“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)
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

Current Defined Contribution (cont.)
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%

<table>
<thead>
<tr>
<th>Employee contr.</th>
<th>Employer contr.</th>
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<tbody>
<tr>
<td>1%</td>
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<tr>
<td>2%</td>
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<tr>
<td>3+%</td>
<td>4%</td>
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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%
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