

The California State University
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802-4210
(562) 951-4410

Date: September 29, 2000
To: Human Resources Directors
Benefits Officers
From: Cathy Robinson, Senior Director
Human Resources Administration
Subject: DEPENDENT CARE ACCOUNT (DCA) PLAN CHANGES

Code: TECHNICAL LETTER
HR/Benefits
2000-13

The Internal Revenue Service (IRS) recently released proposed regulations regarding status change circumstances for Dependent Care Account (DCA) plans, which are not mandatory at this time but can be adopted. These new regulations provide more flexible election change opportunities during the plan year to accommodate common events that were previously problematic (i.e., changing childcare providers, cost of care changes). The CSU has elected to adopt these proposed regulations, effective January 1 2001.

Election changes that are due to changes in status must satisfy a consistency rule. An election change would satisfy the new consistency rule if it is on account of and corresponds with a change in status that affects expenses described in Internal Revenue Code (IRC) Section 129 of the tax code, which governs DCA plans. To modify an election during the plan year, the status change event must result in a change in eligibility or cost of care.

Allowable status change events are listed below. (The newly added status change events are highlighted in bold.)

1. Marital status change – Marriage, divorce, death of spouse, legal separation or **annulment**.
2. Number of dependent changes – The birth, **death**, adoption or **placement for adoption** of a child. The definition of dependent includes a spouse who is physically or mentally unable to care for him/herself.
3. Dependent begins or ceases to meet eligibility – The dependent satisfies (or ceases to satisfy) dependent eligibility requirements for DCA (i.e., child reaching age 13).
4. Termination/commencement of employment – The beginning or the end of employment of the employee, spouse or **dependent**.
5. Work hours change – Change in work schedule, including a reduction or increase in hours, full-time/part-time switch, start/stop of unpaid leave of absence or a **strike or lockout of employee, spouse or dependent**.
6. Significant increase in cost by dependent care provider (as long as provider is not a relative). For this purpose, a relative includes an employee's child, stepchild, grandchild, sibling, stepsibling, parent, stepparent, grandparent (including great-grandparents), niece, nephew, aunt, uncle, and in-laws.
7. Change in dependent care provider.
8. Residence or worksite change – Change in residence or worksite of employee, spouse or dependent.

(Over)

Distribution:

CSU Presidents
Vice Chancellor, Human Resources
Payroll Managers
Director, SOSS

(Without Attachment)
(With Attachment)
“
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Listed below are examples of how the new regulations may apply:

- Significant Cost Increase: The employee has elected an annual \$4,000 in dependent care coverage to pay for an in-home day care provider. During the year, the employee decides to give the day care provider a raise. The employee is permitted to increase the DCA coverage to \$4,500 to reflect the significant increase in cost of the provider.
- Change in Provider: The employee finds a new child care provider mid-year, and the cost of the new provider is different from the employee's existing provider. The employee can make a mid-year election change to reflect the cost of the new provider.
- Change in Coverage: The employee and spouse work full-time and have hired a nanny to care for their child from 8 a.m. to 6 p.m. The child starts school mid-year, and the nanny's work hours are changed to 3 p.m. to 6 p.m. The employee could change the DCA election to reflect the reduced cost of childcare due to the nanny's reduced hours.

Enclosed is a copy of CSU's restated Dependent Care Account (DCA) Plan Administrative Guide. This guide contains the newly adopted DCA regulations and clarifies current IRS regulations. Please destroy all previous guides you may have. The DCA brochure is being updated to reflect these changes and a supply will be shipped to campuses under separate cover.

If you have any questions, please contact Felice Bakre in the systemwide Human Resources office at (562) 951-4410. This technical letter is available on the Human Resources Administration's web site at: <http://www.calstate.edu/tier3/HR-Adm/memos.html>.

CR/fb

THE CALIFORNIA STATE UNIVERSITY
Dependent Care Reimbursement Plan



ADMINISTRATIVE GUIDE

September 2000

**THE CALIFORNIA STATE UNIVERSITY
DEPENDENT CARE REIMBURSEMENT PLAN**

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THE CALIFORNIA STATE UNIVERSITY
DEPENDENT CARE REIMBURSEMENT PLAN

Introduction

The California State University (CSU) desires to restate this Dependent Care Reimbursement Plan effective September 1, 2000.

This Plan is intended to qualify as a "dependent care assistance program" within the meaning of Section 129(d) of the Code and to meet the requirements of any other applicable provisions of law.

Section I -- Definitions

- A. **Claims Administrator**: The party designated by the CSU to administer claims under the Plan. The initial Claims Administrator is:

William M. Mercer Meidinger Hansen, Inc.
Three Embarcadero Center
Suite 1250
San Francisco, CA 94111

- B. **Code**: The Internal Revenue Code of 1986, as amended, as it now exists or as it may be amended from time to time.
- C. **Compensation**: The total cash remuneration paid during a plan year for services rendered to an Employer, as determined for purposes of Federal Income Tax Form W-2. For purposes of determining an employee's compensation, any election by the employee to reduce his or her regular cash remuneration under Code Sections 125, 401(k), 403(b), 414(h) or 457 shall be treated as if the employee did not make such an election.
- D. **Dependent** means either:
1. a child who is under the age of 13 and for whom an Employee or his/her spouse is entitled to a dependency exemption under Section 151(c) of the Code; or
 2. a relative or household member of an employee who receives over half of his/her support from the employee, who is physically or mentally incapable of caring for himself or herself and who regularly spends at least eight hours each day in the employee's household; or
 3. the spouse of an employee who is physically or mentally incapable of caring for himself/herself and who regularly spends at least eight hours each day in the employee's household.
- E. **Dependent Care Expenses** means the expenses specified in Section IV that qualify as eligible expenses.
- F. **Earned Income** means wages, salaries, tips and other employee compensation, plus net earnings from self-employment, computed without regard to any community property laws. It does not include any amounts received as a pension, annuity, workers compensation, unemployment compensation, or a non-resident alien's income not connected with United States business, or as reimbursement of eligible expenses under this Plan or any other employer's dependent care assistance program. For each month during which an Employee's spouse is either a full-time student in an educational institution or incapable of caring for himself/herself, such spouse shall be deemed to be gainfully employed and to have earned income of not less than:
1. \$200 per month, if the Employee has only one Dependent for the plan year, or
 2. \$400 per month, if the Employee has two or more Dependents for the plan year.

G. **Effective Date:** September 1, 2000, the date on which this restated Plan becomes effective. The original effective date was July 1, 1988.

H. **Employee shall mean a common-law employee of the Employer:**

The term Employee does not mean:

1. a self-employed individual, as defined in Code section 401(c)(1)(A),
2. a member of the Board of Trustees who is not otherwise an Employee,
3. a person the Plan Administrator determines is an Employer's independent contractor, or
4. a person the Plan Administrator determines an Employer engages as a consultant or advisor on a retainer or fee basis.

I. **Employer means The California State University (CSU) and any successor thereto.**

J. **Experience Gain:** The excess salary reduction contributions paid and income (if any) of the Plan over the Plan's total claim reimbursements and reasonable administrative costs for the plan year.

K. **Highly Compensated Employee (HCE)** shall mean, in general, an individual who:

1. Was a five percent owner during the current or preceding year, or
2. For the preceding year:
 - (a) Earned more than \$80,000 as increased by regulations issued by the Secretary of the Treasury, and
 - (b) If the Employer elects, as permitted under Code section 414 (q)(1)(B)(ii), the application of this clause for the preceding year, was in the top 20 percent of all employees by compensation for the preceding year.

L. **Open Election Period:** The annual one-month period during which eligible Employees elect salary reduction amounts for the following Plan Year. For the first Plan Year, the Open Election Period was the month of May 1988. For subsequent plan years, the month of October is the Open Election Period.

M. **Participant:** An eligible employee who participates in the Plan pursuant to Section II.

N. **Plan:** The CSU Dependent Care Reimbursement Plan, as it may be amended from time to time.

O. **Plan Administrator:** The California State University (CSU). Certain administrative functions for this Plan may be delegated to any other person(s) or entity.

P. **Plan Year:** The twelve month period beginning January 1 and ending the following December 31. Plan records shall be established and maintained on the basis of the Plan Year. However, the first (short) Plan Year began July 1, 1988, and ended December 31, 1983.

Q. **Salary Reduction:** A specified amount by which a Participant's compensation is decreased, pursuant to a salary reduction election for federal income tax and Social Security tax purposes and, wherever permitted, for state and local income tax purposes. (The salary reduction election is included in the plan enrollment document, the CSU Dependent Care Reimbursement Authorization.) The salary reduction amount is credited to the Participant's account (as provided in Section III) for the sole purpose of paying eligible expenses.

Section II -- Eligibility and Plan Participation

A. Eligibility

Eligible Employees include: (1) all active CSU Employees who are in executive, management, confidential, other specified nonrepresented positions, and (2) all active Employees covered by a collective bargaining agreement providing for inclusion in this Plan.

Any person who is covered by a collective bargaining agreement which does not provide for inclusion in this Plan shall not be an eligible Employee. Any person who performs service for the CSU solely as an independent contractor shall not be eligible.

B. Enrollment Form

The CSU Dependent Care Reimbursement Authorization must be completed to enroll in the Plan. It includes the Employee's Salary Reduction election specifying the pretax amount to be credited to his/her dependent care account. It also includes an authorization to deduct the Plan's administrative fee (initially \$4 per month) on an after-tax basis.

C. Initial Enrollment -- Time Requirements

Currently eligible Employees must complete a CSU Dependent Care Reimbursement Authorization during the Open Election Period. For plan years starting January 1, 1989, and later, this Open Election Period is the month of October.

Newly eligible Employees may enroll within sixty days of eligibility. An Employee who is on leave of absence without pay, temporary disability compensation, non-industrial disability leave, industrial disability leave, or other non-pay status may not enroll while in such status, but may enroll within sixty days of returning to eligible active status.

Eligible Employees who do not enroll within these time limits will not be eligible to participate in the Plan until the next annual enrollment, unless there has been a change in status, including marriage, legal separation, divorce, annulment, death of a spouse, birth or adoption of a child, or any other event not specifically prohibited by applicable law or regulations. No retroactivity is allowable under this Plan. (See Section III for limits on allowable Salary Reduction amounts and restrictions on midyear changes.)

D. Annual Reenrollment

Participants must reenroll annually if they wish to continue to participate in the Plan. All annual enrollments will be completed during October and enrollment documents must be received in the State Controller's Office by November 10th to be effective the following January 1st.

E. Conditions of Participation

Upon becoming covered by the Plan, each eligible Employee shall be deemed to have assented to the terms and provisions of this Plan and shall be bound thereby.

F. Termination of Participation

Participation in this Plan shall terminate as of the later of:

1. the end of the current Plan Year if a Participant fails to reenroll during the annual open election period, or
2. the date an individual has zero funds left in his or her account, following cancellation or failure to reenroll,
3. upon termination of employment,
4. the date of the Employee's death, or
5. upon termination of this Plan.

G. Reinstatement of Former Participant

A former Participant will again become a Participant if and when that individual meets the eligibility and enrollment requirements above. However, if a former Participant returns to service during the same Plan Year, and within 30 days of the date prior to participating ending, he/she shall have his/her prior benefit elections reinstated and may not make any new elections for the remainder of the Plan Year, except in the event of a change in status as described in Section III.

Section III -- Plan Funding

A. Salary Reduction Credits

Each eligible Employee may make a written Salary Reduction election on the enrollment form to have his/her annual compensation reduced, but not below zero.

B. Establishment of Accounts

The Claims Administrator shall maintain a bookkeeping account for each Participant and shall credit each account with the amounts specified above. These accounts are for bookkeeping purposes only; any payments under the Plan shall be made entirely out of the general assets of the CSU. The CSU shall retain title to and beneficial ownership of any of its assets, which are earmarked for payment of benefits under this Plan.

C. Change or Revocation of Salary Reduction Election

A Participant's Salary Reduction election for any Plan Year may not be changed or revoked after the first pay period to which it applies. Exceptions are permissible only to the extent that such change or revocation is in response to and consistent with a change in status, including marriage, legal separation, divorce, death of a spouse or child, birth or adoption of a child, termination or commencement of a spouse's employment, switching from full-time to part-time employment (or vice versa) by either the Employee or the spouse, beginning or returning from an unpaid leave of absence by either the Employee or the spouse, or any other event not specifically prohibited by applicable law or regulations.

D. Limits on Amount Credited to the Plan

The minimum Salary Reduction amount is \$20 per month and the maximum is \$416.66. However, the annual Salary Reduction amount shall not exceed the lesser of the following:

1. \$5,000 (\$2,500 if the Participant is married and files a Federal Income Tax return separately from his or her spouse), or
2. the Participant's annual compensation, or
3. the Earned Income of the Participant's spouse, if the Participant is married. However, the applicable special limit in Code Section 21(d) applies if the participant's spouse is a full-time student or is physically or mentally incapable of caring for himself or herself.

E. The CSU's Power to Modify and Suspend Elections

The CSU will suspend, modify, or terminate Salary Reduction elections if the amount of any reduction agreed to is greater than the Participant's monthly taxable pay from the CSU.

If the CSU finds that the Plan is discriminatory under applicable law, some Salary Reduction amounts for Highly Compensated Employees may be reported as taxable income. Such amounts will remain subject to all other terms and conditions of the Plan.

Section IV -- Benefits

A. Eligible Dependent Care Expenses

1. Eligible Dependent Care Expenses are amounts paid by a Participant for household services or for care of a Dependent. Such expenses must be incurred to enable the Participant or his/her spouse to be gainfully employed, actively seek gainful employment, or be a full-time student. Full-time student means a person enrolled at, and attending an educational institution during at least part of each of five calendar months of the Employee's tax year for the number of course hours that the institution considers to be a full-time course of study. The Dependent Care Expenses must also meet the following requirements:
 - a) If such expenses are incurred for services outside a participant's household, they must be incurred for the care of:
 - (i) a child under the age of 13 for whom an Employee or his/her spouse is entitled to a dependency exemption under Section 151(c) of the Code; or
 - (ii) a relative or household member of an employee who receives over half of his or her support from the Employee, who is physically or mentally incapable of caring for himself/herself and who regularly spends at least eight hours each day in the Employee's household, or
 - (iii) the spouse of an Employee who is physically or mentally incapable of caring for himself/herself and who regularly spends at least eight hours each day in the Employee's household.
 - b) If such outside services are provided by a dependent care center, such center must:
 - (i) receive a fee, payment or grant for providing services for any of the individuals (regardless of whether such facility is operated for profit), and
 - (ii) provide for not more than six individuals, or
 - (iii) provide care for more than six individuals (other than individuals who reside at the facility) and comply with the applicable State and local government laws and regulations.
2. Dependent Care Expenses shall in no event include amounts paid by a Participant to:
 - a) an individual with respect to whom a deduction is allowable to the Participant or the spouse under Section 151(c) of the Code (relating to personal exemptions for dependents), or
 - b) a child (within the meaning of Section 151(e)(3) of the Code) of the Participant under the age of 19 at the close of the Plan Year in which such amounts are paid.

3. It shall be the responsibility of each Participant to submit a claim for reimbursement only for Dependent Care Expenses, which meet the requirements of this Section and all other requirements of the Plan.
4. Dependent Care Expenses shall in no event include amounts paid by a Participant for the overnight camp expenses of a Dependent.
5. Unless incidental, minimal, and inseparable from the cost of caring for a Dependent, the Plan shall not pay any charges in connection with a Dependent's:
 - a) Food,
 - b) Clothing,
 - c) Entertainment, or
 - d) Education (for a child below first grade)
 - e) Transportation between the Participant's home and the place where dependent care is provided.

B. Maximum Reimbursements

Subject to the conditions set forth in this document, each Participant may elect to receive reimbursement for Dependent Care Expenses up to the amount credited to his/her account.

Expenses may be incurred, and the benefits for a Plan Year may be paid, at any time during the Plan Year subject to the other provisions of the Plan.

C. Claim for Reimbursement

A Participant may claim reimbursement for eligible Dependent Care Expenses on a monthly basis by submitting a claim form to the Claims Administrator. The claim form shall be accompanied by a written statement from an independent third party stating when the Dependent Care Expense was incurred and the amount of such expenses. In addition, the Participant must provide a written statement that the Dependent Care Expense has not been reimbursed and is not reimbursable under any other dependent care assistance plans.

In the event a Participant does not qualify for reimbursement of the full Salary Reduction amount elected for the Plan Year, the difference between the amount elected and the actual reimbursement shall be forfeited. Participants have until June 30 of the following Plan Year to submit claims for reimbursement of Dependent Care Expenses incurred during a Plan Year.

D. Payment of Reimbursements

No Participant shall be entitled to any reimbursements under the Plan unless a claim form is submitted. The Claims Administrator will review each claim to determine whether the expenses appear to be reimbursable eligible expenses and whether the request is accompanied by required documentation.

The Claims Administrator shall advise the CSU of the approved reimbursements, the CSU shall instruct the Accounting Department to transfer funds and shall authorize the Claims Administrator to issue reimbursement payments directly to the Participants. The Claims Administrator will issue payments as soon as administratively feasible (usually around the 20th of each month).

E. Experience Gains

If the Plan has an experience gain with respect to a Plan Year, such experience gain shall be allocated in one of the following manners:

1. used to reduce the after-tax administrative fee for all Participants for the following Plan Year, or
2. used to reduce the salary Reduction contributions on an equal basis for all Participants for the following Plan Year, or
3. allocated to all Participants for the current Plan Year as a refund.

Section V -- Claims Process

A. Claims Procedures

Claim forms and instructions are available in all campus Personnel or Benefits Offices. Participants claiming a benefit under the Plan must complete and file a claim form with the Claims Administrator.

The Claims Administrator shall review all claims. It shall notify the claimant in writing of its decision within ninety (90) days of receipt of the claim. If special circumstances require any extension of time (not to exceed ninety days) for processing the claim, the Claims Administrator shall notify the claimant in writing of the extension prior to the expiration of the initial ninety (90) day period.

Any denial by the Claims Administrator of a claim for benefits shall be stated in writing and mailed to the Participant. The notice shall state the following clearly in language calculated to be understood by the Participant without legal counsel:

1. the specific reason(s) for the Claims Administrator's decision,
2. references to the pertinent plan sections,
3. what additional material or information the Participant must provide so the Claims Administrator will reconsider the claim or reimburse the expenses from the Participant's account; and
4. the Plan's appeal procedures.

B. Appeal and Review Procedures

If a claim has been denied by the Claims Administrator, the claimant may appeal the denial within sixty (60) days after receipt of the written denial by submitting to the Claims Administrator a written request for review of the claim denial. A claimant may also submit a written statement of issues and comments concerning the claim and may request an opportunity to review the Plan and any other pertinent documents. If so requested, the Plan Administrator shall make these available to the claimant within thirty (30) days after its receipt of the request, at a convenient location during regular business hours.

If a claimant appeals, the Plan Administrator shall transmit its final written decision, with its specific reasons, to the claimant by certified mail within sixty (60) days of its receipt of the request for review. If special circumstances require an extension of time, written notice of the extension shall be given to the Participant before the end of the original 60-day period, and a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review.

C. **Agent for Service of Process**

The agent for service of process upon the Trustees of The California State University for the Plan is:

General Counsel
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210

D. **Evidence**

Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information, which the person acting on it considers pertinent and reliable. The evidence may be signed, made or presented by the proper party or parties.

Section VI -- Plan Administration

A. Cost

Each Participant shall pay the monthly administrative charges associated with the Plan on an after-tax basis. These charges, currently \$2, will be deducted from the Participant's salary each month and include routine processing fees charged by the Claims Administrator and the State Controller's Office. The CSU will increase the Participants' monthly administrative charge as actual Plan administrative costs increase, but only following written notice to all Plan Participants.

B. Allocation of Plan Administration Responsibilities

1. The Claims Administrator shall be responsible for specific administration of the Plan, including:
 - a) the preparation of any forms, documents and other information required by law to be reported or filed with any governmental agency, or to be disclosed to Employees or other persons entitled to benefits under the Plan,
 - b) review and approval of claims and appeals from claim denials under the Plan,
 - c) maintenance of Participant bookkeeping accounts, and
 - d) preparation of reimbursement information for the CSU's authorization for payment, and
 - e) issuance of CSU-approved reimbursement payments.
2. The State Controller's Office will be responsible for financial administration, including:
 - a) processing of individual enrollment forms and Salary Reduction amounts,
 - b) adjustment and reporting of the Participants' taxable income and associated taxes,
 - c) deposit of the Salary Reduction amounts in the CSU Special Projects Fund,
 - d) reporting of year-end status of the CSU Special Projects Fund.
3. The CSU shall be responsible for the general administration of the Plan, including
 - a) notification of employees of eligibility for the Plan,
 - b) provision of plan enrollment documents and claim forms, and
 - c) determination of questions arising under the Plan of the eligibility of Employees under the Plan,

- d) adoption of procedures and regulations as are necessary in the CSU's opinion for the proper and efficient administration of the Plan and which are consistent with the terms and purposes of the Plan,
- e) enforcement of the Plan according to its terms and to the rules and regulations adopted by the CSU,
- f) receipt, maintenance and approval of disbursement of Salary Reduction amounts, and
- g) filing or disclosure of any information required by law to be reported or filed with any governmental agency or to be disclosed to Employees or other persons entitled to benefits under the Plan.

C. Discretionary Power of Plan Administrator

All discretion conferred upon the plan administrator will be absolute. However, no discretionary power shall be exercised in a manner that causes discrimination in favor of Highly Compensated Employees. The discretionary power of the plan administrator shall be exercised in a non-discriminatory manner with regard to all similarly situated Participants.

Section VII -- Miscellaneous

A. Severability

If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provision of the Plan, and the Plan shall be construed and enforced as if such provision had not been included.

B. Plan Not an Employment Contract

This Plan is not an employment contract. Any employment rights of an eligible Employee are neither enlarged nor diminished by the establishment of this Plan.

C. Non-Transferability of Interest and Facility of Payment

The interests of persons entitled to benefits under this Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered. When any person entitled to benefits under the Plan is under legal disability or in the CSU's opinion is incapacitated so as to be unable to manage his/her affairs, the CSU may cause the benefits to be paid to his/her legal representative for his/her benefit, or to be applied for his/her benefit in any other manner that the CSU may determine.

D. Mistake of Fact

Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment shall be made. The CSU shall not be liable in any manner for any determination of fact made in good faith.

E. Amendment of Plan

Any part or all of this Plan may be amended in writing by the Vice Chancellor of Human Resources at any time. Any amendment must be in writing and shall become effective upon adoption, or at such time as may be specified in the amendment.

F. Termination of Plan

This Plan may be terminated only as of the end of any Plan Year. Any amounts credited to Participants' Salary Reduction accounts as of the end of a plan year and unclaimed by the following June 30, will be cancelled and returned to the general assets of the CSU. Any Salary Reduction elections previously made for the next Plan Year will be null and void.

However, the CSU reserves the right to terminate or amend the Plan at any time if the Plan is deemed not to be in compliance with applicable law.

G. Right to Offset Future Payments

In the event a payment or the amount of a payment is made erroneously to an individual, the Plan shall have the right to reduce future payments payable to or on behalf of such individual by the amount of the erroneous or excess payment. This right to offset shall not limit the right of the Plan to recover an erroneous or excess payment in any other manner.

H. Right to Recover Payments

Whenever a payment has been made by the Plan, including erroneous payments, in a total amount in excess of the amount payable under the Plan, irrespective to whom paid, the Plan shall have the right to recover such payments, to the extent of the excess, from the person to or for whom the payment was made.

I. Legal Action

Before pursuing legal action, a person claiming Plan benefits or seeking redress related to the Plan must first exhaust the Plan's claim, review and appeal procedures. Unless otherwise provided by law, the Employer and the Plan Administrator are the only necessary parties to any action or proceeding that involves the Plan or its administration. No employee, or other person or entity is entitled to notice of any legal action, unless a court with appropriate jurisdiction orders otherwise.

J. Captions and Headings

The captions and headings of an Article, Section or provision of the Plan are for convenience and reference only and are not to be considered in interpreting the terms and conditions of the Plan.

K. Indemnification

The Employer, to the extent permitted by law, shall indemnify and hold harmless the Board of Trustees and any employee, officer, of the Employer from and against all loss, damages, liability and reasonable costs and expenses incurred in carrying out his or her responsibilities under the Plan, unless due to the bad faith or willful misconduct of such person, provided that such individual's attorney's fees and any amount paid in settlement be approved by the Board of Trustees.

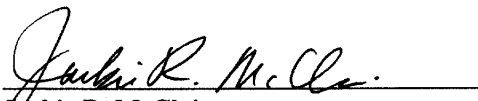
Adoption of the Dependent Care Reimbursement Plan

WHEREAS the Trustees of The California State University, pursuant to Resolution RFSR 11-89-04, adopted November 1, 1989, authorized the establishment of this Plan, and

WHEREAS the Trustees have delegated the oversight of this Plan to the Chancellor, and

WHEREAS the Chancellor has delegated the administration of the Plan to the Vice Chancellor of Human Resources,

NOW, THEREFORE, I hereby adopt the foregoing Dependent Care Reimbursement Plan, as restated effective September 1, 2000.

By: 
Jackie R. McClain
Vice Chancellor
Human Resources

For: The California State University