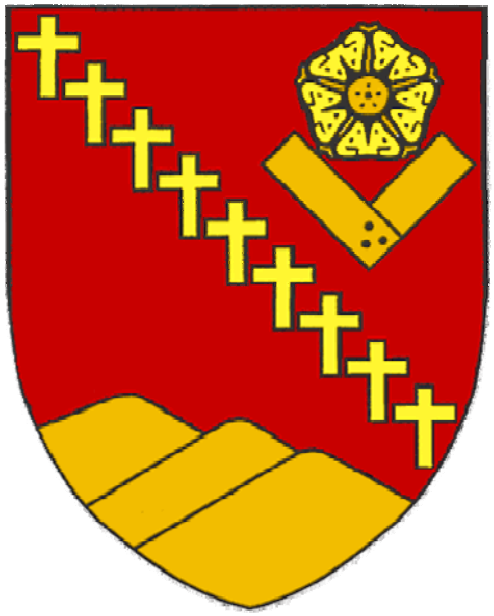
THE DIOCESE OF SAN JOSE LAY EMPLOYEES PENSION PLAN



A Plan Digest With Important Information About Your Retirement Benefits

Plan B

This booklet summarizes The Diocese of San Jose Lay Employees' Pension Plan, also called Plan "B," in effect after December 31, 2006. It is designed to give you an easy-to-read overview of the plan's provisions, but it is not the official, legal plan document.

A copy of the official plan document is on file in the Benefits Department, where it may be inspected by appointment during normal business hours. If there is any conflict between this summary and the official plan document, the plan document will prevail.

Your benefits under this plan are an important part of the total pay you receive in return for the effort, talent and skills you contribute on the job. Please take time to read this booklet and refer to it when you have a question.

If you have any prior written material, dated earlier than January 1, 2007, describing all or part of the plan, it is obsolete. Please refer to this booklet for a summary of principal plan provisions or contact the Benefits Department. You should also refer to your annual benefit statement for more specific information about your personal status under the plan.

Whenever the term "employee" is used, it means persons who are employed by the Roman Catholic Bishop of San Jose, a corporation sole, and any affiliate, subsidiary, or division, including The Roman Catholic Welfare Corporation of San Jose and Archbishop Mitty High School.

Whenever the term "diocese" is used, it means the chancery office, parishes, schools, The Roman Catholic Communication Corporation, The Roman Catholic Welfare Corporation of San Jose and Archbishop Mitty High School, and any affiliate or subsidiary which may adopt the plan.

Note: The Diocese maintains two retirement plans. Plan “A” is for employees who were employed on December 31, 2006 and do not have a termination of employment after that date. Plan “B” is for employees who are hired or rehired on or after January 1, 2007.

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LOOKING AHEAD TO RETIREMENT

When you retire, your sources of retirement income will include this plan, social security and your personal retirement savings.

- The plan is technically called a ***cash balance pension plan***. This kind of plan determines the amount of your pension benefit by reference to a hypothetical ***pension account*** for you. Your account is credited with a certain percentage of your ***annual earnings*** each year – called ***Pay Credits*** – and it is assumed to earn interest at a fixed rate – called ***Interest Credits.*** Your benefit at retirement corresponds to your pension account balance at that time.
- You are vested in your pension account balance after 5 years of service.
- Your pension account balance is payable upon retirement on or after age 65 or upon death or disability, or at your termination of employment date provided if you have completed five or more years of service.
- At retirement, you may elect an annuity or a cash distribution.
- At termination of employment before retirement, your vested pension account will be distributed to you. You may defer taxes on it by rolling it over to an IRA, or you may receive it as a cash lump sum.
- Your benefits under this plan are completely separate from and in addition to any benefits to which you may become entitled under the Social Security Act.
- Your benefits are not taxable until you actually receive them. When you apply for benefits you should inform yourself of the tax laws that apply to pension plan distributions; the diocese cannot help you with tax questions.

HOW THE PLAN WORKS

The diocese makes contributions to a trust fund to provide benefits for all employees covered by the plan. Employees make no contributions. When you retire, you may elect to convert your pension account balance to an annuity for the rest of your life, or take it in:

(1) a single sum distribution, or
(2) directly roll it over to an IRA, or another employer's plan that accepts rollovers, or
(3) a combination of rollover and lump sum.

Whether you are married or single, the plan also provides death benefit protection for the survivors of eligible employees and pensioners.

Finally, if you terminate employment before you retire and you have completed five years of service, your vested pension account balance will be distributed to you. You may not defer distribution of your account benefit to a later date.

ELIGIBILITY PROVISIONS

Eligible Classifications

If you were hired or rehired after December 31, 2006, you are eligible to participate and accrue benefits under this plan, provided you are not in an ineligible or excluded class. Here is a list of eligible classifications:

- Lay employees and lay teachers in the diocesan parishes and schools.
- Chancery Office lay employees.
- Lay employees of all other diocesan departments and affiliates.

Ineligible Classifications

The following classifications of employees hired or rehired after December 31, 2006 are ineligible for coverage under this plan, but all their service will count for vesting if they later become eligible to participate:

- Part-time employees (persons who *regularly and customarily* work less than 20 hours per week).
- Temporary employees (persons who *regularly and customarily* work less than five months in a calendar year).
- Employees who are covered under another plan of retirement benefits sponsored by the diocese, or by any subsidiary or affiliate.
- Employees who are covered under the terms of a collective bargaining agreement where retirement benefits are the subject of good faith bargaining, unless the collective bargaining agreement provides specifically for coverage under this plan.

Excluded Classifications

The following classifications are excluded from being considered for eligibility under the plan:

- Priests and members of religious communities or orders,
- Leased employees – persons on assignment from personnel agencies,
- Persons whose diocesan compensation is not reported to them on Internal Revenue Service Form W-2,
- Independent contractors or commission employees.

Your diocesan service while excluded, will not count for any purpose if you later enter an eligible classification listed on page 3. If you are covered under the plan, and your status changes from eligible to excluded, your employment will be deemed terminated for the purposes of this plan.

Age and Service Requirements

There are no age or service requirements; coverage under the plan is automatic on your date of hire, unless you are ineligible or excluded as described above.

Deacons

If you are a deacon and you are employed by the diocese in a full-time job, you are eligible for coverage under this plan. If you are not employed by the diocese in a full-time job, you are not eligible.

Military Service

Up to 5 years of U.S. military service is counted under the plan, provided that you return to work for the diocese after your service ends, within the time your reemployment rights are protected by federal law.

A more detailed explanation will be provided by the Benefits Department if you are returning from military service, or considering temporary full-time service in the armed forces.

Questions

If you are in doubt about your eligibility status, contact the Benefits Department, whose address and phone number are on page 33 of this booklet.

SERVICE

Because many aspects of your coverage are based upon the length and continuity of your service, it is important for you to know how it is computed.

To simplify recordkeeping, service is credited in calendar months and years beginning on the first day of the month in which you are employed and ending on the last day of the month in which your employment ends.

'Service' includes all time that you work, plus time you were absent from work during vacations, holidays, temporary illness and short-term disability, authorized leaves of absence, absences due to injury on the job, and up to 24 months for maternity and paternity leaves.

Your service will be calculated for you and shown on your annual benefit statement – subject to verification when you become eligible to receive benefits.

Aggregated Service for Vesting and Early Retirement
Plan "A" service is counted for vesting under this Plan "B," and service under this Plan "B" is counted for vesting and early retirement under Plan "A."

Time Not Counted As Service For Any Purpose

Any period of time listed below is not counted for any purpose under the plan:[3]

- Any period while you are in an "excluded classification" as defined on page 4.
- Any leave of absence in excess of 24 consecutive months by reason of maternity or paternity.
- Any period of **unauthorized** absence from work.
- Any period following your termination of employment date – unless you return to diocesan employment before incurring a "break-in-service" (see page 7).

Time Not Counted For Service In Computing Benefits

Any period of time listed below is not counted for benefits, but it is counted for the purpose of determining your vested status.

- Any period while you are classified as “ineligible,” as defined on page 3.
- Any period during which you receive no compensation as an eligible employee.
- Service while you participated in Plan “A” or the prior diocesan retirement plan for lay employees.

Termination of Employment

Termination of employment occurs on the earliest of the following events:

- quit or discharge,
- death,
- retirement,
- disability as described on page 15,
- failure to return to work after an illness or accident,
- failure to return to work after military service within the time your employment rights are protected by law,
- failure to return to work after an authorized leave of absence,
- failure to return to work after leave of absence for maternity or paternity within 24 months after the leave of absence started,
- reclassified as excluded.

For plan purposes, your termination of employment date is the last day of the month in which one of the above events occurs.

Break-In-Service

If your diocesan employment terminates, you will incur a break-in-service unless you are re-employed within 12 months. Your break-in-service will generally be counted from the last day of the month in which your employment terminated.

Reemployment
If you are reemployed, you are credited with service as follows: • ***Reemployment Within Twelve Months.*** No break-in-service; the interval between your termination date and reemployment date counts as service. • ***Reemployment After Twelve Months.*** You have incurred a break-in-service; the interval between your termination date and reemployment date does not count as service. • ***Reemployment after a Maternity or Paternity Leave.*** If you return to work within 24 months from the beginning of your leave, you will not have a break-in-service.

Service While Ineligible For Coverage

Service will be counted for vesting whenever you are classified as *ineligible*. *Pay Credits* will not be added to your pension account balance, while you are ineligible. However, *Interest Credits* will continue to be added to your pension account.

Transfers Within the Diocese

If you transfer employment from one diocesan location to another, such as from one diocesan school to another diocesan school, your service under this Plan "B" is not terminated but continues and is carried forward. Pay Credits and Interest Credits will continue to be added to your pension account – provided of course that you are still in an eligible class of employees following your transfer.

No Distributions Upon Change in Eligible Status

You are not eligible for a distribution of your vested pension account balance upon a change from eligible to ineligible status, since your employment within the diocese has not been terminated, but you are eligible for a distribution if your status changes from eligible or ineligible to excluded.

PLAN PARTICIPATION AND BENEFIT ACCRUAL

Coverage Starts

Your coverage under the plan is automatic. It begins on your date of hire, provided you are not ineligible or excluded as described on pages 3 and 4.

Coverage Ends

Your coverage under the plan ends when you retire, die, become disabled, or terminate employment. Your vested pension account will be distributed to you.

Inactive Participation

If your status is changed from eligible to *ineligible*, you will be classified as inactive on the plan's records. Pay Credits will not be added to your pension account, while you are inactive. However, Interest Credits will be added to your pension account. If you return to an eligible status, you will begin to earn more Pay Credits.

Administrative Provision Regarding Status Changes

Your eligibility status under the plan is reviewed once each year, as of December 31, after the diocese has reconciled all the census data changes for the last calendar year.

It is important that ***all*** your basic data and job status is reported accurately, because it is from this information that your personalized, annual benefit statement is prepared.

PENSION ACCOUNT

Pension Account Balance

A pension account will be created on the plan's records for you when you become covered under the plan. Your pension account balance on any date consists of Pay Credits and Interest Credits; shown on the next page.

Your pension account balance is also called your ***accrued benefit***.

Annual Statement of Account

Annually, after the end of the calendar year, you will receive a personalized statement showing your status under the plan including the following items:

(a) the beginning balance in your pension account as of the previous January 1st;

(b) the amount of Interest Credits added to your beginning balance;

(c) the amount of Pay Credits, allocated to your pension account for the calendar year;

(d) the new balance in your pension account as of December 31st;

(e) your projected account balance at retirement date;

(f) your vested status in your pension account balance.

Amounts shown on benefit statements are only estimates, and actual pension benefits will be based on data that is verified when benefits start.

Pay Credits

A Pay Credit is added to your pension account as of the end of each year in which you have service in an eligible classification. The amount of your pay credit is based on your length of service, starting at 5% of annual pay for new employees up to 9% for employees with 20 or more years of service.

Pay Credit Table	
Years of Service	***Percent***
1st through 5th	5%
6th through 10th	6%
11th through 15th	7%
16th through 20th	8%
after 20 years	9%

Remember, Pay Credits *will not* be added to your pension account for any time you are in an ineligible or excluded classification, and these periods do not count as "service" in the above table. You do not receive Pay Credits for any time you do not receive wages from the diocese.

Annual earnings includes all compensation paid to you during a calendar year by your diocesan employer for personal services rendered as reported on Form W-2, before reduction for taxes, health and welfare benefits, tax deferred annuities under section 403(b) of the Internal Revenue Code, or a cafeteria plan. Annual earnings do not include pay in lieu of vacations, holidays, sick leave, or any severance payment.

Interest Credits

Interest at the rate of 6% compounded annually will be credited monthly to your pension account balance. This is called an ***Interest Credit***. Interest Credits continue as long as you have an account balance and are an employee of the diocese. Interest Credits will stop after your retirement date, your termination of employment date, your date of death, or disability, when payment of your benefit takes place (or begins). You may not leave your vested pension account in the trust fund to collect more Interest Credits after your termination of employment date.

Hypothetical Accounts

Although specific assets are not allocated to each participant's particular pension account, and no participant has any claim with regard to specific trust fund assets, a record of each participant's total benefit is maintained by the plan's actuary/recordkeeper. There is, of course, no guarantee that the trust fund will always be sufficient to provide plan benefits. In the event that assets of the trust fund are not sufficient to pay all plan benefits, benefits will be distributed in accordance with the priorities set forth in the official plan documents. The diocese has no liability for benefits if the trust fund assets are insufficient.

Employee Contributions

You are not required or permitted to make contributions to this plan. You may be eligible to establish and make contributions to an Individual Retirement Account (IRA) and/or to a tax sheltered account described in Internal Revenue Code Section 403(b), frequently referred to as "Tax Sheltered Annuities." You should seek advice elsewhere (other than the diocese or the plan's record keeper) concerning your eligibility for either an IRA or tax sheltered annuity.

RETIREMENT

Normal Retirement

A *normal* pension is one which is paid to you upon retirement at age 65. This date is called your *normal retirement date*.

Postponed Retirement

A *postponed* pension is one which is paid to you beginning after your normal retirement date. If you work past your normal retirement date, Pay Credits and Interest Credits will continue to be added to your pension account, provided that you remain in an eligible classification. If you do not remain in an eligible class, your pension account will continue to receive Interest Credits only.

Amount of Pension Benefit
The amount of your pension benefit is equal to your pension account balance described on page 11. You may choose the direct rollover option described on page 18, a cash lump sum, or a monthly benefit for your lifetime, upon your retirement on or after age 65.

DISABILITY BENEFIT

Eligibility

To be eligible for a disability benefit, you must:

(1) become disabled after January 1, 2007, while covered by the plan, and

(2) provide evidence that you are receiving Social Security disability benefits.

Amount of Disability Benefit
The full amount of your pension account balance, if any, will be paid to you, as a disability benefit. Alternatively, you may choose the direct rollover option described on page 18.

Distribution of Disability Benefit

Your pension account balance will be paid to you *in a single sum* as soon as possible after your eligibility for a disability benefit has been verified, provided proper application has been made. Disability benefits are always paid as a lump sum; your pension account balance may not be converted to an annuity.

PRE-RETIREMENT SURVIVOR BENEFIT

The plan provides a pre-retirement survivor benefit if your death occurs while you are employed by the diocese and have a pension account balance under the plan.

Amount of Pre-Retirement Survivor Benefit
In the event of your death, your spouse, or if you have no spouse, your beneficiary will be paid an amount equal to your pension account balance in a single sum.

Distribution of Survivor Benefit

Distribution of survivor benefits is made only in a single lump sum, provided the proper application has been filed with the Benefits Department or with the plan's recordkeeper. Annuity benefits are not applicable; however, the direct rollover option described on page 18 is available to surviving spouses.

Death After Termination of Employment

If your death occurs after your diocesan employment terminates but before your vested pension account balance (if any) is paid, your vested benefit will be paid to your spouse, or if you have no spouse, your beneficiary, in a lump sum.

TERMINATION OF EMPLOYMENT BENEFIT

If your diocesan employment terminates for a reason other than retirement on or after age 65, disability, or death, then whether or not you will receive your vested pension account balance depends upon how many years of service you had completed on your termination of employment date.

Vesting means your *nonforfeitable* right to your pension account balance on the termination of employment date. This is sometimes referred to as your ***vested pension account balance*.**

If you terminate employment before age 65 and you have completed 5 or more years of service, you become vested in your pension account balance. If you terminate before age 65 and before you have completed 5 years of service, you will not be vested in your pension account balance.

Vesting Schedule	
Years of Service	Percent Vested
Years less than 5 years: 5 or more years:	– 0 – 100%

Time of Distribution

Distributions of your vested pension account balance will be made upon termination of employment. You may not leave your account balance behind. If you do not file an application, your account will be distributed to an IRA in your name or otherwise paid to you automatically and income taxes will be withheld.

Termination After Normal Retirement Date

If you terminate your employment after your normal retirement date, your termination will be deemed retirement for purposes of the plan. You will also be fully vested in your pension account balance – even if you have less than 5 years of service. Distributions will commence as soon as possible; you may not leave your pension account Balance behind.

DISTRIBUTION PROVISIONS

Form of Distribution

- ***At Normal or Postponed Retirement Date:*** You have the option of taking an annuity or a lump sum, or a direct rollover to an IRA or another employer's plan that accepts rollovers..
- ***At Termination of Employment Date Before Normal Retirement Date:*** Distribution will be made **only** in a lump sum or a direct rollover to an IRA or another employer's plan that accepts rollovers..

A complete description of the forms of distribution is available from the Benefits Department or the plan's recordkeeper at any time.

You will be provided a customized description of the options available to you at retirement on or after age 65, or termination, if earlier.

A brief description of the type of annuities available, upon retirement at age 65, under the plan may be found on page 29.

Direct Rollover of Lump Sum

If you elect a lump sum benefit you will be provided forms and information, as required by federal law, to elect a ***direct rollover*** of all or part of your lump sum distribution to an Individual Retirement Arrangement (IRA) or another employer's pension plan. Distribution made by ***direct rollover*** to an IRA or another employer's pension plan, will not be subject to income tax withholding at that time; taxes will continue to be deferred until later. If you elect to take a cash distribution instead of a direct rollover, your distribution will be subject to mandatory federal tax withholding.

Electing a Method of Distribution/Time Limit for Pensioners

If you are retiring at age 65 or later, you must choose a method of distribution – annuity or lump sum – within 90 days. Otherwise, your benefits will be paid in a single lump sum.

It is very important to note that, if you are married, your spouse must consent to your election in writing in the presence of a Notary Public as described on page 22.

In-Service Withdrawals

In-service withdrawals are not permitted, and if made, could cause the plan to lose its tax-favored status. For example, if you stop working full-time for the diocese but continue as a part-time employee, your vested pension account balance cannot be distributed, because your diocesan employment has not ended. Likewise, you may not borrow from your pension account or take hardship withdrawals.

Deferred Distributions Not Available

Whenever your diocesan employment ends – before age 65, on disability, or at age 65 or later – you may not choose to defer distributions and leave your pension account behind. Likewise, any benefit payable after your death will be paid as soon as possible.

Your vested pension account balance will be distributed to you in the appropriate form. If you make no election or fail to file an application, the default method of distribution will apply as described below.

Default Method of Distribution

If the plan is unable to contact you about distribution of your benefit, or if you do not complete, sign, and return the necessary application forms with in 90 days, your benefit will be paid using a default method, as follows:

- ***Automatic Rollover*** will apply if you are under age 65 and your vested pension account balance is more than $1,000. The trustee will transfer your benefit to an IRA in your name, where it will be invested in a pooled or mutual fund designed to preserve principal, subject to the IRA custodian's normal fees.
- ***Cash Lump Sum*** will apply if you are over age 65 or your vested account balance is $1,000 or less.

It is always better for you to make your own distribution decisions – you should not default your options to the plan.

APPLYING FOR BENEFITS

You will be asked to apply for your benefits on forms supplied by or acceptable to the Plan Administrator. You will also be asked to verify the data on file, including your age and marital status. And, if you elect a lifetime annuity at age 65 or later, you are required by federal law (and the laws of some other states) to make an election as to whether or not you want income taxes withheld from your pension payments. If you fail to make an election, income taxes will automatically be withheld from your monthly annuity.

Income taxes must be withheld from lump sum distributions, although not on direct rollovers to an IRA or another employer's pension plan that accepts rollovers.

Application and confidential data verification forms, or any other forms needed to collect your benefits, elect an option, or name a contingent annuitant or other beneficiary are available from the Benefits Department or the plan's recordkeeper.

Return the completed forms at least 90 days before you want your pension payments to begin. It is also your responsibility to furnish any additional information the Plan Administrator may require, and to make sure the Benefits Department and the Trustee have your correct address so your pension checks will reach you.

Ordinarily, your benefit application will be processed within 45 days, but special situations may take longer. Therefore, if you fail to send in your application on a timely basis, the start of your pension may be delayed. Significant delay in filing a benefit application (90 days or more) will result in a default distribution as described on page 19.

Incomplete or improperly completed applications will be returned, and you will be given any explanation or assistance necessary to perfect your application.

If you are not eligible for a benefit, you will be notified in writing. You will also be advised how you can appeal the decision.

Should you disagree about your eligibility or benefit amount, you have 60 days in which to request, in writing, a review and hearing. You will be given an opportunity for a full and fair hearing, and you

will receive the resulting decision, written in clear, understandable language, within 60 days after the review. If more time is needed because of unusual circumstances, you will be notified.

You may bring a representative with you to the hearing if you wish. All documents and papers which affect your claim will be on hand.

Spouse Consent Requirements

If you are married, you may not apply for benefits or elect the lump sum option, or elect a direct rollover of any part of your vested pension account balance, unless your spouse consents to it.

(a) Your spouse must consent in writing on forms provided by or acceptable to the Plan Administrator, and

(b) Your spouse's signature must be witnessed by a Notary Public.

You must establish your marital status to the satisfaction of the Plan Administrator.

Exceptions to Application Requirement and Spouse Consent

At age 65 or later, if your pension account balance equals $10,000 or less, your benefit is payable only in a lump sum and it may be processed without a full application or spouse consent.

If you do not apply for a distribution on a timely basis, the plan will utilize the default distribution method described on page 19.

OTHER THINGS YOU SHOULD KNOW

Plan Administrator

The Plan Sponsor and the official Plan Administrator is the Bishop of San Jose. Day-to-day operations of the plan have been delegated to the diocesan Benefits Department and the plan's actuary/recordkeeper.

All questions and requests for information about the plan's administration and/or operations should be directed to the Benefits Department or the plan's actuary/recordkeeper; their addresses are on page 33 of this booklet.

Covered Employees

Not everyone is eligible under the plan. Whenever the terms "participant," "covered," or "coverage" are used in this digest, it means only those employees who are *not* classified as ineligible or excluded.

The plan described in this booklet applies only to eligible employees who are hired, or rehired, ***after*** December 31, 2006.

Distributions While on Leave of Absence

The rule described on page 19 prohibiting in-service withdrawals also applies to an authorized leave of absence – even if it is without pay.

Misstatement and Errors

If your age, marital status, or any other fact related to your application for a benefit is misstated, or if the data upon which your benefit is calculated is found to be erroneous, the Plan Administrator will make an adjustment based on the correct information.

Any error in vested pension account balances due to a misstatement or error will be corrected. Any overpayment of annuity benefits will be deducted from future payments when possible. The trustee may also institute collection proceedings to recover any overpaid amount. Interest may be charged on any amount that is overpaid.

In no case will any adjustment reduce your pension account balance below the amount to which you are entitled.

Designation of Beneficiary

At anytime you are married, your primary (first) beneficiary is automatically your spouse. If your spouse does not survive you, your beneficiary is your children for whom you had a legal and parental responsibility. The foregoing rules cannot be altered or waived by you, your spouse, or your children.

If the rule just stated does not cover your particular situation, you should name a beneficiary. For example, if you are single and have no children, you may designate, your parents, your brother, your sister, or any other person or your estate to receive the balance of any payments due by reason of your death under the survivor provisions of the plan.

It is also advisable for you to designate a secondary beneficiary to receive benefits if your primary beneficiary does not survive to receive all the payments due.

If you have no spouse or child and fail to designate a beneficiary – or if your beneficiary is not living at the time survivor benefits are to be paid – then the benefits due will be paid as follows:

(1) To your parents in equal shares, or, if only one parent survives, to that parent;

(2) If there are no such parents, in equal shares to your surviving siblings;

(3) If none of the above survive, in equal shares to your surviving grandparents;

(4) If none of the above survive, in equal shares to your aunts and/or uncles who are children of your grandparents; or

(5) If none of the above survive, to your estate.

Should your primary beneficiary fail to survive you by at least 30 days – or if you and your beneficiary die in a common accident or disaster – you will be deemed to have died last, and any benefits due will be paid in accordance with that assumption.

Beneficiary forms are available from the Benefits Department or the plan's recordkeeper.

Legal Incapacity

If you, your spouse, or any of your beneficiaries are entitled to receive benefits under the plan and become legally incapacitated – or if your beneficiary is a minor – benefits will be paid to the person or institution that, in the opinion of the Plan Administrator, is providing for the care and maintenance of the individual in question. Any such payment constitutes a full and complete discharge of the plan's obligation to pay a benefit.

Abandoned or Unclaimed Benefits

It is your responsibility to see that the trustee and the diocese have your correct address. If the plan is unable to pay your benefit to you because your identity or whereabouts is unknown, distribution of your benefit will be delayed until you are identified or located, or until your death is legally established. In some cases, an IRA may be opened in your name by the trustee under the plans default distribution procedure on page 20.

Assignment or Attachment Prohibited

To the extent permitted by law, benefits payable under the plan are not subject to assignment, transfer, other legal encumbrance, or process. This prohibition includes a domestic relations order, unless the Plan Administrator determines that the order is consistent with the terms of the plan and applicable law.

Employment Rights Not Implied

Coverage under the plan does not give you the right to be retained in the employ of the diocese, nor does it interfere in any way with the right of the diocese to discharge or terminate you at any time, without regard to the effect such discharge or termination may have on your rights under the plan.

Employer Policy and Procedure

The descriptions in this digest are for purposes of this plan only. They do not govern any other administrative or personnel policy or procedure with respect to the same subject.

Maternity or Paternity Leave

Solely for purposes of the plan, maternity or paternity leave means an absence due to pregnancy, or the birth of your child, or the placement of a child with you in connection with the adoption of the child by you, or for the purpose of caring for your newborn or adopted child during the period immediately following the child's birth or placement for adoption. The granting of leaves of absence and the terms and conditions that apply to them is not the responsibility of the plan or the Benefits Department.

A maternity or paternity leave, as defined above, will not interrupt service credits, provided you return to diocesan employment before your maternity/paternity leave expires. If you do not return to the diocese before your leave expires, your employment will be considered terminated 24 months from the date your leave started.

Plan Amendment, Merger and Termination

Although the diocese expects and intends to continue the plan indefinitely, it reserves the right to modify, amend, suspend, or terminate the plan at any time. However, no such action can adversely affect the benefits you have earned up to the time the modification or amendment is made.

If the plan should ever be merged or consolidated with another plan, you are assured of a benefit after the merger or consolidation at least equal to the benefit you had before.

If the plan ends, the pension account of each covered employee will become fully vested (nonforfeitable) without regard to service.

At that time, the assets of the plan will be prioritized and subdivided, with pensioners having the highest priority. After all plan obligations have been satisfied, any remaining plan assets will be returned to the diocese.

Loss of Pension Benefits

Other than failing to meet the age or service requirements for a benefit, there are no conditions which would cause you to lose your pension account. However, as discussed under "Financing the Plan" below, there is no guarantee that funds will always be sufficient to provide benefits in full.

Benefit Limits and Top Heavy

The plan contains certain benefit limitations required by the Internal Revenue Code. You will be notified if you are affected by these limits.

The Internal Revenue Service has issued special rules establishing minimum vesting and benefit formulas if the plan becomes top heavy. In general, the plan would become top heavy if the value of the benefits attributable to certain highly compensated employees equals or exceeds 60% of the value of all accrued benefits.

It is very unlikely that the plan will ever become top heavy. If this should occur, however, you will receive complete information on any vesting and benefit formula adjustments that become applicable.

Financing the Plan

The plan is funded solely through diocesan contributions to a trust fund and the income the contributions earn through investment. You, as an employee, are not required to pay anything and cannot contribute anything.

The diocese makes contributions to the plan, which are calculated by an independent actuarial consultant and are expected to be enough to provide present and future benefits. There is, of course, no guarantee that funds will always be sufficient to provide the

benefits, and the diocese has no liability for benefits if the trust fund assets are insufficient. Benefits under this plan are *not* insured by the Pension Benefit Guaranty Corporation, an instrumentality of the U.S. Government.

These contributions are held in an unallocated trust fund covering both this Plan "B" and Plan "A," and the assets of the trust fund are invested in accordance with the directions of an investment manager appointed by the diocese.

Plan Assets Exclusively for Employees and Beneficiaries
The trust fund cannot be used for any other purpose than to provide benefits for employees covered under Plan "A" and Plan "B" and their spouses, children, or other beneficiaries, and to pay plan expenses; the trust fund may not be used to pay diocesan creditors.

Social Security and Other Plans

Plan benefits are completely separate from and in addition to your social security benefits, the cost of which both you and the diocese share equally. Besides benefits from this plan and social security, you also may have retirement income from personal sources, such as personal savings, Individual Retirement Accounts (IRAs), or Tax-Sheltered Annuities (TSAs).

Official Plan Documents

This booklet is only a summary of The Diocese of San Jose Lay Employees Pension Plan; also called Plan "B." All rights and benefits are described in the official plan documents, which are controlling.

AVAILABLE ANNUITIES

TYPES OF ANNUITIES AVAILABLE UPON RETIREMENT AT AGE 65 FOR EMPLOYEES WHOSE VESTED PENSION ACCOUNT BALANCE IS MORE THAN $10,000

Two types of annuity benefits are available at retirement – one for single employees, the other for married employees. The annuity benefit appropriate for your marital status will take effect upon your retirement unless you elect a lump sum (or a direct rollover) or fail to submit an application within 90 days. The amount of your monthly annuity benefit will depend on the size of your pension account balance and on the plan's annuity conversion factors, which take into account your age and marital status at retirement.

Single Employee Annuity: If you are not married at retirement, your form of payment will be a *Life Annuity With Full Cash Refund*. Under this form of annuity, the plan will pay you a monthly retirement income for life. If you die before you have been paid an amount equal to your vested pension account balance calculated at the time your annuity benefits start – the remainder will be *refunded* to your beneficiary.

Married Employee Annuity: If you are married when your retirement benefits begin, the normal form of payment is a Life Annuity With a Fifty Percent Surviving Spouse Benefit With Full Cash Refund.

This means that you receive regularly monthly payments during your lifetime. If you predecease your spouse, 50% of the pension you were being paid will be paid to your spouse for life.

If both you and your spouse die before an amount equal to your vested pension account balance – calculated at the time your annuity benefits start – has been paid, the remainder will be refunded to your beneficiary.

If your spouse predeceases you, after distributions to you have started, your benefit will continue to be paid to you; it will not be increased or decreased on account of your spouse's death. Also, if you remarry, your new spouse cannot be added in place of your deceased spouse, nor can your remaining annuity payments be converted to a lump sum.

If your spouse dies before your benefit distributions begin, then this form of payment will not take effect and you will be entitled to the single employee normal form annuity benefit described above.

Spouse Eligibility Provisions
To be eligible for a surviving spouse's pension under the normal form of annuity for married employees described above, your spouse must be continuously married to you from the date distribution of your pension benefit starts until the date of your death. If you marry, or remarry, after distribution of your pension benefit as started, your new spouse will not qualify for the surviving spouse's pension.

TOPICAL INDEX

PLAN DIRECTORY

Official Plan Name:

The Diocese of San Jose Lay Employee Pension Plan

Plan Effective Date:

The plan described herein was effective January 1, 2007.

Type of Plan:

Defined Benefit Retirement Plan of the cash balance type.

Plan Year:

The plan year is January 1st through December 31st.

Plan Administrator:

The Roman Catholic Bishop of San Jose,
a corporation sole.

Plan Administrator's Address:

Benefits Department
Diocese of San Jose
900 Lafayette Street, Suite 301
Santa Clara, California 95050
Telephone: (408) 983-0249

Plan Trustee:

Enterprise Trust and Investment Company
15425 Los Gatos Blvd., #150
Los Gatos, California 95032
Telephone: (408) 358-5816

QUESTIONS & HELP

Questions and requests for forms and information about the plan's administration and/or operations may be addressed to:

Diocese		Third Party
Benefits Department Diocese of San Jose 900 Lafayette Street, Suite 301 Santa Clara, California 95050 Phone: (408) 983-0249	**or**	Pension Services Division Nicolay Consulting Group 575 Market Street, Suite 2450 San Francisco, California 94105 Phone: (800) 867-0780