

## LAY EMPLOYEES OF THE ARCHDIOCESE OF CINCINNATI PENSION PLAN NEWSLETTER

This document is intended to provide brief answers to some "Frequently Asked Questions" about the **LAY EMPLOYEES OF THE ARCHDIOCESE OF CINCINNATI PENSION PLAN** (the "Plan"). However, the terms of the Plan are contained in the Plan document, and cannot be changed by anything in this document or by any other documents, statements or representations made to you about the Plan. If anything in this document conflicts with any provision in the Plan document, the terms of the Plan document will control.

***What is the purpose of the Plan?***

The Plan provides a monthly pension benefit during your retirement, which is intended to supplement the benefits you receive from other sources, including Social Security, 403(b) and 401(k) accounts and your own savings.

***Who pays for the Plan?***

Archdiocesan employers pay 100% of the cost of the Plan. Employee contributions were never required or permitted. In order to fund benefits accrued under the Plan, Archdiocesan employers contributed 2% of eligible payroll to the Plan through 6/30/2017. Effective 7/1/2017 the rate increased to 2.5% with 9/30/2017 quarter. For the Plan year ended December 31, 2016, these employer contributions totaled approximately \$3,753,000.

***What type Plan is this?***

The Plan is a defined benefit plan that provides specified benefits at retirement based on the formulas stated in the Plan. Your benefit is expressed as a monthly payment at retirement, which is determined based on your compensation and service as determined by a pension actuary. It is not an account that increases with time due to interest or investment earnings. The Plan is funded by Archdiocesan employers.

***Who is eligible to participate?***

Benefit accruals under the Plan were frozen effective December 31, 2010. Until that date, you were eligible to participate in the Plan and accrue benefits if you were a Lay Employee of the Archdiocese of Cincinnati who was employed in a permanent position on a full-time basis (as defined in the Plan) Employees **hired after December 31, 2010 are not eligible to participate.**

A "full-time" employee refers to an employee who regularly works at least 20 hours per week, or, in the case of a "teacher," at least 12 classroom hours per week, in either case for a normal work year. If you are employed at two or more Archdiocesan locations, your hours are combined for purposes of determining if you are full-time.

***Will my pension benefit start automatically when I retire?***

No, you must apply. Please contact UMR, the Contract Administrator at 1-888-640-1700, to obtain a retirement application two to three months before you plan to start payment of your retirement benefit. Your monthly benefit under the available payment options will be quoted after the application is received.

***When will my pension benefit be paid?***

If you are vested, the Plan provides a monthly benefit at Normal Retirement Age (65) or a reduced amount at Early Retirement (age 55 or later, but before 65). Remember, you must apply for benefits before payments can begin. If you are not vested when you terminate employment, there is no benefit due.

***How do I become vested?***

You will become vested when you have been credited with 60 months of service. Even though the Plan was frozen effective December 31, 2010, it is still possible for an eligible employee with less than 60 months of service as of December 31, 2010 to become vested in the Plan upon reaching 60 months of service.

***How is my Normal Retirement Benefit determined?***

The Plan has two benefit formulas, a "regular" benefit based on compensation and a "minimum" benefit based on service. You will receive the higher of the two, but not both. Your normal retirement benefit at age 65, payable for your life only, is calculated as follows:

**1. Normal Retirement – Regular Benefit Formula:**

- 1.17% of Past Service Career Compensation (compensation before 1973); **PLUS**
- 2.33% of Future Service Career Compensation (compensation in 1973 thru 1999); **PLUS**
- 2.02% of Future Service Compensation (compensation in 2000 thru 2010); **DIVIDED BY 12**

**2. Normal Retirement – Minimum Benefit Formula:**

- \$8.12 times Months of Past Service (service before 1973); **PLUS**
- \$25.00 times Months of Future Service (service in 1973 thru 2010); **DIVIDED BY 12**

***Is my benefit adjusted for early or late retirement or for a benefit option other than life only?***

Yes. The actual monthly amount you receive will vary depending upon the form of benefit you choose and the time you commence payment of your benefit because the amounts must be actuarially equivalent. For example, if you elect early retirement, the payments will be less than what you would receive if you waited until normal retirement. Likewise, working past your normal retirement date or choosing to defer commencement of your benefit until after your normal retirement date might increase your monthly benefit amount. Also, if you elect an option other than a single life annuity, the monthly payment will be less.

***Can I start my benefit if I'm between the ages of 55-65 or in other words, before Normal Retirement Date = age 65?***

You must terminate employment completely.

Termination of employment is defined under the Plan as the date on which the employee ceases to provide any services as an Employee (as defined in the Plan) and terminates the employment relationship. **A reduction in hours without an actual termination of employment will not permit a Participant between the ages of 55-65 to commence benefits.**

**Example:** Mary Jones is age 63 and the bookkeeper for St. Richard Church. She has not yet reached the normal retirement date of age 65. Mary currently works 40 hours per week. Mary wants to "retire" and begin receiving her pension benefit but continue to work 15 hours per week at St. Richard. This is not a legitimate termination of employment since Mary: 1) never completely severed her employment; and 2) "retired" with an expectation that her employment would continue.

***What happens if I return to work after I begin receiving retirement benefits?***

The answer depends on whether you are reemployed before or after your Normal Retirement Date (the first day of the month after you reach age 65.)

**Before Normal Retirement Date.** If you retired and you are reemployed by the Archdiocese after your retirement benefits have started, but **before your normal retirement date age 65**, your payments generally will be suspended until your employment ends and you reapply for your benefits.

However, notwithstanding this general rule, your retirement benefit will not be suspended solely as the result of reemployment:

- a. as an on-call substitute teacher, provided that such service is intermittent and/or temporary in nature; or
- b. as a part-time or temporary employee performing fewer than 500 hours of service during a Plan year.

**After Normal Retirement Date.** If you retired and you are reemployed by the Archdiocese after your retirement benefits have started, and **after your normal retirement date**, your payments will be suspended *only* if you provide services to the Archdiocese in a permanent position on a full time basis. However, if you are first reemployed later than April 1 of the calendar year after you reach age 70½, your benefit payments will not be suspended.

For this purpose, a "full-time" employee refers to an employee who regularly works at least 20 hours per week, or, in the case of a "teacher," at least 12 classroom hours per week, in either case for a normal work year. If you are employed at two or more Archdiocesan locations, your hours are combined for purposes of determining if you are full-time.

Note that in the case where benefits are suspended, when you retire a second time, your benefits will be adjusted actuarially to reflect the previous payments you actually received. In any event, the new Retirement Benefit will not be less than the Retirement Benefit you were entitled to immediately prior to the suspension.

***What are my choices as to forms of distribution?***

Several options will be quoted at the time you retire: a single life annuity, a joint and survivor annuity, or a life and period certain annuity.

**Please note, once you have elected your option and benefit payments have begun, the option cannot be changed.**

***Does the Plan have a Cost of Living Adjustment?***

No. Once you retire and payments begin, no increase in the monthly benefit payment is guaranteed, nor is one likely.

***Can I receive a Lump Sum Payment or a Rollover?***

A Lump Sum payment is only available if:

- a. you are vested; and
- b. you have been terminated from the Archdiocese (and for purposes of early retirement) for at least six months; and
- c. the actuarial present value of your retirement benefit is less than \$10,000 (see Plan Amendment Summary)

If you are eligible for a Lump Sum payment, the payment may be rolled over or paid directly to an IRA or an eligible retirement plan. Otherwise, if you are not eligible for a Lump Sum payment, you would not be eligible to rollover your benefit.

**Plan Amendment Summary**

Notwithstanding the Plan rules mentioned above, the Plan was amended to allow a vested former employee to waive any excess over the actuarial present value of \$10,000. This amendment only applies to vested former employees not receiving any pension payments from the Plan at time of this election.

**Does the Plan have a Preretirement Death Benefit?**

Yes, but only to the extent provided in the Plan document to your surviving spouse or to the legal guardian of your dependent minor children (under age 18).

If you have no spouse or dependent children as defined in the Plan, then no death benefit is paid from the Plan.

**Does the Plan have a Postretirement Death Benefit?**

Possibly, depending upon the annuity form you choose when you retire. Some of the Plan's annuity options, for example, a joint and survivor annuity or a period certain annuity, could have payments continuing after your death.

**What happens if I terminate employment before I am vested?**

If you are not vested, you will no longer be a participant in the Plan and may forfeit the unvested portion of your benefit as a result. If you are reemployed by the Archdiocese before you have a "rule of parity break in service" (defined below), you will not lose prior credit and your benefit will be unaffected by your break in service. This rule remains in effect and is not affected by the fact that the Plan was frozen effective December 31, 2010. If you incur a "rule of parity break in service", then your prior months of service and pension benefit will be permanently disregarded even if you return to work for the Archdiocese.

A "rule of parity break in service" is a severance period which is equal to or greater than your existing months of service, but not less than 60 months.

**Can I elect to withdraw from the Plan?**

Yes. The Plan was recently amended to permit the waiver of Plan benefits. The waiver is completely voluntary on your part and is offered by the Plan only as an accommodation to certain Participants who believe that such a waiver will be in their best interests. The Archdiocese does not encourage any Participant to waive benefits under the Plan. It is your responsibility to decide whether such a waiver is in your best interest. You should carefully consider whether a waiver will benefit you before you decide to enter into it. **Note: Once a waiver becomes final, it cannot be revoked.**

**Is the Plan subject to ERISA?**

No. The Plan is a "church plan" and as such is exempt from the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan's benefits are not insured by the Pension Benefit Guaranty Corporation.

**Who is the Trustee for the financial assets of the Plan?**

Plan assets are held in a trust with U.S. Bank as Trustee. As such, Plan assets are separate and apart from the assets of the Archdiocese and would not be subject to the claims of creditors of the Archdiocese.

**Who manages the Plan's assets?**

The Archdiocese has retained several professional money management firms to manage the Plan assets. The performance of these managers is evaluated on a quarterly basis by an independent consultant, the Lay Employees Pension Plan committee, the Finance Office of the Archdiocese and the Archdiocesan Finance Council.

**How did the freezing of the Plan effective December 31, 2010 affect my retirement benefit?**

- If you retired prior to December 31, 2010, your retirement benefit is unaffected. This statement is correct whether or not you have applied for benefits with UMR.
- If you were not retired prior to December 31, 2010, but had left the employment of the Archdiocese or were otherwise no longer an eligible employee, your retirement benefit is unaffected.
- If you were an eligible employee at December 31, 2010 and remained so after that date, your retirement benefit under the Plan freezes as of that date and will no longer grow with service after December 31, 2010.

**What is the current funding status of the Plan?**

The market value of the total investments of the fund was \$383,838,756 and \$370,914,861 as reported on the trustee's statements of December 31, 2016 and 2015, respectively. The actuarial accrued liability is calculated by an outside actuary.

The actuarial accrued liability was \$429,196,472 and \$428,655,754 as of January 1, 2017 and 2016, respectively. The accrued liability calculation assumes a 7% annual investment return.

**How many participants are in the Plan?**

UMR, Contract Administrator of the Plan, reports that as of January 1, 2017, \$2,210,881.14 is being paid monthly to 3,453 retirees. There were a total of 4,831 other participants in the Plan, which includes 2,645 active employees and 2,186 inactive, vested participants as of that report date.

**Disclaimer**

The above information is a brief summary and is not intended to cover the entire Plan or answer all questions.

The details of the Plan are set forth in the official Plan document. If there are any inconsistencies or ambiguities between this newsletter and the Plan document, the Plan document will control. The Plan document is available for your review at the offices of the Archdiocese or at UMR. Upon payment of copying costs, you may obtain a copy of this document. For further information, contact UMR, the Contract Administrator.

**Contact**

If you have any questions about either the Plan or your Statement, please contact UMR at the following:

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Lexington, KY 40507  
Phone: (888) 640-1700  
Fax: (859) 226-1191  
Contact: Jennifer Fights (Bangart)