

SUMMARY PLAN DESCRIPTION

DIOCESE OF MONTEREY LAY EMPLOYEES' PENSION PLAN



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SUMMARY PLAN DESCRIPTION

This booklet is a summary of the Diocese of Monterey Lay Employees' Pension Plan (the 'Plan') of The Roman Catholic Bishop of Monterey, California, a corporation sole (the 'Employer') was adopted as of September 1, 1987 (the 'Effective Date'). The Plan was amended and restated effective June 1, 2000. This Plan is intended to be a qualified retirement plan under the Internal Revenue Code.

The purpose of the Plan is to assist eligible Employees to save for retirement. The Plan is for the exclusive benefit of eligible Employees and their Beneficiaries.

This booklet is called a Summary Plan Description (SPD) and it contains a summary of your rights and benefits under the Plan. If you have difficulty understanding any part of this SPD, you should contact the Pastoral Office during normal business hours for assistance.

This SPD is a brief description of the Plan. It is not meant to interpret, extend or change the Plan. The terms of the complete Plan will govern in the event of any discrepancy between this SPD and the actual provisions of the Plan. A copy of the Plan is on file with the Pastoral Office and you may read it at any reasonable time.

A brief overview of the information included in more detail in this booklet:

I. BASIC PLAN INFORMATION

- The plan is for the benefit of permanent employees working 20 or more hrs./week. See p. 5.
- The purpose of the plan is to assist employees in saving for retirement.
- You are allowed to make your own investment decisions under this Plan if you wish. Alternatively, you may stay in the investment fund that the Plan has selected for you based on your age (see p. 8). If you choose to manage your own account, you are responsible for your investment decisions under the Plan. See p. 9.
- Fidelity Investments is available to assist you in understanding the investment options available to you. See p. 8-10.

II. CONTRIBUTIONS

- Employer contributes 5% of gross wages annually to the Plan. "Gross wages" does not include severance pay or certain nontaxable reimbursements or fringe benefits.
- If you have participated in the plan of another employer, you are allowed to transfer ("roll over") your account from your previous employer to this Plan. See p. 7.

III. VESTING

Vesting is based on your years of employment. See p. 11.

- <u>After 2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>5 Years</u>	<u>6 Years</u>
20%	40%	60%	80%	100%

IV. INVESTMENTS See page 8-9.

- Fidelity Management Trust Company is the Plan's Trustee and is responsible for holding the Plan assets.
- Your pension funds will be initially invested in a Fidelity mutual fund based on your normal retirement date. You may then redirect the investment in the investment options of your choice.
- There are numerous investment options available in the plan.
- You may redirect the investment of future contributions or change your existing investment by calling Fidelity Investments at 1-800-343-0860.
- You will receive a quarterly statement of your account after the end of each quarter (March 31, June 30, Sept. 30, and Dec. 31)

V. DISTRIBUTION OF BENEFITS

- A distribution can only be made to you if you request one due to disability, retirement, or termination of employment from your Employer.
- The distribution options available under the plan are Installment Distribution, Purchase of an Annuity, Direct Rollover (to IRA or 403(a) Annuity), Cash Distribution, or Combination Cash and Direct Rollover. Cash distributions are subject to federal and state income tax withholding.

(All page references are to the pages of the Summary Plan Description which follows.)

I. Basic Plan Information and Definitions
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A. Account

This is an Account established by the Trustee for the purpose of recording Employer Contributions and Rollover Contributions made on your behalf and any income, expenses, gains or losses thereon. It may also be referred to as “Account Balance.”

B. Beneficiary

This is the person or persons you designate, or are identified by the plan document if you fail to designate or improperly designate, who will receive your benefits in the event of your death. You may designate more than one Beneficiary.

C. Employee

An Employee is an individual who is employed by the Employer.

D. Employer

The name, address and business telephone number of the Employer are:

The Roman Catholic Bishop of Monterey, California, a Corporation Sole

P.O. Box 2048

Monterey, CA 93942

(831) 373-4345

E-mail: humanres@dioceseofmonterey.org

Also see Website: dioceseofmonterey.org

Employer also includes Diocese of Monterey Education & Welfare Corporation and Catholic Charities of the Diocese of Monterey.

E. Participant

A Participant is an eligible Employee who has satisfied the eligibility requirements to participate in the Plan.

F. Plan Administrator

The Plan Administrator is responsible for the administration of the Plan. Your Employer is the Plan Administrator. The Plan Administrator’s duties are specifically identified in the Plan Document. The name, address and business telephone number of the Plan Administrator are:

Pension Administrator

c/o Pastoral Office

Diocese of Monterey

P.O. Box 2048

Monterey, CA 93942

(831) 373-4345

G. Plan Number

The Plan Number is 001.

H. Plan Sponsor

The Employer is the Sponsor of the Plan.

I. Plan Year

The Plan Year is the twelve-month period ending on the last day of August.

J. Service of Process

The Plan's agent for service of legal process is the Plan Administrator.

K. Trust Fund

The Plan is administered under a trust fund arrangement. There is a written Plan and Trust Agreement entered into between the Trustee and the Employer.

L. Trustee

The Trustee is responsible for holding the Plan assets. The Trustee's duties are specifically identified in the Plan Document and relate only to the assets in its possession. The name and address of the Plan's Trustee are:

Fidelity Management Trust Company
82 Devonshire Street
Boston, MA 02109

II. Participation

Eligibility Requirements: You are eligible for the Plan upon becoming an Employee unless you are:

- an employee covered by a collective bargaining agreement (union member),
- a Leased Employee as defined in the Plan,
- a “Temporary Employee” as defined in the Diocesan Personnel Guidelines,
- a priest, other clergy, or member of religious society or community, except that clergy in the classification of "permanent deacon" are not excluded from eligibility.
- an employee who is regularly and customarily scheduled to work less than 20 hours per week, or
- under age 18.

If you are not eligible to participate in the Plan because you are in one of the categories above but later become eligible, you will automatically become a participant on the first day of the month following your status change, provided you are then age 18 or older.

Participation Ends: Participation ends when you retire, die, become disabled, or terminate employment.

Participation Suspension: Participation is suspended in you go from an eligible classification to an ineligible classification listed above. Service will be counted while you are classified ineligible. However, no Employer contributions will be made to the Plan on your behalf while you are ineligible.

Service, Termination of Employment and Re-Employment: Because many aspects of your Plan participation are based upon the length and continuity of your service, it is important for you to know how it is computed.

In general, “service” means all your employment, provided your service was continuous and uninterrupted.

“Service” includes all time that you work, plus certain additional time as allowed under the Plan during which you were absent from work during vacations, holidays, temporary illness, disability, authorized leaves of absence and absence due to injury on the job.

In addition, you are entitled to be credited with service for purposes of the Plan during periods of “Qualified Military Service” as defined by law.

Service While Ineligible: Any period while you are classified as “ineligible” is not counted for contributions, but it is counted for eligibility and vesting in case your status changes.

Termination of Employment. Termination of employment occurs when you quit or are discharged, die, or retire, or when you fail to return to work after an illness or accident, or when you fail to return to work after completion of military service during the time your employment rights are protected by law.

Transfer of Employment: If you transfer from one location within the Diocese to another location within the Diocese, your status under the Plan does not change; your service is not terminated, it continues uninterrupted and you will continue to participate fully in the Plan, provided of course that you are still in an eligible class after your location change.

If you transfer into an ineligible class, at the same location or another location, your service is not terminated, but continues and is carried forward. However, no further employer contributions will be credited to your account and you will be classified as inactive. Your account will continue to be credited with investment earnings or losses.

III. Contributions

A. Employer Contributions

For each Plan Year, the Employer will contribute to the Plan on your behalf an amount equal to 5% of your Compensation.

For purposes of computing Contributions your Compensation generally means the taxable Compensation for a Plan Year reportable by your Employer on your IRS Form W-2 for a Plan Year, excluding:

- Nontaxable reimbursements or other expense allowances, fringe benefits, moving expenses, deferred compensation, and welfare benefits.
- Severance pay.

In addition, your account will be credited with forfeitures of unvested terminated Employees' accounts after plan expenses. See the description of forfeitures herein.

B. Rollover Contributions

You may roll over contributions from another qualified Plan or conduit IRA. The Rollover Contributions will be held in a separate Rollover Account. If you have questions about Rollover Contributions, contact the Trustee of the Plan. (See page 4.)

C. Participant Contributions

You are not permitted to make contributions to this Plan except for "rollover" contributions.

IV. Investments

A. Investments

Plan assets are invested in Fidelity Investment mutual funds and Fidelity FundsNet funds which are, or may be, designated by Fidelity as appropriate for investment by retirement plans.

Employer contributions are initially invested in one of ten Fidelity Freedom Funds. These funds are designed to invest in a manner which adjusts the investment mix so that the investor will experience a more conservative asset allocation as the participant approaches the Plan retirement age (age 65).

The following table sets forth the ten (10) current Participant Date of Birth ranges for each of the ten (10) corresponding Freedom Funds:

<u>Participant Date of Birth</u>	<u>Fund</u>
1/1/1900 – 12/31/1932	Freedom Income
1/1/1933 – 12/31/1937	Freedom 2000
1/1/1938 – 12/31/1942	Freedom 2005
1/1/1943 – 12/31/1947	Freedom 2010
1/1/1948 – 12/31/1952	Freedom 2015
1/1/1953 – 12/31/1957	Freedom 2020
1/1/1958 – 12/31/1962	Freedom 2025
1/1/1963 – 12/31/1967	Freedom 2030
1/1/1968 – 12/31/1972	Freedom 2035
1/1/1973 – Current	Freedom 2040

A description of the investment mix of the ten Freedom Fund choices are as follows:

Freedom Income – designed for those already in retirement, emphasizes bond and money market mutual funds and seeks to maintain a stable asset allocation from year to year. At November 2004 this fund invests approximately 20% in Fidelity stock mutual funds, 40% in Fidelity bond mutual funds, and 40% in Fidelity money market mutual funds. Share price and return will vary.

Freedom 2000 – At November 2004 this fund invests approximately 23% in Fidelity stock mutual funds, 39% in Fidelity bond mutual funds, and 38% in Fidelity money market mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2005 – At November 2004 this fund invests approximately 44% in Fidelity stock mutual funds, 40% in Fidelity bond mutual funds, and 16% in Fidelity money market mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2010 – At November 2004 this fund invests approximately 46% in Fidelity stock mutual funds, 44% in Fidelity bond mutual funds, and 10% in Fidelity money market mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2015 – At November 2004 this fund invests approximately 58% in Fidelity stock mutual funds, 37% in Fidelity bond mutual funds, and 5% in Fidelity money market mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2020 – At November 2004 this fund invests approximately 70% in Fidelity stock mutual funds and 30% in Fidelity bond mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2025 – At November 2004 this fund invests approximately 76% in Fidelity stock mutual funds and 24% in Fidelity bond mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2030 – At November 2004 this fund invests approximately 82% in Fidelity stock mutual funds and 18% in Fidelity bond mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2035 – At November 2004 this fund invests approximately 85% in Fidelity stock mutual funds and 15% in Fidelity bond mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

Freedom 2040 – At November 2004 this fund invests approximately 88% in Fidelity stock mutual funds and 12% in Fidelity bond mutual funds. The mix of underlying funds will gradually become more conservative over time. Share price and return will vary.

B. Managing Your Own Investments

The above described Freedom Funds are designed for those who do not want to manage their own investments, and are willing to accept a normal level of risk based on your normal retirement age. **This Plan allows you to manage the investment of your plan account. This means that you are responsible for your investment decisions under the Plan. The plan fiduciaries, including Fidelity Management Trust Company and your Employer, are not responsible for any losses incurred as a result of your investment decisions.** For those who wish to manage their own investments, or who wish to accept more or less than normal risk based on your normal retirement age, the Plan has numerous investment options available covering the full spectrum of risk. For specific information about these investment options, please contact Fidelity Investments at 1-800-343-0860.

You may redirect the investment of your future contributions or exchange your existing Account Balance between the Fidelity Investments mutual funds by calling 1-800-343-0860 on any business day between 8:00 AM (ET) and Midnight (ET). You may call this number 24 hours a day, seven days a week to check Account Balances, mutual fund share prices, or yields. All telephone calls will be recorded.

You may obtain a prospectus or financial report for each of the mutual funds by calling Fidelity at 1-800-343-0860. Generally, you have the right to vote any mutual fund proxies based on the number of shares you own. Read the fund prospectus for details.

Unless otherwise noted, transaction requests confirmed after the close of the market, normally 4:00 PM (ET), or on weekends or holidays will receive the next available closing share price. With certain exceptions, there are no minimum mutual fund Account Balances or initial or subsequent investment minimums. Consult the fund's prospectus for details. A written confirmation of your transactions will be mailed to you, generally within five business days. To protect shareholders, Fidelity Investments reserves the right to change, restrict or terminate exchange procedures to protect mutual fund shareholders.

C. Statement of Account

Your Account will be updated each business day to reflect any investment earnings or losses on each Fidelity Investments mutual fund in which you are invested. A quarterly statement disclosing the value of your Account will be mailed to you generally within 20 days after the end of each calendar quarter (March 31, June 30, September 30, and December 31).

V. Vesting

A. Vesting

The term ‘vesting’ refers to your nonforfeitable right to the money in your Account based on Employer contributions. In order to be entitled to the full value of your account, you must remain in the employment of your Employer for six (6) years. If you leave employment before six (6) years and do not return to employment within five (5) years, you will “forfeit” your unvested balance in accordance with the schedule set forth below. If you terminate employment and are re-employed within five (5) years, your unvested account will be restored to the status when you terminated. Vesting in your Employer contributions account is based on a seven-year graduated schedule based upon your years of service as follows:

0 – 2 years	0%
After 2 years	20%
After 3 years	40%
After 4 years	60%
After 5 years	80%
After 6 years	100%

You are always 100% vested in your Rollover Contributions Account if any.

VI. In-Service Withdrawals

This Plan does not allow “in-service” withdrawals. “In-service” withdrawal means a distribution of your plan benefit while you are in the employment of your Employer. However, if you have a rollover from a plan of another employer to this Plan, you may withdraw your Rollover Contributions at any time. The Plan Administrator will provide you with the appropriate form upon request. Please note that any withdrawal will be subject to state and federal tax.

VII. Total Distribution of Benefits

A. Eligibility For Benefits

A distribution can only be made to you if you request one due to your disability, retirement, or termination of employment from your Employer. Your Beneficiary or Beneficiaries may request a distribution of your vested Account Balance in the event of your death.

You may defer receipt of your distribution until a date later than the aforementioned distribution dates. However, if your vested Account Balance is \$5,000 or less the Plan Administrator may direct the Trustee to distribute it to you as a lump sum distribution without your consent. If your vested Account Balance exceeds, or at the time of any prior distribution exceeded, \$5,000, you may delay your distribution until you are required by law to receive minimum required distributions. You will have a continuing election to request a distribution if you elect to postpone your distribution unless you are re-employed by the Employer. The value of your Account Balance will continue to increase or decrease, as appropriate, based on the investment returns until it is distributed. Your written consent will be required for any distribution if your vested Account Balance is (or was) greater than \$5,000.

You should consult with your tax advisor to determine the financial impact of your situation before you request a distribution. You should contact the Plan Administrator to obtain the appropriate documentation to request a distribution. You must fully complete, sign, and date the appropriate form and return it to the Plan Administrator if you want a distribution from the Plan. The Plan Administrator will review it for completeness and accuracy, and if approved, forward it to the Trustee for processing on the next available processing date. You will be notified by the Plan Administrator if the Form is not approved.

B. Distributable Events

You are eligible to request a distribution of your vested Account Balance if it exceeds, or at the time of any prior distribution exceeded, \$5,000 based on any of the following events:

(1). Benefit on Termination of Employment

If you terminate your employment with your Employer, then you may elect to receive a distribution of your Account Balance from the Plan. You should contact the Plan Administrator to obtain the appropriate distribution request form.

(2). Death Benefit

If you die while a Participant in the Plan or before any or all benefits are paid to you, then your Beneficiary or Beneficiaries will be entitled to receive your Account Balance. You may designate a Beneficiary or Beneficiaries on a designation form. The completed beneficiary designation form must be filed with the Plan Administrator. If you are married and want to designate someone other than your spouse as your primary Beneficiary, then your spouse must consent to this designation by signing the form. His/her signature must be witnessed by a Plan Representative or a Notary Public. You can contact the Plan Administrator or Fidelity to obtain a beneficiary designation form. Use this form to designate your beneficiary. If you do not file a beneficiary designation form with the Plan Administrator, then your Account Balance will be paid to your surviving spouse if married or, if not, to your estate.

(3). Disability Retirement Benefit

If you become totally and permanently disabled while you are employed by the Employer, you are eligible to receive a distribution of 100% of your Account Balance if you satisfy the requirements for social security disability benefits.

(4). Retirement

Upon retirement you may request distribution of your Account Balance from the Plan. You should contact the Plan Administrator to obtain the appropriate distribution request form.

(5). Payment and Form of Benefits

The Plan is designed to provide you with benefits at the time of your retirement. However, if your employment with your Employer is terminated because of death, disability, retirement, or for any other reason, then you may request a distribution of your Account Balance. You should contact the Plan Administrator to obtain the appropriate form to request a distribution and a copy of the “Special Tax Notice Regarding Plan Payments”.

You are required by law to receive a minimum required distribution from the Plan no later than April 1 of the calendar year following the calendar year in which you turn 70 ½ or terminate your employment, whichever is later. Also, if you terminate employment prior to age 70 ½ and leave your Account Balance in the Plan, you must begin to receive your benefits after you turn 70 ½.

These distribution options are available under the Plan:

- **Installment Distributions**

If you elect this option, your Account Balance will be paid to you in installment payments if your Account Balance is greater than \$5,000. If you are married, your spouse must consent in writing, witnessed by a Plan representative or a Notary Public, unless your account balance is \$5,000 or less.

- **Purchase of an Annuity**

The normal form of payment under this Plan is an annuity. This means that your vested Account Balance as of your annuity starting date will be used to purchase a life annuity contract from an insurance company if you are single, or a qualified joint and survivor annuity if you are married. (The annuity starting date is the date that is ninety days prior to the initial annuity payment.) The insurance company will make monthly payments to you for your life based upon the type of annuity purchased. Upon your death, your spouse, if he/she is still living at your death, will receive 50%, as elected, of the monthly amount you received. The annuity will stop once your spouse dies and all payments will cease.

You may choose a form of payment other than the annuity only upon proper election by you and your spouse, if applicable. Any election to waive the qualified joint and survivor annuity must be made in writing by you and your spouse. Your spouse's signature must be witnessed by a Plan representative or a Notary Public. You can obtain the appropriate waiver election form from Fidelity by calling 1-800-343-0860 between 8:00 AM (ET) and Midnight (ET).

If you are 35 or older and die while you are still employed by the Employer then your surviving spouse will be entitled to a qualified pre-retirement survivor annuity. Your Account Balance may be used to purchase an annuity contract from an insurance company. Monthly benefit payments will then be made from the insurance company directly to your spouse for his/her lifetime. You and your spouse may waive the qualified pre-retirement survivor annuity upon proper election and choose another form of payment or another beneficiary. Any waiver must be made in writing by you and your spouse. Your spouse's signature must be witnessed by a Plan representative or a Notary Public. You can obtain the appropriate waiver election form from Fidelity by calling 1-800-343-0860 between 8:00 AM (ET) and Midnight (ET).

In the case of a joint and survivor annuity, prior to the annuity starting date you will be provided with a written explanation of: (i) the term and conditions of a qualified joint and survivor annuity; (ii) your right to make and the effect of an election to waive the joint and survivor annuity form of benefit; (iii) the rights of your spouse; and (iv) the right to make, and the effect of, a revocation of a previous election to waive the qualified joint and survivor annuity.

Distributions will be subject to the following rules:

- (1). **Cash Distribution**

Any taxable distribution paid by the Trustee directly to you will be subject to mandatory Federal Income Tax withholding of 20% of the requested distribution. You will receive 80% of the taxable distribution and the other 20% will be sent to the IRS as Federal Income Tax withholding for that year. There will also be withheld California state required withholding. You cannot elect out of this tax withholding but you can avoid it by electing a direct rollover distribution as described below. This withholding is not a penalty but rather a prepayment of your Federal and State Income Taxes.

(2). Direct Rollover Distribution

As an alternative to a cash distribution, you may request that your entire distribution be rolled directly into a Fidelity IRA, a non-Fidelity IRA, or to your new employer's qualified plan (if it accepts Rollover Contributions), or to a 403(a) annuity. Federal Income Taxes will not be withheld on any direct rollover distribution.

- (a). Rollover to a Fidelity IRA - You must complete a Fidelity Rollover IRA application. Attach this application to the completed Fidelity Investments Qualified Plan Distribution Form. If you are married, your spouse must also sign the form. After authorizing your distribution, the Plan Administrator will forward this material to the Trustee. Your vested Account Balance will be transferred to a Fidelity Rollover IRA.
- (b). Rollover to a Non-Fidelity IRA - You must complete a Fidelity Investments Qualified Plan Distribution Form and indicate the name and address of the custodian or trustee, and account number for your IRA. If you are married, your spouse must also sign the form. After authorizing your distribution, the Plan Administrator will forward the form to the Trustee. A check will be issued by the Trustee payable to the IRA custodian or trustee for your benefit. The check will contain the notation "Direct Rollover" and it will be mailed directly to you. You will be responsible for forwarding it on to the custodian or trustee. You must provide the Plan Administrator with complete information to facilitate your direct rollover distribution.
- (c). Rollover to your New Employer's Qualified Plan - You should check with your new employer to determine if its plan will accept Rollover Contributions. If allowed, then you must complete a Fidelity Investments Qualified Plan Distribution Form and indicate the name, address and plan number of your new employer's qualified plan. If you are married, your spouse must also sign the form. After authorizing your distribution, the Plan Administrator will forward the form to the Trustee. A check will be issued by the Trustee payable to the trustee of your new employer's qualified plan. The check will contain the notation "Direct Rollover" and it will be mailed directly to you. You will be responsible for forwarding it on to the new trustee. You must provide the Plan Administrator with complete information to facilitate your direct rollover distribution.

(3). Rollover to a 403(a) Annuity

You must complete the appropriate documentation and indicate the name and address of the trustee, and 403(a) account number. If your distribution is authorized by the Plan Administrator, it will be forwarded to the Trustee for processing and they will issue a check payable to the 403(a) trustee or custodian for your benefit. The check will be mailed directly to you and contain the notation "Direct Rollover" and you will be responsible for forwarding it to the Trustee.

(4). Combination Cash Distribution and Direct Rollover Distribution

You may request that part of your distribution be paid directly to you and the balance to be directly rolled into an IRA, your new employer's qualified Plan, or to a 403(a) annuity. Any cash distribution you receive will be subject to the Federal Income Tax withholding rules referred to in (1). Any direct rollover distribution will be made in accordance with (2).

You will pay income tax on the amount of any taxable distribution you receive from the Plan unless it is rolled into an IRA, your new employer's qualified Plan, or to a 403(a) annuity. A 10% IRS premature distribution penalty tax may also apply to your taxable distribution unless it is rolled into an IRA or another qualified plan. The 20% Federal Income Tax withheld under this section may not cover your entire income tax liability. Consult with your tax advisor for further details.

VIII. Miscellaneous Information

A. Benefits Not Insured by PBGC

Benefits provided by the Plan are not insured or guaranteed by the Pension Benefit Guaranty Corporation (PBGC) under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) because the ERISA law is not applicable to this particular Plan. You will only be entitled to the vested benefits in your Account based upon the provisions of the Plan and the value of your Account will be subject to investment gains and losses.

B. Attachment of Your Account

Your Account may not be attached, garnished, assigned or used as collateral for a loan outside of this Plan except to the extent required by law. Creditors (other than the IRS) may not attach, garnish or otherwise interfere with your Account Balance except in the case of a proper IRS tax levy or Qualified Domestic Relations Order (QDRO). A QDRO is a special order issued by the court in a divorce, child support or similar proceeding. In this situation, your spouse (or former spouse) or someone other than you or your beneficiary, may be entitled to a portion or all of your Account Balance based on the court order. You and your beneficiaries may obtain, without charge, a copy of the QDRO procedures from the Plan Administrator.

C. Plan to Plan Transfer of Assets

Your Employer may direct the Trustee to transfer all or a portion of the assets in the Account of designated Participants to another plan or plans maintained by your Employer or other Employers subject to certain restrictions. The plan receiving the Trust Funds must contain a provision allowing the transfer and preserve any benefits required to be protected under existing laws and regulations. In addition, a Participant's vested Account Balance may not be decreased as a result of the transfer to another plan.

D. Plan Amendment

Certain provisions of the Plan are subject to amendment by the Employer that may directly or indirectly modify certain Plan rights and benefits. If the Employer amends the Plan, you will be notified in writing. Any amendment changing the vesting schedule cannot reduce the existing vested percentage of your Account Balance derived from Employer Contributions. If you have three or more years of service with the Employer and the vesting schedule is amended then you will be given a choice to have the vested percentage of future Employer Contributions made to your Account computed under the new or the old vesting schedule. The Plan Administrator will provide you with the appropriate information to make an informed decision if the Plan's vesting schedule is amended.

E. Plan Termination

The Employer has no legal or contractual obligation to continue the Plan. With the approval of the designated principal(s), the Employer may at any time reduce or suspend its contributions, if applicable. In the event the Plan should terminate, each Participant affected by such termination shall have a vested interest in his Account of 100 percent. The Plan Administrator will facilitate the distribution of Account Balances in single lump sum payments to each Participant in accordance with Plan provisions until all assets have been distributed by the Trustee. While the Employer intends to continue the Plan, it reserves the right to change or terminate the Plan at any time as circumstances may dictate.

F. Interpretation of Plan

The Plan Administrator has the power and discretionary authority to construe the terms of the Plan and to determine all questions that arise under it. Such power and authority include, for example, the administrative discretion necessary to resolve issues with respect to an Employee's eligibility for benefits, credited services, disability, and retirement, or to interpret any other term contained in Plan documents. The Plan Administrator's interpretations and determinations are binding on all Participants, employees, former employees, and their beneficiaries.

G. Electronic Delivery

This Summary Plan Description and other important Plan information may be delivered to you through electronic means. This Summary Plan Description contains important information concerning the rights and benefits of your Plan. If you receive this Summary Plan Description (or any other Plan information) through electronic means you are entitled to request a paper copy of this document, free of charge, from the Plan Administrator. The electronic version of this document contains substantially the same style, format and content as the paper version.

IX. Participant Rights

A. Claims

(1). Claim Procedure

You or your beneficiary should make a request to obtain any benefits you are entitled to under the Plan in the event of your termination of employment. The Plan Administrator will provide you with a request form to complete. Your request will be considered a claim and will be subject to a full and fair review by the Plan Administrator. If your claim is wholly or partially denied by the Plan Administrator then you may appeal it in accordance with the claim review procedure.

(2). Claim Review Procedure

You or your beneficiary may file a claim for benefits under the Plan with the Plan Administrator on a form supplied by the Employer. The Plan Administrator will provide you with written notice of the disposition of your claim within 90 days after it has been filed (or, in certain circumstances, within 180 days if special circumstances do require an extension of time to process the claim). In the event the claim is denied then the reasons shall be disclosed and/or provisions of the Plan shall be cited as appropriate.

You or your beneficiary, upon request to the Plan Administrator, may appeal the denial of your claim within 60 days after the date on which you receive a denied claim. If you wish further consideration of your position, then you must provide the Plan Administrator with a written request for a hearing. You must also provide a detailed written statement of your position for your claim and file it with the Plan Administrator no later than 60 days after requesting a hearing. The Plan Administrator shall make a decision on your claim and it will be communicated to you, in writing, within 60 days after receipt (or, in certain circumstances, within 120 days). It will advise you if you have any right to appeal the decision.

X. Services and Fees

Fees and expenses charged under your Account will impact your retirement savings, and fall into two basic categories. *Investment fees* are generally assessed as a percentage of assets invested, and are deducted directly from your investment returns. Investment fees can be in the form of sales charges, loads, commissions, or management fees. You can obtain more information about such fees from the documents (e.g., a prospectus) that describe the investments available under your Plan. *Plan administration fees* cover the day-to-day expenses of your Plan for recordkeeping, accounting, legal and trustee services, as well as additional services that may be available under your Plan, such as daily valuation, telephone response systems, internet access to plan information, retirement planning tools, and educational materials. In some cases, these costs are covered by investment fees that are deducted directly from investment returns. In other cases, these administrative fees are paid directly by your Employer. For more information on fees associated with your Account, refer to your quarterly Account statement, or speak with your Plan Administrator.

Exhibit A. Special Tax Notice Regarding Plan Payments
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This notice contains important information you will need before you decide how to receive your benefits from the Diocese of Monterey Lay Employees' Pension Plan (the "Plan"). **Important Note:** If you receive this Special Tax Notice Regarding Plan Payments (also known as a "Section 402(f) notice") through electronic means, you are entitled to request a paper copy of this document, free of charge, from the Plan Administrator.

INFORMATION REGARDING TAX TREATMENT OF DISTRIBUTIONS

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution. The following types of payments *cannot* be rolled over:

Payments Spread Over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or your life expectancy), *or*
- your lifetime and your beneficiary's lifetime (or life expectancies), *or*
- a period of ten years or more.

Required Minimum Payments. Beginning in the year in which you reach age 70 ½, your plan may require that you begin receiving "minimum required distributions." These distributions are not eligible to be rolled over. However, your plan may allow you to defer distributions until you terminate employment with the Plan Sponsor. You should check with your Plan Sponsor to determine when you are required to begin receiving plan distributions.

II. DIRECT ROLLOVER

You can choose a direct rollover of all or any portion of your payment that is an “eligible rollover distribution,” as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another employer plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

Direct Rollover to an IRA. You can open an IRA to receive the direct rollover. (The term “IRA,” as used in this notice, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. Plan distributions may not be rolled directly over to a Roth IRA. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on IRAs (including limits on how often you can roll over between IRAs).

Direct Rollover to a Plan. If you are employed by a new employer that has a plan, and you want a direct rollover to that plan, ask the administrator of that plan whether it will accept your rollover. An employer plan is not legally required to accept a rollover. If your new employer’s plan does not accept rollovers, you can choose a direct rollover to an IRA.

Direct Rollover of a Series of Payments. If you receive eligible rollover distributions that are paid in a series for less than ten years, your choice to make or not make a direct rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payments in the series.

III. PAYMENT PAID TO YOU

If you requested that the payment be made to you, it is subject to 20% federal income tax withholding and also state tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding

Mandatory Withholding. If any portion of the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 20% of that amount for federal income tax and a smaller amount for State of California income tax. This amount is sent to the IRS as income tax withholding.

For example, if your eligible rollover distribution is \$10,000, only \$8,000 (less state withholding) will be paid to you because the Plan must withhold income tax. However, when you prepare your income tax return for the year, you will report the full \$10,000 as a payment from the Plan. You will report the \$2,000 plus state withholding as tax withheld, and it will be credited against any income tax you owe for the year.

Voluntary Withholding. If any portion of your payment is not an eligible rollover distribution but is taxable, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Sixty Day Rollover Option. If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over, you must make the rollover within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the IRA or the employer plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: Your eligible rollover distribution is \$10,000, and you choose to have it paid to you. You will receive \$8,000, **and** \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to an IRA or employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your tax return you may get a refund of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

10% Penalty if You Are Under Age 59 ½. If you receive a payment before you reach age 59 ½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay a penalty equal to 10% of the taxable portion of the payment. The additional 10% penalty does not apply to your payment if it is: 1) paid to you because you separate from service with your employer during or after the year you reach age 55, 2) paid because you retire due to disability, 3) paid to you as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies), or 4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% penalty.

Special Tax Treatment. If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. However, if it qualifies as a "lump sum distribution," it may be eligible in limited circumstances for special tax treatment. The special tax treatment for lump sum distributions is rather complex, and it is recommended that you consult with a qualified tax advisor before electing a lump sum payment from the Plan.

SUMMARY

A payment from the Plan that is eligible for "rollover" can be taken in two ways. You can have *all or any portion* of your payment either 1) PAID IN A "DIRECT ROLLOVER" or 2) PAID TO YOU. A rollover is a payment of your Plan benefits to your individual retirement arrangement (IRA) or to another employer plan. This choice will affect the tax you owe.

If you choose a **DIRECT ROLLOVER**:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- Your payment will be made directly to your IRA or, if you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the employer plan.

If you choose to have your Plan benefits **PAID TO YOU**:

- You will receive only 80% of the payment, because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes. There will also be withholding required by the State of California.

- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 ½, you also may have to pay an additional 10% tax.
- You can roll over the payment by paying it to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you subsequently want to roll over 100% of the payment to an IRA or an employer plan, *you must find other money to replace the federal 20% and additional state income tax that was withheld.* If you roll only the 80% that you received, you will be taxed on the 20% plus state tax that was withheld and that is not rolled over.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the Plan results from a “qualified domestic relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee’s beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers. If you are a beneficiary other than the surviving spouse, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee or another beneficiary, your payment is not subject to the additional 10% tax described in Section III above, even if you are younger than age 59 ½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Section III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in the Plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the Federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office or by calling 1-800-TAX-FORMS. Please note this notice differs slightly from the IRS Model Notice. Although it is based upon the IRS Model Notice, it has been updated to include changes in the tax laws.