

“Silver Dollars”

Providing for Lay Employees at Retirement



Currently 2 Retirement plans

- * **Defined Benefit Pension Plan for Parish Employees**
- * **Defined Contribution Plan for Central Administration employees & some Parish School Employees**



Current Defined Contribution

- * **Two parts:**
 - * **403b Employee Voluntary Salary Deferral Plan**
 - * **Minimum 3% contribution for 4% employer match**
 - * **Money Purchase Plan for the Diocesan Contribution (match)**

Current Defined Contribution (cont.)

- * **Employees select their investments from a wide number of options**
- * **Option for employee to supplement their investment**
- * **Predictable expense in current year for employer**
- * **Issues**
 - * **Current 403b is burdened by excessive processing due to large number of personal advisers for employee accounts**
 - * **Lack of single source administration problematic under current regulatory environment**

Course of Action

- * **Recognized the Defined Benefit Plan was at high risk and administrative issues with current Defined Contribution Plan**
- * **Assembled a team with outside consultants, pastors, diocesan representatives and actuaries to analyze the plan and develop a strategy**
- * **Hired a third party consultant to apply industry standards to the process (FIA)**
- * **Conducted a comprehensive bid process to choose a comprehensive processing firm while protecting best aspects of current plan (selected MassMutual)**

“Silver Dollars” Approach

- * **Launch a single 403b plan for all employees under umbrella of RC Bishop of Worcester, a corporation sole, effective September 1, 2013**
- * **Same qualifications for all employees regardless of location**
- * **Same contribution formula made by employer to all participating employees (*next slide*)**
- * **One processing firm for all transactions and reporting to employees (Mass Mutual)**
- * **Portability for employees between parishes and parish to diocese**
- * **No long-term financial risk for the parish and departments because contributions are always current liabilities**

How does it work?

- * Employee qualifies at 20+hours/ week avg. and must contribute a minimum of 1% of income into an individual account – renewed or adjusted annually
- * Employer contributes from 1% to 4%– no additional match by employer beyond 4%

<u>Employee contr.</u>	<u>Employer contr.</u>
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1%	1%
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2%	2%
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3+%	4%
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- * Payment is made every month into an account for that employee (employee and employer contributions)
- * Employee gets a quarterly report to see how the account is doing and can change investment allocations

Vesting Schedule & Eligibility

- * **Eligibility and Vesting**

- * **Eligible to enroll upon completion of 3 years of employment for employer's contribution**

- * **Tax-deferred contributions to individual account can begin anytime**

- * **Enter the plan on the next open enrollment period for employer contributions**

- * **Vesting Schedule**

- * **Completion of 3 yrs. of employment - 60%**

- * **4 yrs. - 80%**

- * **5 yrs. - 100%**

Impact on Central Admin Employees

- * **Similar plan to current 403b**
- * **New: Lower commitment level to get into it – 1% employee contribution instead of current 3%**
- * **Same: 4% match by diocese if at least 3% by employee**
- * **New: One Plan for both employee and employer contributions**
- * **New: MassMutual has been selected as the plan-wide financial administrator for the combined 403b beginning Sept. 1st to reduce processing-related costs and ease regulatory compliance**
- * **Existing Personal Accounts remain under the control of the employee with no additional payroll deductions**

QUESTIONS

