

“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 Benefit (Pension)

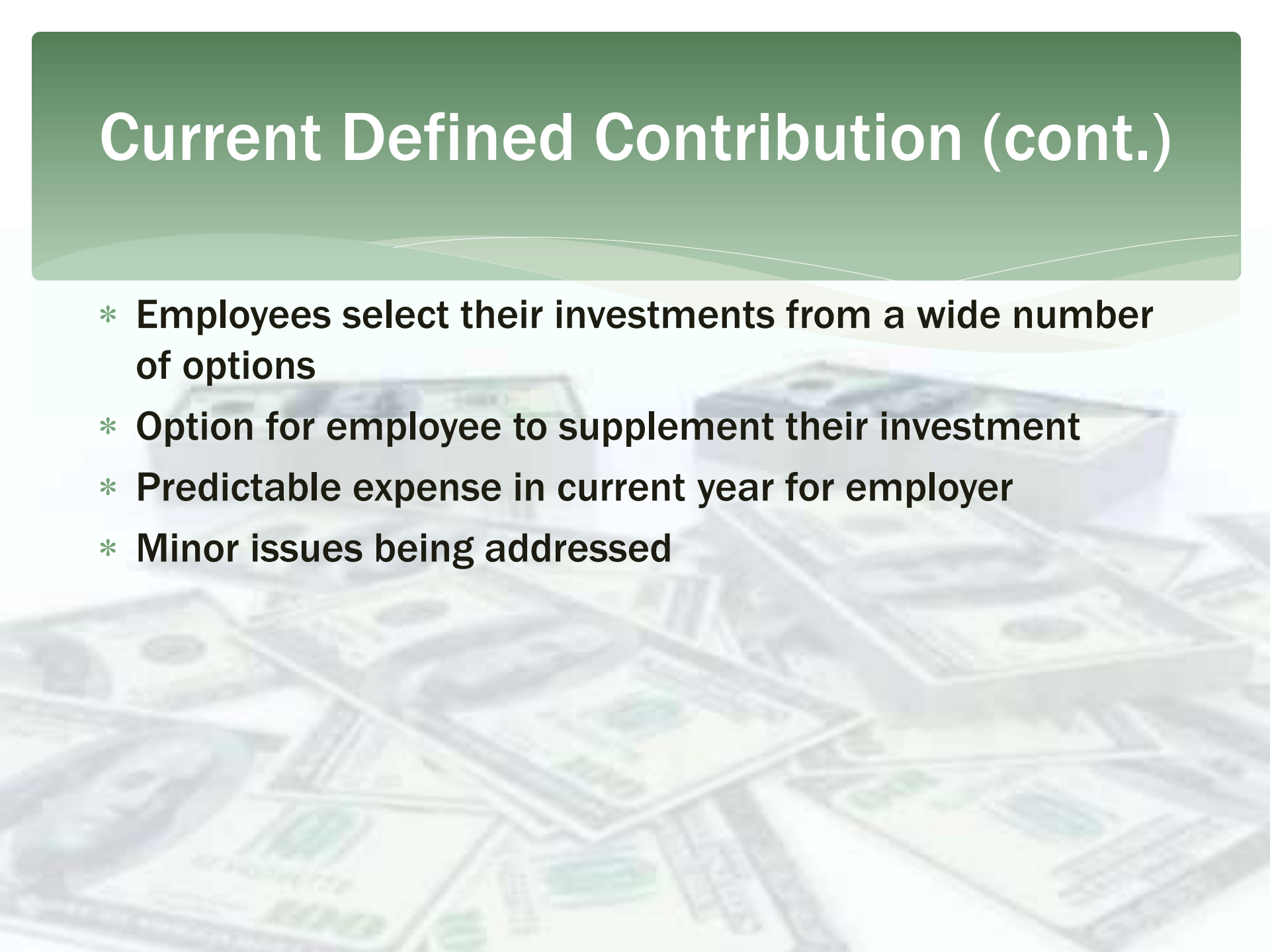
* Issues:

- * **Difficult for some employees to understand**
- * **No investment option for the employee to contribute more for retirement within the system**
- * **Suffers from underfunding (Industry-wide trend)**

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**
 - * **Minor issues being addressed**
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- The background of the slide features a blurred, high-angle view of several US dollar bills scattered across a light-colored surface. The bills are in various orientations and focus, creating a sense of depth and movement. The colors are muted, with the greens and yellows of the currency appearing soft and slightly desaturated.

Course of Action

- * **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**

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

Impact on Parish Employees

- * **Current Pension Plan would freeze as of August 31, 2013. Upon retirement, current participants would draw on their accrued pension based on their current vesting and on the average of earnings of the five highest consecutive years prior up to that date.**
- * **Contributions by Parish to be made into their new 403b account beginning Sept 1, 2013 –ONLY if the employee chooses to participate as well**
- * **Employees can make contributions beginning Sept 1**
- * **Employee controls level of risk in investment from a pool of options provided by the MassMutual**

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%**

How the frozen DB plan works

- * Years of service are worth 1% each up to 20 years (20% max)
- * x Average of highest 5 consecutive years of earnings
- * = Your annual defined benefit
- * x VESTED PERCENT (40 - 100%)
- * = Your annual VESTED defined benefit

Example slide for a Parish Employee who has been employed 10 years

- * **Assumptions: on Aug. 31, 2013, Employee A worked 10 years, the average of the highest 5 consecutive years earnings was \$16,390 and was 100% vested,**
- * **Plan freezes on Aug. 31**
- * **UPON RETIREMENT, that participant would draw \$ 1,639 annually for life from the frozen plan. Other options are available.**
- * **PLUS they would have access to all the funds in the new 403b (100% vested after having worked 5+ years for parish)**

QUESTIONS

