



Frequently Asked Questions Regarding the Archdiocese of Philadelphia Lay Employees' Retirement Plan Freeze

The following list of frequently asked questions is intended to answer many of the inquiries you might have about the decision to freeze the Lay Employees' Retirement Plan (the "Plan").

If there is a difference between any information presented below and the Plan document, the Plan document will govern. A copy of the Summary Plan Description is available on the Archdiocesan website at www.archphila.org.

1. *What is happening?*

The Lay Employees' Retirement Plan of the Archdiocese of Philadelphia will be "frozen" effective June 30, 2014. That is, your accrued pension benefit will not increase with additional service to the Archdiocese or increases in your pay after the freeze date.

The plan freeze does not reduce or eliminate any benefits that have been earned through the freeze date. A freeze means that no further benefits will be accrued.

2. *Why is this happening?*

The Archdiocese has been transparent about the serious financial challenges it faces. In financial reports it issued this past summer for the fiscal year ended June 30, 2012, the Archdiocese disclosed several significant balance sheet liabilities that measure in the hundreds of millions of dollars. One of these liabilities is the Lay Employees' Retirement Plan, which was underfunded by approximately \$150 million as of that date million (i.e. approximately \$630 million in actuarially determined liabilities versus \$478 million in plan assets).

While the funding level is sufficient to meet the current benefit payments, action must be taken to ensure that the Plan can meet its obligations to future retirees. The Archdiocese is taking this action now to protect the pension benefits due to all current and former employees who are or will become vested in the plan and to ensure that they experience no loss in ongoing benefit earned through June 30, 2014.

The Archdiocese has determined that it cannot financially support the pension program as it is currently structured. The Archdiocese has decided to freeze the existing plan and move to a retirement plan structure that it can support into the future in order to honor its commitment to assist employees in retirement.

3. *When is this happening?*

The freeze will be effective June 30, 2014.



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4. *What does this mean?*

Your pension benefit will be determined as of the freeze date. That amount will remain unchanged regardless of future pay increases or length of service.

5. *Will I lose any existing benefits?*

No, your pension benefit earned through the freeze date will not be reduced as a result of this change.

6. *Will I continue to earn pension benefits between now and the freeze date?*

Yes, you will continue to accrue pension benefits as normal until that time.

7. *Is my pension benefit at risk? How is it protected?*

The Archdiocese plans to continue to make contributions to the Plan in order to fund all benefits accrued through the freeze date. The funds in the Lay Employees' Retirement Plan are held in a trust entity that is separate from other Archdiocesan entities. The funds in the trust can only be used for their stated pension purpose.

8. *What does it mean to be "vested" in the Lay Employees' Retirement Plan?*

To be "vested" refers to a plan participant's right to receive his or her accrued pension benefit. A participant becomes vested in the Lay Employees' Retirement Plan after completing five years of credited service to the Archdiocese of Philadelphia or one of its entities participating in the plan while working 20 hours or more per week for five months a year or more under the Plan rules. Service after the freeze date will count for vesting purposes.

9. *What retirement benefit will be provided for employees after the freeze date?*

Effective July 1, 2014 the Archdiocese will provide retirement benefits through a defined contribution plan for eligible employees.

10. *I am retired and currently receiving benefits. How will this affect me?*

There will be no impact to current retirees. You will continue to receive pension benefits as you do currently.

11. *I am a current employee who is vested in the plan; what action do I need to take now?*

You won't need to take any immediate action, but you should be aware of the following:



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- On Thursday, November 7th, an individualized estimated pension benefit statement will be mailed to you so that you will be informed about your particular situation.
- A dedicated call center will be active beginning Tuesday, November 12th. The phone number for the call center is **1-855-745-3724**. *The call center will be staffed Mondays through Fridays from 11:00 a.m. to 7:00 p.m.* Voicemail will be available after operational hours. Staff members will be available to assist you with any additional questions you may have.
- In the coming months, you will also receive additional information from the Archdiocese about the defined contribution retirement plan that will be implemented after the freeze date.

12. I am no longer working at the Archdiocese, but think I am owed a pension. What does this mean to me?

You must have worked for the Archdiocese for five full years in order to be vested in the Lay Employees' Retirement Plan. If you are vested in the plan and no longer working for the Archdiocese, there will be no change or reduction to the benefit you have earned. If you are unsure as to your vesting status, please call **1-855-745-3724** when the call center becomes active on Tuesday, November 12th.

13. Can I start receiving my pension benefits now?

The pension plan allows for former employees to commence their pension at age 65. Alternatively, you can retire early with a reduced pension if you are at least age 55 when you stop working for the Archdiocese and your age, plus your years of service total 75 or more.

The plan freeze does not change any rules related to when an individual may begin receiving pension benefits.

14. What is the value of my pension benefit?

Your pension benefit will be based on the current plan formula, which uses your years of service and compensation history to compute your individual benefit. You will receive an individual statement after November 7th providing an estimate of the value as of June 30, 2013. After the actual freeze date, you will receive an official, final pension statement, which will reflect your service and compensation history through the freeze date.

15. When will I know the actual value of my pension benefit?

You will receive a preliminary statement with an estimated value shortly after November 7th. A final statement will be sent to you after the freeze date. The statement that you receive after the freeze date will show your final, actual accrued pension benefit.



Frequently Asked Questions Regarding the Archdiocese of Philadelphia Lay Employees' Retirement Plan Freeze

16. I meet the requirements to start receiving pension benefits, how do I begin doing so?

You should contact the Pension Department approximately 60 days prior to your anticipated retirement date. You will be asked to complete an application and provide proof of your age. In some cases, you may also need to provide proof of your spouse's age and a copy of your marriage certificate.

17. How do I know if the information about my pension benefit is accurate?

The Archdiocesan Pension Office maintains all information related to your pension benefit. If you have questions regarding this information, please call **1-855-745-3724** after the dedicated call center opens on Tuesday, November 12th.

18. I work for the Archdiocese or an entity participating in the current plan at more than one location. Does my combined service count toward my pension benefit?

If you work at more than one location, you are eligible to accrue a pension benefit provided you work more than 20 hours per week for more than five months a year with five years of credited service as defined by the Plan document. A copy of the Summary Plan Description is available at www.archphila.org.

19. How do I fix incorrect information?

If you believe that any of your information is incorrect, you should contact the person responsible for payroll administration at your employment location.

20. I work part-time for the Archdiocese, does that service count toward pension eligibility?

You must work at least 20 hours a week, five months of the year to be eligible for the plan. If you work less than this, you are not eligible for pension benefits.

21. What happens if I stop working for the Archdiocese before June 30, 2014?

Your eligibility for a pension benefit and the value of that benefit will be determined based on the final date of your employment with the Archdiocese.

22. What if I am employed by an entity participating in the Lay Employees' Retirement Plan but not vested as of June 30, 2014?

Although your accrued benefit will be determined based on your years of service and compensation history as of the freeze date, service rendered after that date will be counted for vesting purposes and early retirement eligibility. If you terminate employment with the Archdiocese at a later date



Frequently Asked Questions Regarding the Archdiocese of Philadelphia Lay Employees' Retirement Plan Freeze

and have at least five years of service, you will be eligible to receive a benefit from the plan. The value of that benefit will be based on your compensation history and years of history through the freeze date only.

23. *Will I be able to take my benefit as a lump sum after the freeze date and forego a future pension benefit when I retire?*

The Archdiocese is currently evaluating the possibility of this option and will provide additional information in the coming months. This option may be made available, for example, to former employees who are vested and who are not yet receiving a retirement benefit and/or to current employees who are over age 62.

24. *Will the Archdiocese replace the pension plan with a different retirement benefit for employees after the freeze date for the pension plan?*

Yes. The Archdiocese remains committed to assisting its employees in retirement. The freeze of the pension plan is being implemented to protect all benefits that employees have currently earned. After the freeze date, the Archdiocese will establish what is known as a defined contribution plan for retirement.

A defined contribution plan is one in which participants will have choices regarding how their funds are invested. When the defined contribution plan is implemented, the Archdiocese will contribute a percentage of each individual's annual compensation to the defined contribution plan account. While the amount of the Archdiocesan contribution will be discretionary and will be determined on an annual basis, a contribution of 4.5% of compensation is expected initially. Employees may also make pre-tax contributions to their individual accounts in addition to the funds provided by the Archdiocese up to established limits set forth by the Internal Revenue Service.

In the coming months, you will receive additional, detailed information about the defined contribution plan. One additional aspect of the defined contribution plan that can be shared now concerns vesting. Vesting in any Archdiocesan contributions to the defined contribution plan will occur after one year of service. Service prior to the establishment of the new plan will count toward this vesting requirement. Any employee who has already completed one full year of service, working 20 hours or more per week for at least five months per year will be vested immediately.