Questions & Answers
Lay Employee Defined Benefit Pension Plan
Ending 6/30/2014

1. **What makes up my retirement income?**
   Your retirement income is made up of Social Security, Diocesan pension, and personal investments such as IRAs, 403(b) plans, and savings. Many locations allow pre-tax contributions to a 403(b) plan. The Diocesan pension plan is intended to supplement Social Security and your personal investments.

2. **Will my pension plan still be there when I retire?**
   Yes, the Diocesan pension plan is an IRS Qualified Plan and falls under certain federal requirements. The Diocese intends to maintain a pension plan to retain valuable employees.

3. **My financial advisor says defined benefit plans are dinosaurs and no one has them anymore.**
   You bear the risk for your personal investments, and it is impossible to predict your retirement income from those sources. By choosing to provide a defined benefit plan for its valued employees, the Diocese assumes the investment risk for the plan and provides a predictable pension benefit to you. Social Security also provides a defined benefit pension. Many corporations have dropped their defined benefit pension plans, burdening their employees with unpredictable pensions and investment risk. The Diocese provides an excellent defined benefit pension plan as part of its overall compensation package.

4. **How has the market downfall impacted my pension?**
   The market has no direct impact on your pension amount, since your pension plan benefit is based on a formula using completed years of service and compensation. The Diocese bears the investment risk and is required to fund the plan at a level necessary to continue the benefits. Due to recent market downturns, the premiums billed to the locations have been raised to fund this plan. The cost to the employer in premiums is currently over 10% of your gross earnings.

5. **Where is my money?**
   The pension plan funds are held in trust by an independent, professional Trustee at Union Bank of California. The funds are not held by the Diocese. By law the Trustee may use the plan's funds only for pension purposes as spelled out in the plan.

6. **Why can't I take my money now so it will be invested?**
   The plan's funds are held in an aggregate account and are invested by an institutional investment manager. The trust fund is held in the pension plan's name, not your name. The Trustee cannot pay out funds except as provided by the plan. No funds may be withdrawn by the employee until the employee is eligible for a benefit payment.

7. **What are the vesting requirements?**
   You become fully vested on the earlier of the completion of five years of eligible service or when the sum of your age plus service equals 55 or more.

How it works:

- Premiums are paid by your location to the Diocese, forwarded to the Trustee, and deposited in the pension trust fund.
- The Investment Manager manages the funds according to an investment policy approved by the Diocese.
- The funds are held in trust as an aggregate account in the pension plan's name (not your name). The Trustee pays out the defined benefit according to the formula in the plan. (To be eligible for a benefit under the plan you must be vested.)
- The Pension Actuary analyzes the performance of the Investment Manager and reports to the Diocese. The actuary also determines the appropriate funding to be contributed by the Diocese to the pension plan.
- A committee of the Diocesan Finance Council, the Insurance and Human Resources Committee, has a subcommittee called the Lay Employee Pension Investment Subcommittee, which oversees the investment manager and the asset performance. It reviews the actuarial reports as well as reports from the investment manager and Trustee. The subcommittee makes any recommendations to the Insurance and Human Recourses Committee, whose chairman reports to the Finance Council. The Finance Officer attends all committee and subcommittee meetings and also reports to the Finance Council.