Diocese of Santa Rosa

LAY EMPLOYEE'S PENSION PLAN

This booklet summarizes The Diocese of Santa Rosa Lay Employees' Pension Plan. 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 Chancery Office, 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.

Plan Name

The official name of the plan is The Diocese of Santa Rosa Lay Employees' Pension Plan. For the purposes of brevity and variety, it is frequently referred to in this booklet and elsewhere as 'the pension plan', or simply 'the plan'.

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LOOKING AHEAD TO RETIREMENT

When you retire, you will need a regular income in place of the pay you earn on your job. Your sources of retirement income will include this plan and social security.

- The plan provides a regular monthly benefit for life, starting with your normal retirement date at age 65.

- You can retire early at any time after age 55, with 10 or more years of service.

- The plan provides a deferred pension, payable at retirement, if you leave diocesan employment after you have qualified under the plan's vesting schedule.

- The plan provides a pre-retirement survivor benefit for your spouse or minor children or other beneficiary, provided you are vested in your benefit earned to date of death, or the sum of your age plus service equals 40 or more.

- The plan also provides a post-retirement survivor benefit for your spouse, minor children or other beneficiary.

- Your benefits under this plan are completely separate from and in addition to your benefits from social security.

The plan can be very important to you in the future. So regardless of how far away retirement may seem to be now, we suggest that you and your spouse read this booklet carefully. If you have any questions – now or in the future – contact the Chancery Office.

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 from diocesan employment, you will receive a monthly income for the rest of your life based on your highest final pay and your total service. 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 the necessary vesting requirements, you will be eligible for a retirement income payable when you retire. This is called a 'deferred vested pension'.

ELIGIBILITY PROVISIONS

Eligible Employees

In general, all employees of the diocese are eligible for coverage under the plan, unless they are ineligible as described below.

Ineligible Employees

You are ineligible if you are in one or more of the following classifications:

(1) 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.

(2) Employees who are covered under another retirement plan sponsored by the diocese, or sponsored by a subsidiary or affiliate of the diocese.

(3) Part-time employees. Persons who regularly and customarily work less than 20 hours per week.

(4) Temporary employees. Persons who regularly and customarily work less than five months in a calendar year.

(5) Leased Employees. In general, you are a "leased employee" if you render temporary services to the diocese which are provided by agreement between your diocesan employer and a leasing organization or employment agency.

(6) Independent contractors, such as but not limited to painters, carpenters, landscapers, gardeners, consultants, lawyers, bookkeepers, and public accountants.

Questions

If you are in doubt about your eligibility status, contact the Chancery Office.

Eligibility Requirement

If you were covered under the prior plan on August 31, 1989, your coverage continued uninterrupted on the effective date of this plan: September 1, 1989. Otherwise, coverage begins automatically on the first day of the month following the month in which you are employed, unless you are employed on the first day of any month, in which case your coverage under the plan will coincide with your employment date.

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.

Service is computed in calendar months and years. Partial months count as whole months.

'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, the first 12 months of a layoff due to lack of work and up to 12 months for maternity and paternity leaves.

If you incur a **disability** as described on page 10, you will be credited with service for the duration of your disability, but not past age 65.

Time Not Counted As Service For Any Purpose

Any period of time listed below is not counted for any purpose under the plan.

- Any period while you are classified as a leased employee.
- Any time after you retire from active diocesan employment, or after your diocesan employment otherwise terminates, is also not counted.
- Any period of temporary layoff lasting more than 12 consecutive months during which you receive no compensation from the diocese.

- Any leave of absence in excess of 12 consecutive months by reason of maternity or paternity.

- Any period of **unauthorized** absence from work.

- Any period of voluntary military leave in excess of 12 consecutive months, unless the United States is at war.

Time Not Counted For Service In Computing Benefits

Any period of time while you are classified as part-time, temporary, or are covered under a collective bargaining agreement is not counted for benefits, but it is counted for eligibility and vesting in case your status changes.

Termination of Employment

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

- quit or discharge,
- death,
- retirement,
- 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 within 60 days of discontinuance of a disability under social security,
- failure to return to work after leave of absence for maternity or paternity within 12 months after the leave of absence started.

Breaks-In-Service

In general, you cease to be covered under the plan and stop accruing service when your employment terminates for any reason, including retirement.

Reemployment

If you terminate employment and are later reemployed, you are re-credited with service as follows:

- **Reemployment within twelve months**. The interval between your termination date and reemployment counts as service; you have no break-in-service.
- **Reemployment after twelve months.** The interval between your termination date and reemployment date does not count as service; you have incurred a break-in-service.
- **Prior Service:** The plan has no break-in-service rules which would cause you to lose prior service upon reemployment.

Inactive Status

If your status is changed from eligible to ineligible, you will be classified as an inactive employee on the plan's records. Benefits to the date your status changes will be frozen. If you return to an eligible status, you will begin to earn more benefit credits; however, the interval while you were ineligible will not be counted for benefit purposes.

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 Chancery Office if you are returning from military service, or considering temporary full-time service in the armed forces.

BENEFIT STARTING DATES

To meet individual needs, the plan offers several different kinds of pensions.

- A **normal** pension, if you retire on the first day of the month in which you attain the age of 65.
- A **postponed** pension, if you retire **after** you reach age 65.
- An **early** pension, if you retire between ages 55 and 65 with 10 years of service.
- A **vested deferred** pension, if you terminate employment after you qualify under the plan's vesting schedule alternatives described on page 11. Vested deferred pensions will usually begin at age 65, but you can begin to collect benefits as early as age 55 if you had completed 10 years of service on the date your diocesan employment terminated.

PENSION BENEFITS

Accrued Benefit and Normal Pension

The term **accrued benefit** means the pension you have earned to date and payable monthly starting at age 65.

The formula shown below is used to figure your normal pension payable at age 65 and your accrued benefit to date.

PENSION BENEFIT FORMULA
1.1% of your “Highest Average Final Earnings”
multiplied by
All your years and months of service to termination, retirement or death, whichever occurs first
divided by
12 months
equals
your monthly benefit.

Highest Average Final Earnings means the annual average for your three highest-paid consecutive calendar years during your last 10 calendar years of diocesan employment before retirement or termination. **Annual earnings** includes all compensation paid to you during a calendar year by the diocese for personal services rendered, before any payroll deductions for taxes or any other reason. Annual earnings does not include pay in lieu of vacations, holidays, sick leave, or any severance payment.

For example, suppose that between the ages of 62 and 65 you earn the following calendar year amounts from your diocesan employer, and these represent your three consecutive years of highest earnings in your last 10 calendar years before retirement:

Age 62	$15,000
Age 63	$16,000
Age 64	$17,000
Three Year Total:	$48,000

Your Highest Average Final Earnings would then be calculated as follows:

$48,000 ÷ 3 years = $16,000 average final earnings

Benefit Examples

Examples of how pension benefits are calculated can be found on pages 28 and 29.

Early Pension

Because some people don't want to wait until age 65 to retire, the plan provides for early retirement after you reach age 55 with 10 or more years of service. Your monthly pension will be calculated in the same manner as if you had retired at age 65 or later, but using the service and highest average final earnings you accumulate up to the date of your early retirement.

You have the option to begin payments immediately upon early retirement or to defer them until a later date.

Your pension will be **reduced** if payments start before age 65. The reduction takes into account the longer period of time you can expect to receive benefits.

The following table sets forth the plan's early benefit commencement discount rates:

If Benefit Begins at Age	Your Age 65 Pension Will Be Multiplied By
55	.5000
56	.5333
57	.5667
58	.6000
59	.6333
60	.6667
61	.7333
62	.8000
63	.8667
64	.9333

Postponed Pension

Although the normal retirement age is 65, you may continue working beyond that age. You can retire on the first day of any subsequent month and receive a pension based on your service up to the first day of the month in which you actually retire and on your highest average final earnings out of the last ten years of your diocesan employment.

Disability Pension

If you become totally and permanently disabled while covered under the plan, you will receive a lifetime pension **beginning at age 65**. The monthly amount will be based on your highest average final earnings at the time you were disabled, and the service you would have accumulated if you had worked until age 65, or until your disability ends if earlier.

Disability Defined

To be eligible for a disability pension, you must provide evidence of continuous receipt of social security disability benefits. If your social security disability benefits are discontinued before age 65, you are considered recovered from disability and you must return to work in the diocese within 60 days thereafter to avoid termination of employment.

Payment of Disability Pension

Disability pensions begin at age 65, just like a regular pension. Disability pension benefits are not payable before age 65.

Termination of Employment

Your entitlement to a future pension benefit depends on your vested status on your termination of employment date.

Vesting means your nonforfeitable right to all or part of your accrued benefit to date of termination. The part of your accrued benefit in which you are vested is referred to in the plan as a "vested deferred benefit" because it is payable in the future, at your normal retirement date – age 65.

You will be entitled to a vested deferred benefit, beginning at age 65, if you leave diocesan employment for a reason other than death or total disability, before you are eligible for retirement – provided you qualify under either or both of the following vesting alternatives.

Vesting Alternatives

Vesting Alternative #1
If you leave after 5 years of service and before age 65, you will be entitled to 100% of your accrued benefit.

Vesting Alternative #2
If the sum of your age plus services equals 55 or more while you are employed by the diocese, you become fully vested. For example: If you have 4 years of service and your employment terminates at age 51, you would be 100% vested – because the sum of your age, 51, and service, 4, would equal 55. If you are hired on or after age 55, you are immediately vested, although your accrued benefit is small.

Vested Deferred Benefit Calculation

A vested deferred benefit is figured by calculating your accrued benefit to date, using the formula on page 7, and then multiplying that answer by the percent you are vested.

Payment of Vested Deferred Benefits

Generally, payment of your vested deferred benefit will begin at age 65. However, if you have completed 10 years of service at the time your employment terminates, you may choose to have payments begin on the first day of any month after your 55th birthday. Your payments will be reduced for early retirement (see page 9), to take into account the longer time you can expect to receive benefits.

Vested deferred pensions must begin no later than age 65.

NORMAL FORMS OF PAYMENT

Normal Forms of Payment Upon Retirement

There are two normal forms of payment, one of which will automatically take effect unless the cash equivalent of your vested benefit is $15,000 or less.

Single Employee Normal Form. If you ***are not*** married at retirement, your normal form of payment will be a Life Annuity with 120 Payments Certain. You receive a monthly retirement income for life, but if you die before receiving 120 monthly payments, the remaining installments are payable to your minor children or, if you have no minor children, to your designated beneficiary.

Married Employee Normal Form. If you <u>are</u> married at retirement, your normal form of payment will be a Life Annuity with 120 Payments Certain and a 50% Surviving Spouse Benefit.

This means that you receive regular monthly payments during your lifetime. If you die before receiving 120 monthly payments, the remaining installments will be paid to your spouse. After the remainder has been paid, your spouse will receive a lifetime benefit equal to one-half of your amount.

If you die more than 10 years after your retirement, your spouse will receive a lifetime benefit equal to one-half of the amount you were being paid.

If both you and your spouse die before 120 payments have been made, the monthly pension you were receiving will be divided equally among your children who are minors at that time – or, if there are no minor children, to your designated beneficiary – until the 120 payments are used up.

Eligible Spouse

To be eligible for a surviving spouse's pension, your spouse must be continuously married to you from the date payment of your pension benefit starts until the date of your death. If you marry, or remarry, after payment of your pension benefit has started, your spouse will not qualify for the surviving spouse's pension.

Reduction for Age Differential

If your spouse is more than 10 years younger than you are, the surviving spouse pension is reduced by 1/10 of 1% for each month over your 10-year age differential. For example, if your spouse is 15 years younger than you are, the survivor's pension is reduced 6% (60 months x 1/10 of 1%), because there are 60 months in excess of 10 years difference in your ages.

Time of Payment

Upon retirement, your pension will be paid to you monthly, beginning on the first day of the month in which you retire. If you retire early, payments will begin on the first day of any month on or after your early retirement date (as decided by you), but in no case after age 65.

Small Pensions

If the cash equivalent of your vested accrued benefit is less than $15,000 when your employment terminates, you will receive a single lump sum payment in place of a monthly pension.

However, if you are reemployed after receiving a lump sum payment, you may repay the single payment at any time before benefits begin, with interest at a rate determined by the IRS. If you repay the lump sum, your monthly pension will be based on all your diocesan service. If you do not repay the distribution, its value will be excluded when your monthly payment is later determined.

PRE-RETIREMENT SURVIVOR BENEFITS

The plan provides pre-retirement survivor benefits for your spouse or other designated beneficiary provided:

(1) the sum of your age plus your years of service equals 40 or more, or

(2) you have completed five years of service.

If you die while eligible for this protection, and while you are employed by the diocese, your survivor will receive a pension based on your accrued benefit at that time.

<u>For Single Employees</u>, this means that your children who are minors at the time of your death, or other designated beneficiary if you have no minor children, will receive a guaranteed pension for 10 years equal to 100% of your accrued benefit at the time of your death – commencing immediately. The annual amount of this pension will never be less than $1,200. After 10 years of payments have been made, no further pension will be paid.

If you have more than one minor child, your survivor's benefit is split equally among them.

For example:

Dan Kearney is age 35 and dies while employed by the diocese. Dan has 6 years of service, he therefore qualifies under (2) above, and his survivors are eligible for a benefit. Dan's accrued benefit is $300 per month.

Because Dan is a bachelor with no minor children, his brother, who is his designated beneficiary, will receive $300 per month for 10 years. If Dan's brother dies before he is paid 120 installments, the remaining payments will go to Dan's other beneficiary. After 120 installments have been paid, all survivor benefits stop.

If Dan were divorced with two surviving minor children, each child would receive $150 per month for 10 years. If only one of Dan's children were a minor and the other an adult at the time of his death, the minor would receive the total amount of $300 per month for 10 years – even though the child may become an adult during this time. Dan's adult child would receive nothing.

For Married Employees: your spouse will receive a lifetime pension of 50% of your accrued benefit at the time of your death – commencing immediately. Spouse benefits are subject to the reduction factor in the next paragraph.

If your spouse is more than 10 years younger than you are, your spouse's pension will be reduced by 1/10 of 1% for each month over the 10-year age differential, but not below $100 per month.

Payments will stop upon the death of your spouse except if your spouse should die before 120 payments. If your spouse dies before 120 payments have been made, the remaining installments will be paid to your children who are minors at the time of your spouse's death in equal shares or, if there are none, to a beneficiary designated by you or your spouse.

For example:

Dan Kearney, from the example above, is married instead of single on his date of death. His accrued benefit is the same; $300 per month.

Dan's wife is 31 years old – four years younger than Dan. Her benefit is 50% of the $300, or $150 per month. Dan's wife will receive $150 per month <u>for the rest of her life.</u>

If Dan's wife were more than 10 years younger than Dan, then her $150 per month payment would be reduced by 1/10 of 1% for each month over 10 years difference in their age. For example, if Dan's wife were 11 years younger than Dan, her $150 per month benefit would be reduced by $1.80, which is 1/10 of 1% of $150 times the 12 months that exceed the 10-year difference in their ages. Her net survivor's pension would be $148.20 per month ($150.00 - $1.80).

If you die while you are totally disabled, your survivor will receive a pension based on your highest average final pay at the time your disability started and the service you would have accumulated if you had worked up to the date of your death.

If you terminate employment with a vested deferred pension and die before your pension payments begin, your spouse, minor children, or beneficiaries are eligible for a pre-retirement survivor benefit.

The amount of this survivor benefit is based on the vested benefit computed at the time your employment terminated. The form of payment is based on your marital status at the time of your death, not at the time of your termination of employment.

The $1,200 a year minimum pension and the 1/10 of 1% spouse reduction factor described earlier also apply to terminated employees with a vested deferred pension.

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 all the data upon which your pension will be calculated, including your age and marital status. And, you are required by federal law (and the laws of some 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.

If you are married, your spouse must co-sign your application as described under "Spouse Consent Requirements" below, otherwise your application will be denied. Confirmation of your exact marital status must be established to the satisfaction of the Plan Administrator before any payment will be made to you.

Application and confidential data verification forms, or any other forms needed to collect your benefits, such as naming a contingent annuitant or other beneficiary, are available from the Chancery Office.

Return the completed forms to the Chancery Office 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 Chancery Office has 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 at least 90 days before you want payments to begin, they may be delayed.

Incomplete or improperly completed applications will be returned, and you will be given any explanation or assistance necessary to correct the form.

If you are not eligible for a benefit, the Chancery Office will tell you why in writing, refer you to the applicable provisions of the official plan document or other relevant records or papers, and inform you when and where you may see them. You will also be told how you can appeal the decision.

Exceptions to Application Requirement **and Small Benefit Cash Out**

Benefits may be paid without an application or spouse consent only upon your death, or after you reach age 65 if you are not then employed at the diocese, or if the single sum value of your benefit payment is $15,000 or less.

Spouse Consent Requirements

If you are married, you may not apply for benefits unless your spouse consents to your application. Your spouse must:

(a) Consent in writing on forms provided by or acceptable to the Plan Administrator, and

(b) Your spouse's signature must be witnessed by a representative of the Plan Administrator or a Notary Public.

OTHER THINGS YOU SHOULD KNOW

Plan Year

For purposes of maintaining the plan's records, the plan year is the twelve month period beginning each July 1.

Type of Plan

The plan is a 'defined benefit plan', which means that it provides a fixed amount of income upon retirement, based on a formula set forth in the legal plan documents and summarized on page 7 in this booklet.

Plan Administrator

The official Plan Administrator is The Bishop of the Diocese of Santa Rosa. Day-to-day operations of the plan have been delegated to the Vicar General and Chancery Office staff.

All questions and requests for information about the plan's administration and/or operations should be addressed to the Chancery Office. The address is on the last page of this booklet.

Covered Employees

Not everyone is eligible for coverage under the plan. Only those persons who are eligible for coverage and who meet the plan's eligibility requirements, which are set forth on page 3 in this booklet, are eligible.

The plan described in this booklet applies only to employees who retire, become disabled, die or terminate employment after September 1, 1989.

Maternity or Paternity Leave

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 birth or placement for adoption of the child.

A 12-month leave of absence, ***on account of maternity or paternity***, will not interrupt service credits, provided you return to diocesan employment before 24 months expire. If you do not return to diocesan employment within 24 months, your employment will be considered terminated when your 12-month leave is up, or the date you take another job if earlier.

Reemployment After Pension Payments Start

If you return to diocesan employment after your pension has started, your benefit payments will stop. When you later retire, your pension will be recalculated to include the additional service you have earned up to that date. Your recalculated pension amount will be reduced by the value of the previous payments you received before you were reemployed.

Misstatements/Data 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 overpayment of past benefits due to the misstatements will be deducted from future payments when possible. Otherwise, the Plan Administrator may institute legal action to recover the overpaid amount. Interest may be charged on any amount that is overpaid due to misstatement.

In no case, however, will any adjustment reduce your pension below the vested amount to which you are entitled.

Individual Benefit Statements

It is the Plan Administrator's practice to periodically provide individual pension statements which show your estimated accrued benefit to date, your benefit at retirement, your status for early retirement benefits, your survivors' benefits, your vested rights, and the personal data upon which your benefit is calculated. You are **urged** to carefully read your statement and notify the Chancery Office of any error, change or omission so it can be corrected as soon as possible. Of course, your questions will also be welcome.

Designation of Beneficiary

At anytime you are married, your primary beneficiary is automatically your spouse. If your spouse does not survive you, your beneficiaries are your children who are minors at your death, in equal shares. 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 minor children, you may designate an adult child, 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 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) In equal shares to the surviving children for whom you had a legal and parental responsibility;

(2) If there are no such children, to your parents in equal shares, or,
if only one parent survives, to that parent;

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

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

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

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

Should your first (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 have been deemed to have died last, and any benefits due will be paid in accordance with that assumption.

Beneficiary forms are available from the Chancery Office.

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 designated 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 obligation of the plan to pay a pension.

Abandoned or Unclaimed Benefits

If the plan is unable to pay a benefit because the identity or whereabouts of the person concerned is unknown, payment of the benefits will be suspended until the person is identified, located, or declared legally dead by a court of proper jurisdiction, or until the benefit is transferred to the State of California under its unclaimed property law.

The Plan Administrator will mail notification of the intended suspension to such person at his or her last known address at least 90 days before the suspension is to take effect. If no response is received within 90 days, the suspension will become effective.

Assignment or Attachment Prohibited

Benefits payable under the plan are not subject to assignment, alienation, transfer, other legal encumbrance, or process, including a domestic relations order, unless such order is determined to be a "qualified domestic relations order", as defined in Section 414(p) of the Internal Revenue Code.

Employment Rights Not Implied

Coverage under the plan does not give you the right to be retained in the employ of the diocese, or any affiliate or subsidiary nor does it interfere in any way with the right of the diocese, or any subsidiary or affiliate 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.

Plan Amendment, Merger, Consolidation, 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 accrued benefit of each covered employee will become fully vested (non-forfeitable) without regard to age or 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 Credits

Other than failing to meet the age and service requirements for a benefit, there are no conditions which would cause you to lose your accrued pension. However, as discussed under "Financing the Plan" below, there is no guarantee that funds will always be sufficient to provide benefits in full. It is your responsibility to see that the Plan Administrator has your correct address so your benefit checks can reach you.

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 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 employer contributions and the income the contributions earn through investment. You, as an employee, are not required to pay anything and cannot contribute anything.

Your diocesan employer 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. Benefits under this plan are <u>not</u> insured by the Pension Benefit Guaranty Corporation, an instrumentality of the U.S. Government.

These contributions are held in a Trust Fund, and the assets of the fund are invested in accordance with the Trust Agreement and directions from the diocese, or directions from an investment manager appointed by the diocese.

None of the plan's assets can be used for any other purpose than to provide benefits for employees and their beneficiaries.

About Social Security

Social Security benefits are completely separate from and in addition to your plan benefit. Your diocesan employer pays one-half of the social security tax each year for social security benefits and you pay an equal amount. The amount of your pay taxed during the major part of your working career is used to figure the amount of your "primary social security benefit"; that is, the amount you are entitled to receive as a retired worker.

BENEFIT EXAMPLES

The pension benefit formula is described on page 7.

The following examples show how the pension formula works in a variety of situations:

EXAMPLE #1 - RETIREMENT AT AGE 65

Jeff Albertson retires at age 65 with 30 years of service, Highest Average Final Earnings of $25,000.

His accrued benefit at age 65, which is also his normal retirement pension, is determined as follows:

- 1.1% x $25,000 = $275 per year of service
- $275 x 30 years = $8,250 annual pension at age 65.

Beginning at age 65, Jeff would receive $8,250 a year from the plan, plus social security. Jeff's plan benefit is payable monthly at the rate of $687.50.

EXAMPLE #2 - TERMINATION AFTER 8 YEARS

Ted Beckley terminates after 8 years of service at age 40, with Highest Average Final Earnings of $20,000. Based on 8 years of service, Ted is 100% vested in his accrued benefit. His vested benefit paid at age 65 is determined as follows:

- 1.1% x $20,000 = $220 per year of service
- $220 x 8 years = $1,760 annual accrued benefit at age 65.
- $1,760 x 100% = $1,760 annual vested pension at age 65.

Beginning at age 65, Ted would receive $1,760 a year (or $146.67 a month) from the plan. This would be added to the amount of his Primary Social Security Benefit.

EXAMPLE #3 - TERMINATION AFTER 20 YEARS

Karen Thompson terminates after 20 years of service at age 50, with Highest Average Final Earnings of $20,000. Karen is only 50 years of age and therefore not entitled to an immediate benefit; but she is fully vested in her accrued benefit and therefore eligible for a future benefit.

- 1.1% x $20,000 = $220 per year of service
- $220 x 20 years = $4,400 annual pension at age 65.

Beginning at age 65, Karen would receive $4,400 a year (or $366.67 per month) from the plan, plus social security, or Karen could elect early commencement on or after her age 55, and receive a reduced pension benefit.

EXAMPLE #4 - EARLY RETIREMENT

Let's assume that the employee in our first example, Jeff Albertson, decided to retire three years early, at age 62 instead of 65. Service would be 27 instead of 30 years and Highest Average Final Earnings would probably be less – let's use $22,000 instead of $25,000. The annual early retirement pension benefit is determined as follows:

- 1.1% x $22,000 = $242 per year of service
- $242 x 27 years = $6,534 annual pension at age 65.

The annual benefit that would be payable if Jeff retired at age 62 but delayed the start of payments until age 65 is $6,534. If payment is requested to start immediately at age 62, the $6,534 would be reduced for three years (36 months) of early start as follows:

Age 65 annual pension:	$6,534.00
Early Retirement Factor (from page 9):	x .8000
Annual pension starting at age 62	$5,227.20
Monthly pension at age 62	$435.60

Of course, Jeff will also receive social security benefits in addition to his diocesan pension. Because Jeff is age 62 he also has the option of taking early social security benefits, which are reduced for early retirement, or he can wait until his full social security retirement age to receive unreduced social security benefits.

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PLAN DIRECTORY

Official Plan Name:
The Diocese of Santa Rosa Lay Employees' Pension Plan

Plan Effective Date:
The Plan described herein was effective September 1, 1989.

Type of Plan: Defined Benefit Retirement Plan.

Fiscal Year and Plan Year:
The diocese's Fiscal Year and Plan Year is July 1st through June 30th.

Official Plan Administrator
The Roman Catholic Bishop of Santa Rosa

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