



COUNTY OF SAN BERNARDINO

DEPENDENT CARE ASSISTANCE PLAN (DCAP)

Effective January 1, 1992

Amended December 11, 2001

Amended March 25, 2008

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**COUNTY OF SAN BERNARDINO DEPENDENT
CARE ASSISTANCE PLAN (DCAP)**

PART ONE: INTRODUCTION

1.1 Purpose of Plan

The purpose of this Section 125 Dependent Care Assistance Plan (“DCAP” or “Plan”) is to permit eligible Employees of the County of San Bernardino (“County”) to make an election to pay for certain Dependent Care Expenses with Salary Reduction from Compensation contributed to the Plan before federal income or social security taxes are paid to the Internal Revenue Service (“Salary Reduction”) in accordance with Sections 125 and 129 of the Internal Revenue Code of 1986 (“Code” or “IRC”) and regulations issued pursuant thereto.

1.2 Plan Status

This Plan is intended to qualify as a cafeteria plan under Internal Revenue Code Section 125 and a Dependent Care Assistance Plan under Internal Revenue Code Section 129 that is established for the exclusive benefit of eligible Employees who elect to participate in the DCAP (“Participants”). The period of coverage is the Plan Year or such portion thereof pursuant to the Effective Date of a Participant’s election to participate.

1.3 Status of Benefits

The County believes that this Plan is in compliance with Sections 125 and 129 of the Internal Revenue Code and that it provides tax -free Dependent care reimbursement benefits to Participants that are pursuant to Section 129 and other provisions of the Code. A Participant, by accepting benefits under this Plan, agrees to be liable for any tax that may be imposed with respect to those benefits, plus any interest as may be imposed by federal, state or other taxing authorities.

1.4 Purpose of Amendment

The County of San Bernardino is governed by a Board of Supervisors (“Board”). The Board hereby adopts this amended Dependent Care Assistance Plan. The purpose of this Amendment is to update, clarify and correct the Plan as originally established on January 1, 1992. This Amendment shall be effective as of the date it is duly adopted by the Board of Supervisors.

PART TWO: DEFINITIONS AND CONSTRUCTION

2.1 Definitions

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context.

a. “Benefit Election/Change Form” means the individual Participant enrollment form(s) approved by the Administrator by which an eligible Employee or Participant enrolls in accordance with Part Four, Election to Participation, and otherwise agrees to Salary Reduction to provide funds for the benefits described in this Plan. A Benefit Election/Change Form is also the Employee’s agreement with the County for a Salary Reduction.

b. “Change in Status Event” means the events described below and any other events that the Plan Administrator (in its sole discretion) determines to be within prevailing Internal Revenue Service (“IRS”) guidelines or regulations applicable to IRC Section 125 cafeteria plans and Section 129 DCAP plans, including amendments thereto from time to time, including the following:

- (1) *Legal marital status*. Events that change an Employee's legal marital status, including marriage, death of Spouse, divorce, legal separation or annulment;
- (2) *Number of Dependents*. Events that change an Employee's number of Dependents, including birth, death, adoption or placement for adoption;
- (3) *Employment Status*. Any of the following events that change the employment status of the Employee, the Employee's Spouse, or the Employee's Dependent: a termination or commencement of employment; a strike or lockout; a commencement of or return from an unpaid leave of absence; or a change in work site. In addition, if the eligibility conditions of a cafeteria plan or other employee benefit plan of the employer of the Employee, Spouse, or Dependent depend on the Employment Status of that individual and there is a change in that individual's Employment Status with the consequence that the individual becomes (or ceases to be) eligible under the Plan, then that change constitutes a change in employment under this paragraph (c) (e.g., if a plan only applies to salaried Employees and an Employee switches from salaried to hourly-paid with the consequence that the Employee ceases to be eligible for the Plan, then that change constitutes a change in Employment Status);
- (4) *Dependent satisfies or ceases to satisfy eligibility requirements*. Events that cause an Employee's Dependent to satisfy or cease to satisfy eligibility requirements for group benefit Plan coverage on account of attainment of age, Student status or any similar circumstance;
- (5) *Residence*. A change in the place of residence of the Employee, Spouse, or Dependent;
- (6) *Change in the cost of child care*. A significant change in the cost of child care expenses;
- (7) *Change in coverage or cost* including a new benefit option or the elimination of a benefit option; or
- (8) *Commencement of return from a leave of absence provided through the Family and Medical Leave Act (FMLA) or the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)*.

c. "Code" or "IRC" means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such subsection.

d. "Compensation" means the total Form W-2 compensation for federal income tax withholding purposes paid by the Employer to an Employee for services performed, determined prior to any Salary Reduction election under this Plan, any Salary Reduction election under any other Code Section 125 cafeteria plan, and any elective salary deferral contributions under any Code Section 401(k), 414(h), and 457 arrangements.

e. "County" means the County of San Bernardino or any district that is governed by the Board of Supervisors and the Superior Court of California, County of San Bernardino.

f. "Dependent" for purposes of this Plan means an individual as defined by the IRC as a qualifying person.

A qualifying person is:

1. Your qualifying child who is your dependent and who was under age 13 when the care was provided
2. Your spouse who was physically or mentally not able to care for himself or herself and lived with you for more than half the year, or
3. A person who was physically or mentally not able to care for himself or herself, lived with you for more than half the year, and either:
 - a. Was your dependent (qualifying child or qualifying relative), or
 - b. Would have been your dependent except that:
 - i. He or she received gross income of \$3,300 or more,

- ii. He or she filed a joint return, or
- iii. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return.

Child of divorced or separated parents. Even if you cannot claim your child as a dependent, he or she is treated as your qualifying person if:

- The child was under age 13 or was physically or mentally not able to care for himself or herself, and
- You were the child's custodial parent (the parent with whom the child lived for the greater part of the tax year).

The noncustodial parent cannot treat the child as a qualifying person even if that parent is entitled to claim the child as a dependent under the special rules for a child of divorced or separated parents.

g. "Dependent Care Expenses" means expenses that are eligible under this Plan for payment with pre-tax Compensation by way of Salary Reduction for as follows:

- (1) The expense is related to the care of a Dependent that is necessary to enable the gainful employment of the Employee and Spouse (if any) within the meaning of Code Section 21(b)(2) as determined by the Plan Administrator in its sole discretion that is paid by the Participant to the person providing the care including any expense for incidental household services.
- (2) The service is performed in the Participant's home or outside of the Participant's home for a Dependent who is under age 13 or for a Dependent who regularly spends at least eight (8) hours per day in the Participant's home. If the service is performed outside of the Participant's home by a facility that provides care for more than six (6) individuals not residing in the facility that is paid for the care, the facility must comply with all applicable state and local laws and regulations for the expense to be a Dependent Care Expense for purposes of this Plan.
- (3) The service is incurred after the date an eligible Employee elects to participate in this Plan. An eligible expense is deemed incurred at the time the Dependent care service is rendered and not when the Participant is billed, charged or pays for the service.
- (4) Dependent Care Expense does not include amounts paid by the Participant to:
 - (i) a member of the Participant's household (i) for whom the Participant or Spouse is eligible to take a tax deduction ;
 - (ii) a Participant's Spouse;
 - (iii) a child of the Participant who is under nineteen (19) years of age at the end of the calendar year in which the expenses were incurred; or
 - (iv) an expense the Plan Administrator determines is not a covered benefit under Sections 125 or 129 of the Internal Revenue Code.

h. "Dependent Care Expense Account" means the account described in Part Five.

i. "Earned Income" means all income derived from wages, salaries, tips, self-employment and other remuneration such as disability benefits as defined in Code Section 32(c)(2). "Earned Income" does not include any amounts received by an individual for Dependent Care Expenses under Code Section 129 or amounts excluded from the definition of Earned Income under Code Section 32(c)(2) such as worker's compensation, pension or annuity payments. If a Spouse is a Student or is physically or mentally incapable of caring for himself or herself, the Spouse shall be deemed to have Earned Income for each month that the Spouse is a Student or is incapacitated in the amount of \$200 if the Participant has one (1) Dependent for whom care is provided and \$400 if the Participant has two (2) or more Dependents for whom care is provided.

j. “Effective Date” for the Plan means the date the Plan was originally established by the County, January 1, 1992. For purposes of this Amendment, it means the date this Amended Plan Document is duly adopted by the Board of Supervisors. For purposes of determining the date employment commences, it means the first regularly scheduled working day on which a new Employee performs an hour of service for the County for Compensation.

k. “Election Period” means the period of time that an Employee has to enroll for participation in the Plan or to change an election. For purposes of the Open Enrollment Period, it means the period designated at least annually by the Administrator preceding the date on which the Salary Reduction begins. For purposes of an Employee who becomes eligible to participate mid-Plan Year (for example, a new hire), it means thirty-one (31) days from the date that the Employee became eligible (for example, the effective date of the new Employee's employment). For purposes of a Change in Status or other qualified event, it means thirty-one (31) days from the date of the event that caused the Change in Status Event. Elections shall only apply to Compensation that has not yet been earned at the time of the election unless otherwise allowed under IRC Section 125 and this Plan. If the 31st day falls on a holiday or weekend, the Election Period shall be extended to the next working day.

l. “Employee” means an individual who:

(a) is employed by the County in a regular position scheduled and paid to work 41 or more hours per Pay Period; or

(b) is employed by the County in a regular position scheduled and paid to work 41 or more hours per Pay Period but is unable to work due to a federal or state-protected leave of absence; or

(c) Elected Official or

(d) has entered into an Employee contract with the County or a district governed by the County Board of Supervisors or Superior Court of California, County of San Bernardino.

The term “Employee” does not include seasonal or temporary workers as classified by the County.

m. “Employer” means the County of San Bernardino, or a district governed by the County Board of Supervisors of the County of San Bernardino, or the Superior Court of California, San Bernardino County.

n. “Participant” means an eligible Employee who has enrolled for participation in accordance with Part Four of this Plan to pay for Dependent Care Expenses with pre-tax Compensation through Salary Reduction.

o. “Pay Period” means the fourteen (14) consecutive calendar day periods for each pay warrant issued by the County in a calendar year for payroll purposes. There are usually 26 pay warrants issued in a calendar year. Pay warrants for the Pay Period are issued on the second Wednesday following the end of the preceding Pay Period. The County predetermines each Pay Period for the calendar year based on when an Employee is officially scheduled to receive a County pay warrant. For example, the first pay warrant received in a calendar year is for Pay Period 1; the second pay warrant received in a calendar year is for Pay Period 2, etc. The Master Calendar for EMACS Processing, as it is prepared by the County from year to year, is hereby incorporated by reference. The first Pay Period commences at 12:01 a.m. and ends at midnight on the second Friday thereafter. Salary Reductions pursuant to this Plan are taken each Pay Period for the Plan Year.

p. **"Plan"** means the County of San Bernardino Section 125 Dependent Care Assistance Plan as set forth herein, together with any and all schedules or documents incorporated by reference in or attached hereto.

q. **"Plan Administrator"** means the Human Resources' Division Chief, Employee Benefits and Services, who is vested with the authority to administer the Plan..

r. **"Plan Year"** for purposes of the Salary Reduction means the period of time that begins on the first day of Pay Period 1 in one calendar year and ends on the last day of Pay Period 26 in the succeeding calendar year. If, however, the number of Pay Periods in a calendar year is 27, then the Plan Year shall end on the last day of Pay Period 27. For example, the 2007 Plan Year begins on December 9, 2006, and ends on December 7, 2007. For purposes of Dependent Care Expenses claims reimbursement means the calendar year, January 1 through December 31.

s. **"Salary Reduction"** means the amount designated by the Participant by which Compensation is reduced on a pre-tax basis (before federal income tax and Social Security tax purposes and, wherever permitted, for state and local income tax purposes), contributed to the Plan and applied by the Plan to pay for Dependent Care Expenses pursuant to Part Five. Salary Reduction amounts shall be considered Employer contributions for purposes of this Plan and IRC Section 125.

t. **"Spouse"** means an individual who is legally married to a Participant within the meaning of the Code. The term shall not include an individual who is legally separated from the Participant or an individual who is legally married to the Participant, but files a separate federal income tax return, maintains a separate residence from the Participant during the last six (6) months of the tax year, or who does not furnish more than half of the cost of maintaining the Participant's household.

u. **"Student"** means an individual in the Participant's household who is a full-time Student at an educational organization that maintains a regular faculty, curriculum and enrolled student body during each of five (5) or more calendar months of the Plan Year.

2.2 Gender and Number

Except when otherwise indicated by the context, any masculine terminology used herein shall also include the feminine, and any term used in the singular herein shall also include the plural.

2.3 Headings

The headings of the various articles, sections, and subsections are inserted for the convenience of reference only and are not to be regarded as part of this Plan or as indicating or controlling the meaning or construction of any provision of this Plan.

2.4 Plan Provisions Controlling

In the event the terms or provisions of any summary description of this Plan, or of any other instrument, are in any construction interpreted as being in conflict with the provisions of this Plan as set forth herein, the provisions of this Plan shall be controlling.

2.5 Severability

In the event any provision of this Plan shall be held illegal or invalid for any reason, this illegality or invalidity shall not affect the remaining provisions of this Plan, and such remaining provisions shall be fully severable and this Plan shall, to the extent practicable, be construed and enforced as if the illegal or invalid provision had never been inserted herein.

2.6 Code Compliance

It is intended that this Plan meet all applicable requirements of the Code and of all regulations issued thereunder. This Plan shall be construed, operated and administered accordingly, and in the event of any conflict between any part, clause or provision of this Plan and the Code, the provisions of the Code shall be deemed controlling, and any conflicting part, clause or provision of this Plan shall be deemed superseded to the extent of the conflict.

PART THREE: ELIGIBILITY TO PARTICIPATE

3.1 Eligibility

An individual is eligible to participate in this Plan if the individual is an Employee, as defined in Section 2.1-I. Upon satisfying the Plan's eligibility requirements, an Employee may elect Salary Reduction to pay Dependent Care Expenses with pre-tax Compensation dollars. A Participant must also meet the terms of any collective bargaining agreement (Memorandum of Understanding), Employee contract or Salary Ordinance governing the Employee's entitlement to Plan benefits hereunder.

3.2 Determination of Eligibility by Plan Administrator

The determination of an Employee's eligibility to participate in the Plan shall be made by the Plan Administrator. The Plan Administrator's decision shall be binding and conclusive on all persons. The Plan Administrator shall notify Employees of their eligibility to participate in the Plan and of the terms of the Plan.

3.3 Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)

If an Employee is absent from employment with the County on account of being in "uniformed service" as that term is defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), he may elect to continue participation in the Plan. The coverage period will extend through the end of the current plan year or until he fails to apply for reinstatement or to return to employment with his Employer. The Employee will be responsible for making the required contributions under the Plan during the period he is in "uniformed service." If he elects to continue participation in the Plan during leave under USERRA, the following are payment options:

(a) Pre-Payment Option: Payment of contributions arranged in advance of the leave with either after-tax or pre-tax Compensation (through salary, vacation pay or sick pay to the extent permitted by law) by sending payment to the Employee Benefits and Services Division.

(b) Pay-as-You-Go Option: Payment made on the same basis as payments would have been made had the Employee not been on leave, on the same schedule as COBRA payments, under any of the Employer's existing rules for payment by Employees not on leave without pay, or by any other method that is mutually acceptable by the Plan Administrator and the Employee as allowed by the Code.

(c) Catch-up Option: Payment made upon return from leave by pre-tax Salary Reduction within the time frame the contributions were not paid during the leave (provided, however, that the pre-tax dollars may not be utilized to fund coverage during the previous Plan Year).

The Employee must choose one of these payment options before he begins his leave. If he elects to continue coverage during a leave and fails to pay the required contributions, the County may terminate his coverage. If the Employee chooses not to make contributions by one of the methods above for the period of the leave, the annual benefit amount shall be adjusted and, during the leave where no contributions are made, any expenses incurred will not be eligible for reimbursement. The Employee will be allowed to re-enroll into the Plan upon his return to work if revocation or non-payment of contributions terminated his participation. The Employee may also change his election during any Open Enrollment Period that occurs during his leave. If his

coverage under a group insurance plan is terminated on account of his being in “uniformed service” and it is later reinstated, he cannot be subject to a new exclusion or waiting period requirement imposed by the Group Health Plan if the requirements would not have been imposed if coverage had not been terminated as a result of his “uniformed service.”

PART FOUR: ELECTION TO PARTICIPATE

Upon electing to participate in the Plan, a Participant shall be entitled to reimbursement of Dependent Care Expenses as defined in Section 2.1 g from the Participant’s Dependent Care Expense Account as provided for in this Plan. An eligible Employee shall elect to participate by timely submitting a properly completed Benefit Election/Change Form during the Election Period to the Plan Administrator.

4.1 Election Procedures

(a) *Elections during Open Enrollment Period.* During each Open Enrollment Period with respect to a Plan Year, the Plan Administrator shall provide an Election Form to each Eligible Employee. The Election Form shall enable the Employee to elect to participate in the Plan for the Plan Year, to elect an annual benefit amount, and to authorize the necessary Salary Reductions to pay for the premium for his benefits under the Plan. The Election Form shall be due and returnable to the Plan Administrator on or before the last day of the Open Enrollment Period. However, if the last day of the Open Enrollment Period falls on a holiday or weekend, the enrollment period shall be extended to the next working day. If an Eligible Employee elects to participate during an Open Enrollment Period, he becomes a Participant on the first day of the applicable Plan Year. If an Eligible Employee fails to elect enrollment in the Plan during the Open Enrollment Period, he may not elect to participate in this Plan until the next Open Enrollment Period.

(b) *Elections by Employees who are Hired or First Become Eligible to Participate after the Beginning of the Plan Year.* An Employee who is hired by the Employer after the beginning of the Plan Year, or who first becomes eligible to participate by satisfying the eligibility requirements of Section 3.1 above after the beginning of the Plan Year, must elect to enroll in the Plan within 31 days of becoming eligible to participate in the Plan. However, if the last day of the 31 day period falls on a holiday or weekend, the enrollment period shall be extended to the next working day. Otherwise, the Employee must wait until the Plan’s next Open Enrollment Period to elect to participate in the Plan.

(c) *Eligible Employee Who Fails to File an Election Form.* If an Eligible Employee fails to file (or fails to timely file) an Election Form with respect to a Plan Year, he will not be considered a Participant in the Plan for the duration of the Plan Year, and he may not elect to participate in the Plan until the next Open Enrollment Period.

4.2 Duration of Election

Elections shall remain in effect for the remainder of the Plan Year.

4.3 Irrevocability of Election

Except as provided in Part Seven, elections are irrevocable for the remainder of the Plan Year. The revocation of an election and the new election shall be on account of and consistent with a Change in Status Event as permitted under the Internal Revenue Code or applicable regulations.

4.4 Certification of Additional Information

The Plan Administrator may require the Employee and/or his or her Spouse to certify the amount of the Spouse's expected Earned Income for the calendar year in question and may require them to provide documentary evidence of the amount certified in the form, as the Plan Administrator may reasonably

require, of an employee contract, paycheck stub, medical records (if the Spouse is incapacitated), a school enrollment form (if the Spouse is a Student) or other documents.

PART FIVE: DEPENDENT CARE EXPENSE ACCOUNT

5.1 Establishment of Dependent Care Expense Account

The Plan Administrator shall establish and maintain a Dependent Care Expense Account for each Participant who has elected to participate in this Plan. The Plan Administrator shall not, however, establish a separate fund or otherwise segregate assets for this purpose. The Account shall be a record keeping account for the purpose of tracking contributions on behalf of each Participant, determining minimum and maximum amounts under Sections 5.3 through 5.4 and forfeitures under Section 5.6. The Account shall be credited with bi-weekly contributions through Salary Reduction, and debited for any reimbursement of Dependent Care Expenses during the Plan Year, but in no event shall the Account bear a negative balance.

5.2 Plan Contribution

A Participant's Dependent Care Expense Account shall be funded through Salary Reduction from the Participant's Compensation in an amount designated by the Participant on the Benefit Election/Change Form. Salary Reduction shall be applied to the Participant's bi-weekly Pay Periods between the effective date of the election and the end of the Plan Year. For example, in a 26 Pay Period Plan Year, the annual amount specified by the Participant during the Open Enrollment Period shall be divided by twenty-six (26) Pay Periods in a Plan Year; one-twenty-sixth (1/26) of the annual benefit amount elected by the Participant shall be deducted from the Participant's gross Compensation for each biweekly Pay Period and contributed to the Plan. Salary Reduction shall be maintained in a Dependent Care Expense Account established by the Employer for each Participant. Salary Reductions shall be deemed contributions by the Employer for purposes of this Plan and Code Section 125.

5.3 Minimum Contribution Amount

The amount of Salary Reductions for contributions to the Plan to pay for Dependent Care Expenses that a Participant may elect is limited to a minimum of \$100 in any Plan Year.

5.4 Maximum Contribution Amount

The maximum amount of Salary Reductions for contributions to pay for Dependent Care Expenses shall be the maximum amount that may be excluded from a Participant's income for a calendar year. The maximum amount that may be excluded from a Participant's income for Dependent Care Expenses is the smallest of the following amounts:

a) the Participant's Earned Income if it is less than \$5,000 and the Participant is not married at the close of the tax year;

(b) the lesser of the Participant's or the Spouse's Earned Income if it is less than \$5,000 and the Participant is married at the close of the tax year;

(c) \$5,000 per calendar year if the Employee is married and files a joint tax return;

(d) \$5,000 per calendar year if the Employee is single;

(e) \$2,500 per calendar year if the Employee is married and files a separate tax return; or

(f) \$5,000 if the Participant is married but pays more than half the cost of maintaining the Dependent(s), the Spouse maintained a separate residence for the last six (6) months of the tax year, and the Participant files a separate income tax return.

5.5 Dependent Care Expenses

Dependent Care Expenses shall be reimbursed by the Plan from the Participant's Dependent Care Expense Account. The annual benefit amount for Dependent Care Expenses shall equal the Salary Reduction amount designated by the Participant on the Benefit Election/Change Form within the minimum and maximum amounts allowed by the Plan.

5.6 "Use or Lose Rule" DCAP Provisions

Salary Reduction amounts for a Plan Year may be applied only to provide reimbursement of Dependent Care Expenses for that Plan Year. Unused portions of a Participant's allocated Salary Reduction amounts will be forfeited to his or her Employer as of the close of the Plan Year. Amounts forfeited by Participants shall be applied by the Employer to reduce future Plan costs.

PART SIX: CLAIMS AND REVIEW PROCEDURES

6.1 Claims Procedures

All applications for reimbursement of Dependent Care Expenses and inquiries concerning the DCAP shall be in accordance with the procedures established by the Plan Administrator. Claims for reimbursements must be submitted in writing on the form prescribed by the Plan Administrator. The Participant is required to provide to the Plan Administrator the name, address and Taxpayer Identification Number of the person (or persons) who is providing dependent care assistance, and such other information the Plan Administrator may require to administer reimbursements under the DCAP. A Participant's Dependent Care Expense shall be reimbursed by the Plan from the Participant's Dependent Care Expense Account as follows:

- a) The Participant shall complete and timely submit to the Plan Administrator a claim in writing in the form specified by the Plan Administrator within thirty-one (31) days after the end of the Plan Year during which the Dependent care service was incurred. The claim shall set forth: (1) the name and relationship of the Participant to the person or persons on whose behalf the Dependent Care Expense was incurred; (2) the nature and date of the expense; (3) the amount of the requested reimbursement; (4) the name of the person or entity providing the care and that person's or entity's tax identification number (social security number for individual care providers); (5) a statement by the Participant that the expense has not otherwise been paid or is expected to be paid by other sources; (6) copy of bills, invoices or other statements from a credible party showing the foregoing information; (7) any other information requested by the Plan Administrator that the Plan Administrator determines in its sole discretion to be necessary to adjudicate the eligibility of the claim for reimbursement by the Plan; and (8) certification by the Participant under penalty of perjury that the information provided is true and correct.
- b) Within thirty (30) days after receipt of a properly completed and timely submitted written claim for reimbursement of eligible Dependent Care Expenses, the Plan Administrator shall adjudicate the claim as follows: If the claim is determined to be eligible for reimbursement, the Plan Administrator shall reimburse the Participant for the amount of the claim that is subject to coverage under the Plan; and, the reimbursement shall be paid from the Participant's Dependent Care Expense Account; or, if the claim is denied in whole or in part, the Plan Administrator shall notify the Participant in accordance with Section 6.4. The thirty (30) day period may be extended an additional fifteen (15) days by the Plan Administrator for matters beyond the control of the Plan to complete adjudication of a claim. The Plan Administrator shall have sole discretion whether to extend the time. The Plan Administrator shall notify the Participant of the extension and allow the Participant this additional time to rectify an incomplete claim form.

6.2 Maximum Benefit Amount Payable by the Plan

The maximum benefit amount payable by the Plan to the Participant for reimbursement of Dependent Care Expenses shall be the amount that has been withheld from a Participant's Compensation through Salary Reduction year-to-date, less any reimbursements already paid by the Plan to the Participant for Dependent Care Expenses. At no time shall total reimbursements paid to a Participant exceed the total Salary Reductions actually withheld from the Participant's Compensation under this DCAP. If a

Participant's claims for reimbursement exceed the amount of such actual Salary Reductions, such claims shall be held and acted upon when the actual Salary Reductions permit reimbursement.

6.3 Method of Payment

Dependent care expense reimbursements shall be paid as follows:

(a) The Plan Administrator shall reimburse Dependent Care Expenses to the Participant upon receiving a properly completed and timely submitted written claim with the information set out in Section 6.1, including satisfactory evidence that the claim has been incurred and upon receipt of sufficient funds from Salary Reduction in accordance with Section 125.

(b) Reimbursement shall be made to the Participant by pay warrant.

(c) Participant's claims shall be aggregated and paid when the aggregate amount exceeds \$25, unless it is the last payment of the Plan Year.

(d) Payment by the Plan shall not exceed the amount credited to the Participant's Dependent Care Expense Account at the time of the claim. In no event shall the Plan pay a claim that exceeds the Earned Income of the Participant or the Spouse, whichever is lower, for the applicable month.

6.4 Review Procedure

If any claim for benefits under this DCAP is denied in whole or in part, the Plan Administrator shall promptly furnish the claimant with a written notice setting forth the following:

(a) a specific reason or reasons for the denial;

(b) specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's claim review procedures, as set forth in this Section. Within sixty (60) days after denial of any claim for benefits under this Plan, the claimant may request in writing a review of the denial by the Plan Administrator. Any claimant seeking review hereunder is entitled to examine all pertinent documents, and to submit issues and comments in writing. The Plan Administrator shall render a decision on review of a claim not later than sixty (60) days after receipt of a request for review under this Section. Such decision shall be in writing and shall state the reasons for the decision, referring to the Plan or Code provisions upon which it is based. Such decision of the Plan Administrator shall be final and conclusive.

6.5 Statement of Benefits

Within thirty-one (31) days after the end of the Plan Year, the County shall furnish each Participant who received benefits under the Plan a written statement showing the amounts of contributions and amounts paid for Dependent Care Expenses under the Plan for the prior Plan Year.

PART SEVEN: ALLOWABLE ELECTION CHANGES

Elections are irrevocable for the remainder of the Plan Year except as provided under the Code or as specifically provided in the Plan

7.1 Open Enrollment

An Employee, or an Employee on a leave of absence under USERRA or FMLA, can make a new election during the Open Enrollment Period for a new Plan Year.

7.2 Mid-Plan Year Election Changes

A Participant cannot change his or her election to participate in the Plan or Salary Reduction except as allowed for a Change in Status Event or other defined revocation event under Code Section 125 (including applicable federal regulations) and the terms of this Plan. No election change shall be retroactive except in the case of a newborn child, an adopted child or a child placed for adoption in which case the participation may be retroactive to the date of birth or placement. Changes must be consistent with the event triggering the Participant's right to revoke and make a new election. The following events shall allow a Participant to revoke an election and make a new election as allowed under the Plan and Section 125:

(a) A Participant's election shall terminate upon termination of employment.

(b) A Participant may change an election if he or she is absent from work as a result of USERRA or upon taking leave under FMLA if the leave affects eligibility status under Part Three of the Plan.

(c) A Participant may revoke an existing election and make a new election corresponding to changes resulting from a Change in Status Event.

(d) Written notice of a Change in Status Event must be provided to the Plan Administrator by submitting a properly completed Benefit Election/Change Form within thirty-one (31) days of the qualifying event(s). If the 31st day falls on a holiday or weekend, the submission period shall be extended to the next working day. Actual receipt by the Plan Administrator shall be the date of submission. As a condition of changing any election, the Employee must also provide verifying documentation that the Plan Administrator may require.

(e) Election changes because of a Change in Status Event shall be effective in accordance with the terms of this Plan, IRC Section 125 and federal regulations, but no later than the first day of the Pay Period beginning after the Benefit Election/Change Form is properly completed and timely returned to the Plan Administrator.

(f) The Plan Administrator shall have the sole discretion to interpret the Plan and apply the Internal Revenue Code or regulations in making the determination of whether a Change in Status Event has occurred that entitles the Employee to make an election change, which shall be binding on the Participant.

(g) The Plan Administrator shall have the sole discretion to implement rules or regulations for the administration of this Plan that are deemed necessary or advisable to comply with the requirements of the Internal Revenue Code.

7.3 Election Changes by Plan Administrator

If the Plan Administrator determines, before or during any Plan Year, that the Plan may fail to satisfy for such Plan Year any nondiscrimination requirement imposed by the Code (including, but not limited to, Code Section 125, which prohibits discrimination in favor of Highly Compensated Individuals, Officers and Key Employees as such terms are defined in the Code), the Plan Administrator shall take such action as the Plan Administrator deems appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirement. Such action may include, without limitation, a modification of elections by highly compensated individuals and key employees with or without the consent of such Participants.

PART EIGHT: TERMINATION AND REINSTATEMENT OF PARTICIPATION

8.1 Termination of Participation

A Participant will cease to be a Participant, and his or her election(s) under this Plan will be automatically revoked, as of the earliest of:

(a) the expiration of the Plan Year for which an Employee has elected to participate subject to an eligible

Employee's right to elect to continue participation for the next Plan Year during the Open Enrollment Period;

(b) the date on which he or she ceases to be eligible to participate under Part Three of this Plan;

(c) the date on which the Participant revokes an election to participate due to a Change in Status Event under Part Seven; or

(d) the date on which the Plan Administrator determines that the Employee ceases to pay his or her Dependent Care Assistance election amount on a pre-tax basis under the Plan or is deemed to cease paying such premium by virtue of termination of employment.

8.2 Reimbursement after Termination of Participation

If a Participant ceases to be eligible for the Plan as defined in Part Three, the Employee's Salary Reduction shall terminate. The Employee's right to receive reimbursement for Dependent Care Expenses also terminates except that such expenses incurred prior to the end of the Plan Year during which the Participant lost his or her eligibility shall be eligible for reimbursement up to the amount in the Participant's Dependent Care Expense Account provided that a properly completed claim is submitted within thirty-one (31) days after the end of the Plan Year in which the claim(s) was incurred.

8.3 Reinstatement of Former Participant

Except as otherwise provided in the Plan and subject to the Plan Administrator's discretion to interpret and administer the Plan, a former Participant who is rehired during the same Plan Year and the rehire is within 30 days from when participation terminated and who meets the eligibility requirements of Section 3.1, must retain the same Dependent Care Expense election amount in effect prior to said termination for the remainder of the Plan Year. If the former Participant's rehire is more than 30 days from the date of termination, he or she will be allowed to make a new election for the remainder of the Plan Year.

PART NINE: ADMINISTRATION OF THE PLAN

9.1 Plan Administrator

The Plan Administrator shall have the exclusive authority for the administration of the Plan. It shall be a principal duty of the Plan Administrator to see that the Plan is carried out, in accordance with its terms, for the exclusive benefit of persons entitled to participate in the Plan, without discrimination among them. The Plan Administrator shall have the exclusive right to interpret and administer the Plan and to decide all matters arising hereunder, including the right to remedy possible ambiguities, inconsistencies, or omissions, subject to applicable requirements of law. For this purpose, the Plan Administrator's powers shall include, but shall not be limited to, the following authority, in addition to all other powers provided by this Plan:

(a) to make and enforce such rules and regulations, as it deems necessary or proper for the efficient administration of the Plan, including the establishment of any claims procedures that may be required by applicable provisions of law;

(b) to interpret the Plan and all questions of fact, its interpretation thereof in good faith to be final, binding and conclusive on all persons claiming benefits under the Plan;

(c) to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) to request and receive from all Employees and Participants such information as the Plan Administrator shall from time to time determine to be necessary for the proper administration of this Plan;

(e) to receive, review and maintain such books of accounts, records, data or other information concerning the benefits covered by this Plan as the Plan Administrator determines from time to time to be necessary and proper for the purposes of disclosure and reporting requirements;

(f) to sign documents or to designate an individual or individuals to sign documents for the purposes of administering this Plan;

(g) to appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan; and

(h) to allocate and delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan. Any such allocation, delegation or designation shall be in writing.

9.2 Examination of Records

The Plan Administrator will make available to each Participant, for examination at reasonable times during normal business hours, such of his or her records under the Plan as pertain to him or her.

9.3 Reliance on Tables, etc.

In administering the Plan, the Plan Administrator shall be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by accountants, legal counsel or other experts employed or engaged by the Plan Administrator.

9.4 Disclosure Rights

Participants have the right to inspect, at no charge, the Plan Document and Summary Plan Description at the office of the Plan Administrator and/or receive, upon written request, a copy of the Plan Document and Summary Plan Description pertaining to this Plan. The Plan Administrator may make a reasonable charge for the copies of the Plan Document.

PART TEN: AMENDMENT AND TERMINATION OF PLAN

10.1 Amendment

The County, at any time or from time to time, may amend any or all of the provisions of the Plan without the consent of any Employee or Participant. However, no amendment, modification, restatement or termination will reduce retroactively the benefits of any Participant under the Plan. The County shall adopt amendments or restatements in writing, including the date of adoption, signed by its duly authorized officers. The amendments, if any, shall be attached to this Plan.

10.2 Termination

The County is establishing this Plan with the intent that it will be maintained for an indefinite period of time. Notwithstanding the foregoing, the County reserves the right to terminate the Plan, in whole or in part, at any time.

PART ELEVEN: MISCELLANEOUS PROVISIONS

11.1 No Employment Guarantee

Neither the establishment of the Plan nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant or other person any legal or equitable right against the County, the Plan or the Plan Administrator except as herein provided. Under no circumstances shall the terms of employment of any Participant be modified or in any way affected hereby. The maintenance of the Plan shall not constitute a contract of employment. Participating in the Plan will not give any Participant a right to be retained in the employ of the County

11.2 Limitation on Liability

Neither the establishment of the Plan nor any amendment thereof, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable rights against the County, the Plan or the Plan Administrator, except as expressly provided herein or as provided by applicable federal law.

11.3 Nonassignability

Dependent Care Expense Accounts are not in any way subject to the debts or other obligations of the Participants entitled thereto and may not voluntarily or involuntarily be sold, transferred or assigned. No person shall have any right, title or interest in any property of the County or to any Salary Reduction under this Plan prior to the payment of reimbursements for Dependent Care Expenses.

11.4 Addresses, Notice, Waiver of Notice

Each Participant must file with the Plan Administrator, in writing, his or her home address. Any communications, statement or notice addressed to such a person at his or her last post office address as filed with the Plan Administrator shall be binding upon such person for all purposes of the Plan, and the County shall not be obliged to search for or ascertain the whereabouts of any such person. Any notice required under the Plan may be waived by the person entitled to a notice.

11.5 Data

Each Participant must furnish the County such documents, evidence, or information as the County considers necessary or desirable for the purpose of administering the Plan or to protect the County, or other organization or institution providing benefits under the Plan. Evidence required of anyone under the

Plan shall be signed, made, or presented by the proper party or parties and may be a certificate, affidavit, document or other information that the person acting thereon considers pertinent and reliable

11.6 Mistake of Fact

Any mistake of fact or misstatement of fact shall be corrected when it becomes known, and proper adjustment made by reason thereof; however, under no circumstances will pay be adjusted retroactively. The Plan Administrator may permit additional time to produce records in the event of administrative error that might otherwise result in a reduction of benefits for the Participant.

11.7 Withholding for Taxes

Notwithstanding any other provision of the Plan, the County or other organization or institution providing Dependent Care Expenses may withhold from any payment to be made such amount or amounts as may be required for purposes of complying with the tax withholding provisions of the Code, any state's income tax act, or any other applicable laws.

11.8 Tax Effects

Neither the County nor the Plan Administrator makes any warranty or other representation as to whether any payments made to or on behalf of any Participant hereunder will be treated as excludable from gross income for state or federal income tax purposes. Neither the County nor the Plan Administrator makes any warranty or other representation to Employees or Participants as to the tax advantages or disadvantages of participating in this Plan.

11.9 Administrative Charge

An administrative charge shall be assessed to each Participant. Such amount shall be determined by the Plan Administrator in advance for each Plan Year and shall be apportioned based upon the number of Pay Periods in the Plan Year.

IN WITNESS WHEREOF, the County of San Bernardino has executed this Plan Document as of March 25, 2008.

COUNTY OF SAN BERNARDINO

Paul Biane, Chair, Board of Supervisors

Dated: _____