

RETIREMENT PLAN FOR LAY AND DEACON EMPLOYEES OF THE ARCHDIOCESE OF KANSAS CITY IN KANSAS

Introduction

There is a unique relationship between the Church and individuals who choose to serve as employees in the mission of the Church. Part of the Church's responsibility to the laity whose life vocation is spent in service is to assist in providing for their material needs and the needs of their families, both during their working years and during their retirement.

Providing compensation, contributing to the individual's Social Security and Medicare accounts, and making available group benefits are all part of the Church's responsibility to its employees, assisting them in planning for a secure future. Additionally, the Archdiocese provides a defined benefit retirement plan.

The Retirement Plan is a non-contributory plan covering all lay and deacon employees who meet the eligibility requirements as stated in the plan. It is a mandatory plan for Archdiocesan employers, the employer paying the entire cost. The cost of the plan to the Church should be viewed as all participating employers of the Archdiocese joining together to provide a fund for those who will eventually retire and are eligible for benefits upon retirement. All funds contributed to the Plan are separately accounted for, reserved and invested for present and future retirement benefits.

In planning for retirement years it is important to understand that the individual is primarily responsible for providing for their retirement. The benefit provided by this Retirement Plan should be looked upon as a contribution in addition to the individual's retirement savings and in addition to the benefit provided through Social Security.

This Retirement Plan of the Archdiocesan Church, when considered with Social Security, provides a base on which to build a retirement nest egg for later years in life. The Retirement Plan for Lay and Deacon Employees has steadily grown since its beginning and has proven to be a great blessing to the Church and the people in its service.

The plan was established January 1, 1978. This revised booklet incorporates amendments to the Plan through January 1, 2012. The Plan will continue to be regularly evaluated for possible changes as the actuarial level of funding permits.

Retirement Plan for Lay and Deacon Employees

This booklet describes in general terms, using a question and answer format, the basic features of the Retirement Plan for Lay Employees of Archdiocese of Kansas City in Kansas as updated through April 1, 2012.

1. Who is included in the Plan?

All lay and deacon employees of Archdiocesan parishes, schools, ministries and services within the Archdiocese are included in the Plan when the following eligibility requirements are met:

- employed by an Archdiocesan employer included in the Plan;
- average at least 30 hours per week for the calendar year or school year.

2. What Archdiocesan employers are included in the Plan?

Those employers which are a part of the Archdiocese and are clearly within the definition of a “Church Plan”, as recognized by government regulations, are included. These are: parishes, parish schools, interparish schools, Archdiocesan schools, Archdiocesan offices and special ministries of the Archdiocese as specifically identified.

The inclusion of other employees in the Archdiocesan Church will be determined on a case-by-case basis considering plan provisions and government regulations. It is a desire of the Archdiocese to include all lay and deacon employees of the Archdiocesan Church; however, regulations as they pertain to the Church may prevent this in some cases.

3. When did the Retirement Plan become effective?

The Plan became effective January 1, 1978. The Plan was reviewed and updated effective January 1, 1988, January 1, 1993, January 1, 1998, January 1, 2000, January 1, 2001, January 1, 2002, January 1, 2005, restated January 1, 2009 and amended January 1, 2010, and January 1, 2012.

4. How are full-time employees and Service defined?

Full-Time Employees - For the purpose of this Plan and this Plan only, an employee is defined as “full-time” when he or she meets the requirements of averaging at least 30 hours per week for the calendar year or school year, whichever is appropriate for the position.

Service - For Retirement Plan purposes, Service is the period of your employment as a full-time employee, measured in years and complete months, recognized by the Plan in determining benefits. The period from your full-time employment date of hire to your termination date is considered in determining Service.

Effective January 1, 2005, if you have a break in service, (that is, you leave employment with the Archdiocese and are later rehired), your previous Service will count if that period was at least 3 years or was greater than the length of your break in service and you then work for a minimum of 12 continuous months following your rehire date. Service is counted for authorized leaves of absences not to exceed six months. Also, Service is portable in that, if you have Service with more than one employer within the Archdiocese, the total accumulated service can be recognized. To be recognized, Service must be with an Archdiocesan employer included in the Lay Retirement Plan.

5. How is my monthly benefit calculated when I retire?

Your lifetime monthly benefit is calculated by: (1) totaling your years of recognized, full time service with the Archdiocese and (2) determining your average monthly earnings. Your average monthly earnings are based on the highest, consecutive 60 month period and are calculated on your gross salary. *Average monthly earnings for deacons include both salary and housing allowance, but do not include any FICA allowance paid.*

Two factors, *years of Service* and *average monthly earnings*, are used in the benefit formula, which increases with years of Service.

The benefit formula is as follows:

- a) .0083 multiplied by the highest, consecutive 60 month average earnings multiplied by the first 10 years of Service; plus
- b) .011 multiplied by the highest, consecutive 60 month average earnings multiplied by the next 15 years of Service; plus
- c) .0138 multiplied by the highest, consecutive 60 month average earnings multiplied by remaining years and completed months of Service.

Regardless of the Plan formula, however, your minimum monthly benefit from the Plan will be \$12.00 multiplied by your total years of recognized service.

Your retirement benefit will be adjusted if partially vested (see No. 11) and/or you retire early (see No. 8).

If you are a retiree who is receiving a monthly benefit and are rehired as a full time employee with the Archdiocese, your monthly benefit will stop. Your benefit will be recalculated when your employment ends.

If you are age 60 or older when you retire, you can work 20 or fewer hours per week with the Archdiocese and still receive your monthly benefit.

6. What are examples of a Monthly Retirement Benefit?

EXAMPLE 1

Let's assume you were hired on January 1, 1976 and your birth date is September 15, 1952. Your normal retirement date is October 1, 2017 (age 65), at which time you will have 41 years and 9 months of Service.

For this example, your highest 60 month average earnings are assumed to be \$2,169. Your benefit is calculated as follows:

- a) .0083 x \$2,169 x 10 years = \$180.03
- b) .0110 x \$2,169 x 15 years = \$357.89
- c) .0138 x \$2,169 x 16.75 years = \$501.36

Total: 41.75 years \$1,039.28 Monthly Income for Life

Or \$1,026.62 Monthly Income for Life with 60 Payments Certain
Or \$ 991.39 Monthly Income for Life with 120 Payments Certain
Or \$ 940.91 Monthly Income for Life with 180 Payments Certain
Or \$ 944.73 50% Surviving Beneficiary Option, \$472.37 for Beneficiary
Or \$ 903.63 75% Surviving Beneficiary Option, \$677.72 for Beneficiary
Or \$ 865.96 100% Surviving Beneficiary Option, \$865.96 for Beneficiary

See Question 12 for a detailed explanation of each listed payment option.

Your benefit from the Plan would be one of the above listed option amounts per month for your lifetime at your normal retirement date.

If you choose an option that provides Monthly Income for Life with Payments Certain, your surviving beneficiary would receive the chosen option amount per month for the remaining months certain, after your death. For example, if you chose 120 months certain and received 55 months of benefits during your lifetime, your beneficiary would then receive 65 months of benefits, after your death, during his or her lifetime to equal 120 months of certain benefits.

If you choose the Surviving Beneficiary Option, your surviving beneficiary would receive the chosen survivor option amounts per month, after your death, for his or her lifetime.

This is in addition to your monthly Social Security benefits.

EXAMPLE II

Let's assume you were hired on January 1, 1988, and your date of birth is May 1, 1947. Your normal retirement date is May 1, 2012 (age 65), at which time you will have 24 years and 4 months of service.

For this example, your highest 60 month average earnings are assumed to be \$2,708. Your benefit is calculated as follows:

$$a) .0083 \times \$2,708 \times 10 \text{ year} = \$224.76$$

$$b) .0110 \times \$2,708 \times \underline{14.3333} \text{ years} = \underline{\$426.96}$$

$$\text{Total: } 24.3333 \text{ years } \underline{\$651.72}$$

Your benefit from the Plan would be \$651.72 per month for your lifetime at your normal retirement date, assuming you chose the lifetime payment option. This is in addition to your monthly Social Security benefits. See EXAMPLE I for an illustration of other available benefit options and how they may affect your benefit.

EXAMPLE III

Let's assume you were hired January 1, 1997 and your date of birth is February 14, 1968. You left employment of the Archdiocese on January 1, 2012 with 15 years of Service with the Archdiocese. Your normal retirement date is March 1, 2033 (age 65).

For this example, your highest 60 month average earnings are assumed to be \$1,542. Your benefit is calculated as follows:

$$a) .0083 \times \$1,542 \times 10 \text{ years} = \$127.99$$

$$b) .0110 \times \$1,542 \times \underline{5} \text{ years} = \underline{\$84.81}$$

$$\text{Total: } 15 \text{ years } \underline{\$212.80}$$

Your benefit from the Plan would be \$212.80 per month for your lifetime at your normal retirement date, assuming you chose the lifetime payment option. Since you left the employment of the Archdiocese prior to your normal retirement date (age 65) with at least 7 years of Service, you may receive a reduced benefit as early as age 60. See EXAMPLE I for an illustration of other available benefit options and how they may affect your benefit.

EXAMPLE IV

Let's assume you were hired August 15, 2005 and your date of birth is May 29, 1966. You left the employment of the Archdiocese on January 1, 2012 with 6 years and 4 months of service. Your normal date of retirement date is June 1, 2031 (age 65).

For this example, your highest 60 month average earnings would be \$1,505. Your benefit is calculated as follows:

a) $.0083 \times \$1,505 \times 6.3333 \text{ years} = \79.11

b) vesting percentage $\times \underline{80\%}$

Total: $\$63.29$

Based on your 6.3333 years of Service, you are 80% vested in your benefit (see No. 11). You would receive \$63.29 per month payable at your normal retirement date (age 65), assuming you chose the lifetime payment option. See EXAMPLE I for an illustration of other available benefit options and how they may affect your benefit.

7. When may I retire?

Your normal retirement date is the first day of the month following your 65th birthday, having completed at least 3 years of Service. 7 years of service are required to be 100% fully vested (see No. 11). The Plan also has provisions for early and late retirement.

8. May I retire early?

If you are an active employee, early retirement is an option if you have 3 or more years of full time service and attain age 60.

If you are a terminated employee, early retirement is an option if you have 7 or more years of full time service and attain age 60.

The early retirement benefit will follow the regular calculation steps; using your service and earnings up to the day you retire, adjusted by your vesting percentage (see No. 11). The benefit amount is then reduced by about 5% per each year, (5/12 of 1 % for each month), that you are retiring prior to age 65. This reduction is in recognition of the fact that the payments will be made for a longer period of time. For example, retiring at age 63 would reduce your benefit by about 10%.

9. May I work part time and receive my monthly benefit?

You may receive your retirement benefit if your part time hours do not average over 20 hours a week during the given year.

10. What if I continue employment after age 65?

You can postpone receiving retirement income beyond your normal retirement date (age 65). You will continue to earn retirement credits for Service after age 65, but only if you are actively employed averaging at least 30 hours per week for the given year.

11. When am I vested?

Vesting is the process by which an employee becomes entitled to the retirement benefit that has been contributed to the Lay and Deacon Employees Retirement Plan by the employer. Vesting occurs after an employee has worked for an Archdiocesan Employer, who participates in the Retirement Plan, for a set number of years shown in the schedule below. Once vesting occurs, the benefits of the plan cannot be revoked by termination. After termination the employee's vested benefit will remain unchanged and is available at retirement age.

The Graduated Vesting Schedule:

<u>Years of Service</u>	<u>Percent Vested</u>
Less than 3 years	0%
3 years but less than 4	20%
4 years but less than 5	40%
5 years but less than 6	60%
6 years but less than 7	80%
7 years or more	100%

12. What if I leave employment before retirement age?

If you leave employment before your retirement age, but after you have completed at least 3 years of Service, you have earned the right to a partial, vested benefit, according to the Vesting Schedule above, at your normal retirement date (age 65).

If you leave employment before your retirement age, but after you have completed at least 7 years of Service, you have earned the right to your full, 100% vested benefit at your normal retirement date (age 65). You may elect to receive a reduced benefit as early as age 60 (see No. 8).

13. How will my benefit be paid when I retire?

Prior to retirement, you will select from multiple options which you have available to choose from. You will want to evaluate your circumstances and may wish to consult your financial advisor prior to making this selection. The options are described below.

(See No. 6, EXAMPLE I for an illustration of available benefit options and how they may affect your benefit.)

1. *Monthly Income for Life* - Your retirement income will be calculated according to the benefit formula and will be paid monthly as long as you live. At your death, payments will cease and no benefit will be paid to your beneficiary.
2. *Monthly Income for Life with 60, 120 or 180 Payments Certain* - Your benefit will be calculated according to the formula. The amount of your benefit will be reduced somewhat because a specific amount, depending on the number of payments selected, is guaranteed to you. You will receive the payments until you die. However, if you die before the number of specified monthly payments has been received, the balance of the payments will continue to your beneficiary. After the specified payments have been made to your beneficiary or your estate, the benefits will cease. This alternative provides assurance that a minimum number of payments would be payable in total to you or continued to your beneficiary for the selected period, if death occurs shortly after retirement.
3. *Surviving Beneficiary Option* - Your benefit will be calculated according to the formula. The amount of your benefit will be reduced because payments may extend beyond your death. The reduced amount will be paid to you for your lifetime. When you die, a monthly income or an equivalent payment will continue to your surviving beneficiary in the amount you elect. You may elect a continuation percent of 50%, 75%, or 100%. This option gives you the protection of extending your retirement benefit over two lifetimes so that, if your designated beneficiary is still living at the time of your death, payments will continue. However, your beneficiary cannot be more than 45 years younger than you. If your beneficiary does not survive you, no further benefits will be paid from the plan.

SPOUSAL ACKNOWLEDGEMENT – When you retire, if you have a spouse, and choose an option other than a Surviving Beneficiary Option or choose someone other than your spouse as the beneficiary, your paperwork will include an Acknowledgement Form for your Spouse to sign. This form explains to the spouse that he or she may not receive a benefit or could receive less money than would be received under a Joint and Survivor payment form.

4. *Partial Lump Sum Option* - If you are an active employee who has reached age 60 with 10 years of Service at retirement, you may elect to receive 25% or 50% of your accrued benefit payable as a lump sum. The balance of your benefit will be paid under one of the monthly options previously discussed.

Please note: if at retirement the lump sum value of your benefit is \$5,000 or less, the full lump sum will be paid to you.

14. What if I die before I retire?

If you are a vested, active employee, with at least 3 years of service, your listed beneficiary is eligible for a survivor's benefit. The monthly benefit is payable immediately and is payable for the life of your beneficiary. The benefit is equal to the full actuarial equivalent of your vested benefit and based upon your compensation and years of service at the time of death. Your beneficiary may elect a monthly benefit or to have a portion of the benefit paid as a 25% or 50% immediate lump sum with the remainder paid as a reduced monthly benefit.

If you are a vested, terminated employee, with at least 3 years of service, your spouse is eligible for a survivor's benefit. The monthly benefit is payable at your normal retirement date; (age 65 or date of death if later) and is payable for the life of your spouse. The amount of the benefit is equal to the vested benefit your spouse would have received if you had survived to age 65, elected the 50% Surviving Beneficiary Option, and then died on that date.

If you are a vested, terminated employee, with 7 or more years of service, your spouse is eligible for a survivor's benefit. The monthly benefit is payable at your early retirement date; (age 60 or date of death if later) and is payable for the life of your spouse. The amount of the benefit is equal to the vested benefit your spouse would have received if you had survived to age 60, elected the 50% Surviving Beneficiary Option, and then died on that date.

15. Who contributes to the Plan?

All covered employers within the Archdiocese make a regular contribution which has been actuarially determined to meet the necessary funding required of the Plan. There can be no employee contribution to the Plan and an employee may not opt out of the Plan. However, an employee can contribute to the Tax Sheltered Annuity program (see No. 17 & 18).

16. How can I increase my retirement benefits?

You are increasing your potential retirement benefits through payments to Social Security. Your employer also contributes a like amount to your Social Security each time you are paid. Your benefit from Social Security will be in addition to the benefit received from your Retirement Plan with the Archdiocese.

In addition, you can increase your retirement benefits through participation in the Tax Sheltered Annuity program (see No. 17 &18).

17. What is the Tax Sheltered Annuity (TSA)?

As an employee of the Archdiocese, a non-profit Church organization, tax regulations specifically permit you to participate in a Tax Sheltered Annuity (TSA) program. A Tax Sheltered Annuity is an individual account based plan that offers you a special opportunity to supplement your retirement income with before-tax dollars. You make contributions to the TSA with payroll salary reductions. You are eligible to participate in the TSA whether or not you are covered by the Retirement Plan.

18. How can a Tax Sheltered Annuity benefit me at retirement?

The Archdiocese has made special arrangements to participate in group Tax Sheltered Annuity programs. As a group TSA, this offering has some benefits which are greater than those available under an individual TSA. The group TSA plans are fully explained under separate cover. Some of the highlights of the TSA are:

- contributions to your TSA account and income earned in your account are not subject to federal or state income tax until withdrawal;
- the contribution amount can be changed quarterly to meet your personal long-term savings goals;
- various investment options are available.

Careful consideration to federal regulations regarding annual contribution limits and withdrawal restrictions should be considered prior to enrollment in the TSA.

19. What if I have or want to establish an Individual Retirement Account (IRA)?

You can continue to maintain or establish an IRA while you are an active participant in the Retirement Plan. However, tax laws may reduce the tax deductibility of your contributions, depending on your adjusted gross income. There are also limits on the amount you and your spouse can contribute to an IRA in a tax year.

If you receive a lump sum distribution for part or all of your benefit, this amount may be eligible for an IRA rollover. You should carefully consider the tax laws prior to making IRA contributions.

20. What if I have questions about the Retirement Plan?

All Plan participants and beneficiaries are requested to direct any inquiries to your Employer or to the Human Resources Office at the Archdiocese.

In this booklet, we have attempted to explain to you the basics of the Retirement Plan for Lay and Deacon Employees of the Archdiocese of Kansas City in Kansas. The complete provisions of the Plan are contained in legal language in the Plan Document. Final interpretation of any specific provision of the Plan is governed by the Plan Document.