for care of a Qualifying Individual, including:

(1) All such expenses incurred within the Participant's household.

(2) All such expenses, subject to the last sentence of this definition, incurred outside the Participant's household for the care of a Type A Qualifying Individual.

(3) All such expenses, subject to the last sentence of this definition, incurred outside the Participant's household for the care of a Type B Qualifying Individual (only if the Type B Qualifying Individual regularly spends at least eight hours each day in the Participant's household).

Any expenses incurred for services provided outside the Participant's household by a dependent care center (as defined in Code paragraph 21(b)(2)) shall be included as Dependent Care Expenses only if the dependent care center complies with all applicable state and local laws and regulations, provides care for more than six individuals (other than individuals who reside at the facility), and receives a fee, payment, or grant for providing services for any of the individuals.

"Earned Income" means an individual's total compensation as defined by Code paragraph 32(c)(2); provided, however, that Earned Income shall exclude any amounts paid or incurred by the Church for Dependent Care Assistance to a Participant. A spouse who is a full-time student at an educational institution or is physically or mentally unable to care for himself shall be deemed to have "Earned Income" of not less than $200 per month, if the Participant has one Dependent, or $400 per month, if the Participant has two or more Dependents.

"Effective Date" means ___________________, 200 __ .

"Eligible Employee" __________________________________
____Employee, as defined in the Church personnel policies.

"Employee" means any individual employed by the Church who initially has his or her compensation reported by the Church on a federal wage and tax statement (Form W-2).

"Enrollment Date" means the first day of any month.

"Key Employee" means the following Eligible Employees:

(1) Any Employee or former Employee who at any time during the Plan Year or any of the 4 preceding Plan Years is included in a classification described in Paragraph (2), determined in accordance with the rules of Code paragraph 416(i)(1).

(2) The following are Key Employee classifications:

(A) an officer of the Church having annual compensation greater than 50% of the amount in effect under Code subparagraph 415(b)(1)(A) for the Plan Year;

(B) one of the 10 Employees having annual compensation from the Church of more than the limitation in effect under Code subparagraph 415(c)(1)(A) and owning (or considered as owning within the meaning of Code section 318) the largest interests of the Church;

(C) a person owning (or considered as owning within the meaning of Code section 318) more than 5% of the outstanding stock of the Church or stock possessing more than 5% of the total combined voting power of all stock of the Church; or

(D) a person who has annual compensation from the Church of more than $150,000 and who would be described in Subparagraph (C) if 1% were substituted for 5%.

"Medical Expense Reimbursement Account" means the account maintained for bookkeeping purposes only for a Plan Year by the Church for the purpose of reimbursing a Participant for Qualified Medical Expenses.

"Participant" means any Eligible Employee who has satisfied the eligibility requirements of the "Eligibility and Participation" section, page 6, and has not become ineligible to participate. The term "Participant" includes former Participants, if the context so requires.

"Plan" means the _______________________United Church of Christ Flexible Benefits Plan, as set forth in this instrument and as amended from time to time.

"Plan Administrator" means the Church.

"Plan Year" means each 12-month period beginning on January 1 and ending on the following December 31.

"Qualified Medical Expense" means an expense for the medical care, as defined under Code subsection 213(d), of the Participant or his or her spouse or Dependent, but only to the extent that the expense is not reimbursed (other than under the Plan). Notwithstanding Code subsection 213(d), premiums you pay for any health insurance are not Qualified Medical Expenses. See Schedule A, pages 19 - 21.

"Qualifying Individual" means a qualifying individual within the meaning of Code paragraph 21(b)(1) and includes "Type A Qualifying Individuals" and "Type B Qualifying Individuals."

(1) "Type A Qualifying Individual" means a Dependent who is under age 13 and with respect to whom a Participant is entitled to an

"exemption" deduction under Code subsection 151(c), regardless of whether the Participant has waived his exemption rights pursuant to paragraph (2) or (4) of Code subsection 152(e).

(2) "Type B Qualifying Individual" means any Dependent or spouse of the Participant who is physically or mentally incapable of caring for himself.

ELIGIBILITY AND PARTICIPATION

When Participation Begins. If you are an Eligible Employee, you will become a Participant on the later of (a) the Effective Date, or (b) the first Enrollment Date on or after you have completed your first day of employment as an Eligible Employee of the Church.

When Participation Ends. You will cease to be a Participant as of the earlier of (a) the date on which the Plan terminates, or (b) the date on which you cease to be an Eligible Employee and your benefit elections are deemed to be revoked under the Plan for the remainder of the Plan Year.

Participation by Former Participants. If you are a former Participant, you will become a Participant again on the first Enrollment Date following your reemployment as an Eligible Employee, subject to the provisions of the "Procedure for Benefit Elections by New Participants" subsection on page 7.

Conditions for Participation in the Plan. As a condition of participation and receipt of benefits under the Plan, you must (a) satisfy any participation requirements for the optional benefits that you elect to pay with pre-tax dollars, (b) furnish all applications, election forms, and other documents reasonably required by the Plan Administrator, and (c) observe all Plan rules and regulations.

BENEFIT ELECTIONS

Available Optional Benefits. Subject to the "Adjustments by the Church" subsection, pages 8-9, and certain dollar limitations specified in this document, you may elect, for each Plan Year, to reduce your cash compensation by a specified amount and have that amount applied to purchase one or both of the following optional benefits. The optional benefits provided under the Plan are:

(1) A Medical Expense Reimbursement Account.

(2) A Dependent Care Reimbursement Account.

<u>Election of Optional Benefits</u>. As a Participant, you may elect to purchase optional benefits under this Plan by completing and returning an election form to the Church that authorizes the Church to reduce your pre-tax compensation by the amount of the elected benefits and have the reduction applied to pay for the optional benefits. If you elect to purchase optional benefits under this Plan, your payments for those benefits will be made by reducing your pre-tax cash compensation, in approximately equal amounts, on each of your regular payroll dates during the Plan Year **(not including payroll dates before the election).**

<u>Procedure for Benefit Elections by New Participants</u>. Within a reasonable time before you are entitled to make an election, the Plan Administrator or the Church will provide you with an election form. By the time you receive your election form, you will also have received this document. You will need to mark on the election form the optional benefits you elect for the Plan Year (or remainder of the Plan Year). To be effective, your election must be returned to the Plan Administrator within the appropriate time periods specified in the following paragraph.

When you first become an Eligible Employee, you must complete your election form and return it to the Church within 15 days after the date on which you become a Participant, if you want your election to become effective as of the Enrollment Date on which you became a Participant. If you do not complete your election form and return it to the Church within 15 days after the date on which you become a Participant, you may not make an election until enrollment for the next Plan Year. If you are reemployed as an Eligible Employee after participating previously, you may make an election by completing an election form and returning it to the Church not more than 30 days after you become a Participant, and your election will become effective as of the first Enrollment Date after the Church receives your election form. If, however, you previously revoked your election under the Plan and you become a Participant again because you are reemployed as an Eligible Employee before the end of the Plan Year in which the revocation occurred, you will not be permitted to make a new benefit election under the Plan that becomes effective before the first day of the following Plan Year.

<u>Procedure for Annual Benefits Elections</u>. Within a reasonable time before the beginning of each Plan Year, the Plan Administrator or the Church will provide you with a new election form. You may indicate your election on the form provided, and it will become effective as of the first day of the next Plan Year, provided that you deliver the election form to the Church within the time period prescribed by the Church before the beginning of the Plan Year.

<u>Failure to Elect</u>. If you are a Participant and you fail to return a completed election form to the Church on or before the specified due date for the initial Plan Year of the Plan or for the Plan Year in which you first become a Participant, you will be deemed to have elected to receive all of your compensation in cash.

If you fail to return a completed election form to the Church on or before the specified due date for any subsequent Plan Year, you will be deemed to have elected to receive all of your compensation in cash.

Irrevocability of Election During the Plan Year. Once you make an election for a Plan Year, you are generally bound by that election for the entire Plan Year. You may not change your election during a Plan Year unless there is a change in your status. Changes in status include:

(1) a change in your marital status or number of dependents

(2) a change in your spouse's or your employment status from part-time to full-time or full-time to part-time,

(3) a termination of your employment or the employment of your spouse,

(4) a commencement of employment of your spouse,

(5) the taking of an unpaid leave of absence by you or your spouse, or

(6) a significant change in your health coverage attributable to your spouse's employment.

(7) Any other change that the Internal Revenue Service deems to be a change in status within the meaning of Code Section 125.

If one of these events occurs, you will be able to change your election in a manner that is consistent with the change in marital, dependent, or employment status by providing written notice of the change to the Church on forms acceptable to the Plan Administrator. You must submit notice of a change within 30 days of the date on which the change occurred. Any change in your election will be effective as of the first day of the payroll period immediately following the date on which the Church receives your written notice.

Adjustments by the Church. Your elections under the Plan will be subject to the following limitations, which are intended to keep the Plan from discriminating in favor of highly compensated Participants or Key Employees:

(a) If the Plan Administrator determines, before or during any Plan Year, that the Plan may fail to satisfy any applicable nondiscrimination requirement imposed by the Code (except the requirement described in paragraph (b)), the Plan Administrator will adjust the elections of the Participants who are defined by the Code as highly compensated with respect to the affected optional benefit for the Plan Year as provided in this subsection.

(1) If the Code's nondiscrimination requirements governing health benefits would be violated without adjustments to Participants' elections, the Plan Administrator will determine the maximum permissible amounts that highly compensated individuals (within the meaning of Code subsection 105(h)) can elect to contribute to their Medical Expense Reimbursement Accounts and will reduce the elections of all highly compensated individuals who exceed those amounts.

(2) If the Code's nondiscrimination requirements governing Dependent Care Assistance would be violated without adjustments to Participants' elections, the Plan Administrator will adjust the maximum permissible contribution level for highly compensated employees (within the meaning of Code subsection 414(q)) to their Dependent Care Reimbursement Accounts and will reduce the elections of all highly compensated employees who exceed that level.

(3) Notwithstanding the preceding provisions of this subsection, the Plan Administrator will not be liable to a Participant or any other person for taxes or other expenses payable as a result of the Plan's failure to satisfy applicable nondiscrimination requirements.

(b) If the Plan Administrator determines, before or during any Plan Year, that the optional benefits provided to Key Employees under the Plan for the Plan Year may exceed 25% of the optional benefits provided for all Participants under the Plan for that Plan Year, the optional benefits elected by Key Employees will be reduced by the Plan Administrator to the extent necessary to reduce the optional benefits of Key Employees to 25% of the optional benefits provided for all Participants. If the optional benefits selected by a Key Employee are reduced pursuant to the preceding sentence, a Key Employee's elected contributions to his Medical Expense Reimbursement Account and his Dependent Care Reimbursement Account will be reduced in equal proportions.

Automatic Termination of Election. Elections that are made or deemed to be made under the Plan will automatically terminate on the last day of each Plan Year or on the date on which a Participant ceases to be an Eligible Employee, whichever is earlier.

Benefits of Former Eligible Employees. If you terminate employment or cease to be an Eligible Employee, your election of optional benefits under this Plan will be deemed to be revoked and your salary reduction contributions to the Plan will cease for the remainder of the Plan Year. Even if your benefit election is deemed to be revoked for a Plan Year under this subsection, you may still submit claims for Dependent Care Expenses for the remainder of the Plan Year until the salary reduction amounts that were credited to your Dependent Care Reimbursement Account as of the date of your deemed revocation are exhausted. Moreover, you may still submit claims for Qualified Medical Expenses that were incurred prior to the date of your deemed revocation, provided those claims are made within 90 days after your election of optional benefits is deemed revoked. If your election is deemed to be revoked under this subsection, and you are reemployed as an Eligible Employee before the end of the Plan Year in which the revocation occurred, you will not be permitted to make a new benefit election under this Plan that becomes effective before the first day of the following Plan Year.

MEDICAL EXPENSE REIMBURSEMENT ACCOUNTS

Available Benefits. The maximum amount of medical expense reimbursement benefits you may elect for any Plan Year is limited to 100% of your compensation from the Church (as adjusted pursuant to the "Adjustments by the Church" section, pages 8-9).

Plan Year Accounts. The Church will establish and maintain a separate bookkeeping account called a "Medical Expense Reimbursement Account" for each Plan Year for which you have elected to receive medical expense reimbursements. Accounts will be maintained for bookkeeping purposes only, and amounts credited to your Plan Year account will remain part of the Church's general assets until paid pursuant to the Plan. As of each regular payroll date during a Plan Year, amounts will be withheld from your compensation and will be credited to your Medical Expense Reimbursement Account in approximately equal installments in accordance with your election. The total amount credited to your Medical Expense Reimbursement Account for a Plan Year will equal the total amount which you elected for medical expense reimbursement benefits for the Plan Year. Your Medical Expense Reimbursement Account will be reduced by any amount paid to you or for your benefit pursuant to the Plan for Qualified Medical Expenses incurred during the Plan Year.

Use It or Lose It. Any amount that remains in your Medical Expense Reimbursement Account after you have been reimbursed for all of your Qualified Medical Expenses incurred during that Plan Year **will be forfeited**. **You cannot carry over your unused medical expense reimbursement benefits to the next Plan Year.** Because you must "use or lose" elected medical reimbursements in a Plan Year, you should be careful to estimate as accurately as possible the Qualified Medical Expenses that you and your family are likely to incur during the Plan Year so that you do not elect more than you use. **NOTE:** The date expenses are incurred is when the service or supply was actually provided, not the invoice date or the date the bill is paid.

Reimbursement of Qualified Medical Expenses. If you have a Medical Expense Reimbursement Account for a Plan Year, you may apply for reimbursement of Qualified Medical Expenses incurred during that Plan Year. Your application must conform to the requirements set out in the "Claims for Reimbursement" subsection, pages 11- 12. If your claim is approved, the Plan will reimburse you for the amount of the claim, up to the total amount of medical expense reimbursements you elected for the Plan Year, reduced by the reimbursements previously paid to you (or to your health care providers on your behalf) for the Plan Year. The Plan generally will pay reimbursements monthly, based on the claims you have submitted by the last day of the preceding month. In its discretion, the Plan may pay a service provider directly for Qualified Medical Expenses in lieu of reimbursing you directly, in which case the Plan Administrator and the Church will be relieved of all further responsibility with respect to that particular expense. A payment pursuant to the preceding sentence will be subject to all rules applicable to reimbursements.

Your available medical expense reimbursement benefits as of any day in the Plan Year will be equal to the total amount of medical expense reimbursements you elected for the Plan Year, reduced by reimbursements previously paid.

> **Example:** Ted Miller elects a total of $600 in medical expense reimbursement benefits for a Plan Year, payable in equal semi-monthly installments of $25 (and his election is not reduced to satisfy Code requirements, see "Adjustments by the Church," pages 8-9). As of February 1 of that Plan Year he has incurred $500 in Qualified Medical Expenses. The Plan will pay the entire $500 in reimbursements, even though Ted has only been credited with $50 in his Medical Expense Reimbursement Account, and he will have $100 in remaining reimbursements to use before the Plan Year ends.

The Plan will reimburse Participants for Qualified Medical Expenses on a monthly basis; provided, however, that the final payment of benefits for any Plan Year will be made in or before June 30 following the close of the Plan Year based on accepted claims filed with the Plan not later than 60 days after the end of the Plan Year.

<u>Claims for Reimbursement</u>. To make a claim for payment from a Medical Expense Reimbursement Account, you must submit a written application to the Church not later than 60 days after the end of the Plan Year for any Qualified Medical Expense incurred during the Plan Year. The application must include the following:

(a) the amount, date, and nature of each expense;

(b) the name of the person or entity to whom the expense was or is to be paid;

(c) the name of the person for whom the expense was incurred and, if the expense was not incurred for the Participant, your relationship to that person;

(d) the amount that you recovered or expect to recover from insurance or some other source;

(e) bills, receipts, or other statements;

(f) a written statement from an independent third party stating that the medical expense has been incurred and the amount of such expense; and

(g) any other information requested by the Plan Administrator or the Church.

The Internal Revenue Service has issued detailed rules and regulations setting out the standards for determining whether a particular expense qualifies as a Qualified Medical Expense. If the Plan Administrator determines, in its judgment, that an expense for which you claim reimbursement is not a Qualified Medical Expense within the meaning of those rules and regulations, it will reject your claim. If your claim is denied, you may seek review of the denial in accordance with the "Claims Procedures" section, page 15.

DEPENDENT CARE REIMBURSEMENT ACCOUNTS

Maximum Dependent Care Assistance. Subject to the limitations of the "Adjustments by the Church" subsection, pages 8-9, the maximum amount of Dependent Care Assistance benefits for a Plan Year is the least of (a) your Earned Income for the calendar year; (b) if you are married, the actual or deemed Earned Income of your spouse for the calendar year; (c) $5,000 ($2,500 if you are a married Participant who files a separate return); or (d) the amount, if any, specified by the Church from time to time.

Plan Year Accounts. The Church will establish and maintain a separate bookkeeping account, called a "Dependent Care Reimbursement Account," for each Plan Year for which you have elected to receive Dependent Care Assistance. Accounts will be maintained for bookkeeping purposes only, and amounts credited to your Plan Year account will remain part of the general assets of the Church until paid pursuant to this Plan. As of each regular payroll date during a Plan Year, amounts will be withheld from your compensation and will be credited to your Dependent Care Reimbursement Account in approximately equal installments in accordance with your election. The total amount credited to your Dependent Care Reimbursement Account for a Plan Year will equal the total amount you elected for Dependent Care Expense reimbursement benefits for the Plan Year. Your Dependent Care Reimbursement Account will be reduced by any amount paid to you or for your benefit pursuant to the Plan for Dependent Care Expenses incurred during the Plan Year.

Use It or Lose It. Any amount that remains in your Dependent Care Reimbursement Account after you have been reimbursed for all of your Dependent Care Expenses incurred during that Plan Year **will be forfeited. You cannot carry over your unused Dependent Care Expense reimbursement benefits to the next Plan Year.** Because you must "use it or lose" your elected dependent care reimbursements in a Plan Year, you should be careful to estimate as accurately as possible to the Dependent Care Expenses that you and your family are likely to incur during the Plan Year so that you do not elect more than you use. **NOTE:** The date expenses are incurred is the date when the service or supply is actually provided, not the invoice date or the date paid.

Reimbursement of Dependent Care Expenses. If you have a Dependent Care Reimbursement Account for a Plan Year, you may apply for reimbursement of Dependent Care Expenses incurred during that Plan Year. Your application must conform to the requirements set out in the "Claims for Reimbursement" subsection, pages 14. If your claim is approved, the Plan will pay the claim to the extent that amounts sufficient to cover the claim have been credited during that Plan Year to your Dependent Care Reimbursement Account. If amounts credited to your Dependent Care Reimbursement Account are not sufficient to satisfy the amount of a claim, the claim will be carried over until there are sufficient amounts in the account or until the last day of the Plan Year, whichever occurs first. The Plan generally will pay reimbursements monthly, based on claims you have submitted by the last day of the preceding month.

> **Example:** Tom Jones elects a total of $2,400 in Dependent Care Assistance reimbursement benefits for a Plan Year, payable in equal semi-monthly installments of $100 (and his election is not reduced to satisfy Code requirements, see "Adjustments by the Church," pages 8-9). As of February 1 of that Plan Year, he has incurred $400 in Dependent Care Expenses and $200 has been credited to his Dependent Care Reimbursement Account. The Plan will pay $200 to satisfy the amount of the claim and will carry over $200 of the claim to subsequent months in the Plan Year until there are sufficient amounts in Tom's account.

In its discretion, the Plan may pay a service provider directly for the cost of Dependent Care Expenses in lieu of reimbursing you directly, in which case the Plan Administrator and the Church will be relieved of all further responsibility with respect to that particular expense. A payment pursuant to the preceding sentence will be subject to all rules applicable to reimbursements made directly to Participants under this section. The Plan will reimburse Participants for Dependent Care Expenses on a monthly basis; provided, however, that the final payment of benefits for any Plan Year will be made in or before June 30 following the close of the Plan Year based on accepted claims filed with the Plan not later than 60 days after the end of the Plan Year.

Rules Relating to Dependent Care Expenses. To qualify as Dependent Care Expenses, expenses must be for the care of a Qualifying Person or related household expenses, and they must be incurred to enable you to work. As a general rule, you will not be entitled to reimbursements unless both you and your spouse work. For purposes of this rule, however, your spouse will be deemed to be working if he or she is a full-time student or is mentally or physically unable to care for himself or herself.

Expenses will not be considered to be "for the care of" a Qualifying Person unless their main purpose is to assure the Qualifying Person's well-being and protection. Not all benefits provided for a Qualifying Individual will be considered to be for his or her care. Amounts paid for food, clothing, or education, for example, are not considered to be "for the care of" a Qualifying Individual. Where the manner of providing care is such that the expense incurred for providing care includes expenses for other benefits incident to and inseparably a part of the care, the full amount of the expense is considered to be for the care of the Qualifying Individual. For example, the full amount paid to a nursery school in which a child is enrolled is considered as being for the care of the child, even though the school also furnishes lunch and educational services. Educational expenses incurred for a child in the first grade or higher are not treated as expenses incurred for the care of the child.

Dependent Care Expenses are not limited to only those amounts paid to a licensed day care center. Amounts paid to a day care provider who comes to your home, or amounts paid to an individual day care provider outside your home, can also qualify so long as the individual provider is not your dependent. For example, an aunt could provide the care if she is not claimed by you as a dependent and she is paid for the services she provides. But if an older child who also is your dependent provides the care, you cannot pay those expenses through the Dependent Care Reimbursement Account.

Claims for Reimbursement. To make a claim for payment from a Dependent Care Reimbursement Account, you must submit a written application to the Church not later than 60 days after the end of the Plan Year for any Dependent Care Expenses incurred during the Plan Year. The application must include the following:

(a) the amount, date, and nature of each expense;

(b) the name and tax identification number of the person or entity to whom the expense was or is to be paid;

(c) the name, age, and relationship to the Participant of the Dependent for whom the expense was incurred;

(d) a written statement from an independent third party (for example, the day care center or day care provider that provided the service) stating that the expense has been incurred and the amount of the expense;

(e) bills, receipts, or other statements; and

(f) any other information requested by the Plan Administrator or the Church.

The Internal Revenue Service has issued detailed rules and regulations setting out the standards for determining whether a particular expense qualifies as a Dependent Care Expense. If the Plan Administrator determines, in its judgment, that an expense for which you claim reimbursement is not a Dependent Care Expense within the meaning of those rules and regulations, it will deny your claim. If your claim is denied, you may seek review of the denial in accordance with the "Claims Procedures" section, page 15.