PURPOSE. Traditionally, retirement security has been described by financial planners as resting on a 3-legged stool: an employer's plan, Social Security and personal savings. This pension plan can be an important part of your retirement planning.

ELIGIBILITY. All lay employees who are regularly scheduled to work 20 or more hours a week and five or more months a year for a participating employer become participants after the completion of one year of service. Leased employees and independent contractors are not eligible for the plan.

PENSION ACCOUNT BALANCE. For record-keeping purposes, each participant has a pension account balance. Your pension account balance is a method by which your benefit earned to date is expressed. However, the actual pension trust fund is not separated into individual accounts. The amount of your pension account balance at any time determines your plan benefit, which is payable as a lump sum or, if you choose, as a lifetime monthly annuity.

ACCRUED BENEFIT. Your benefit is expressed as a pension account balance consisting of pay credits and interest credits.

- A **pay credit** is accrued in your pension account each year starting January 1, 1996, or your entry date, if later. It is an amount equal to 6% of your earnings in that year. Earnings means all wages paid to you by your employer as reported on your W-2 income tax form, before any deductions such as tax withholding and any contributions you make to a tax-sheltered annuity plan or flexible benefits plan.

- An **interest credit** is added to your pension account each year at a specified annual rate, which is currently 7%.

AN ANNUAL STATEMENT of your pension account balance will inform you of your progress under the plan each year. It will update your prior year's pension account balance by adding the pay credit and the interest credit accrued during the year.

VESTING. You are 100% vested in your pension account balance when you complete 7 years of service or if you are still working for any participating employer at age 65. Service for all participating employers counts for this purpose. "Vested" means you will receive a benefit from the plan after you leave your employment. The vesting schedule is:

Years of Service	Percent Vested
Less than 3	-0-
3 but less than 4	20%
4 but less than 5	40%
5 but less than 6	60%
6 but less than 7	80%
7 or more	100%

YOUR BENEFIT IS PAYABLE when you retire, become disabled, or leave your employment with a vested benefit. In the event of your **death**, your benefit will be paid in the form of a lump sum to your spouse or designated beneficiary.

If you **become disabled** while employed by a participating employer and provide evidence that you are receiving a disability benefit from Social Security, the full amount of your pension account balance is payable to you.

A vested pension account balance is payable after termination of employment. Your benefits will be distributed as soon as administratively possible after your termination. **Benefits cannot be deferred** to a later date.

FORM OF PAYMENT. The form of payment upon termination of employment is either a cash lump sum equal to your pension account balance or an annuity. The choice is yours. To be eligible for the annuity option, your pension account balance must be at least $5,000 and you must be over age 55 and 100% vested.

Annuity amounts are based on your pension account balance and the actuarial factors for your age and, if you are married, your spouse's age.

If you are unmarried and eligible for the annuity option when you terminate employment, the annuity form of payment is a monthly benefit which is payable for your lifetime; payments stop at death.

If you are married and eligible for the annuity option when you terminate employment, the annuity form of payment is a monthly benefit which is payable for your lifetime, with 50% of the amount continuing to be paid to your spouse if you are first to die.

All annuity forms, married or single, have a full cash refund feature. This means that the total of all payments must equal or exceed the amount of your pension account balance at the time you retired. If not, the difference is paid to your beneficiary.

For lump sum distributions, you may generally elect to roll-over all or a portion of your distribution to an IRA or another qualified plan.

MANDATORY DISTRIBUTION. If you fail to make a form-of-payment election during the election period following your termination of employment, your benefits will be automatically distributed to you. If the lump sum amount is under $1,000 or you are over age 65, a lump sum check will be mailed to you. Otherwise, your lump sum amount will be automatically rolled over to an IRA designated by the plan administrator.

TAXATION OF BENEFITS should be considered before you apply for benefits. Payments from the plan are generally taxable, but different rules apply to different forms of payment. The plan will provide you with general tax information when you are ready to receive your benefits; however, you should consult a professional tax advisor who understands your individual situation.

FINANCING THE PLAN is done by periodic contributions from participating employers in the Diocese of Sacramento to a trust fund held by an independent corporate trustee for the exclusive benefit of participants and beneficiaries. The pension trust fund is unallocated; that means the plan's assets are commingled for plan participants as a whole and not segregated by individual accounts. Pension account balances are solely for the purpose of determining each participant's accrued benefit. The amount of each contribution by your participating employer is based on a valuation of plan obligations made by an independent actuary who calculates contributions needed to build a fund sufficient to pay benefits when they come due. Participating employers have no obligation beyond making these contributions, and they have no liability for benefits if trust fund assets are insufficient.

NOT EVERY LIMITATION or plan provision is covered in this summary. The Diocese intends to continue the plan indefinitely, but retains the right to change its terms – including the rates of future pay credits and interest credits – or terminate it. The Diocese may not, however, decrease pension account balances already accrued. Contributions already made to the trust fund may not be returned unless and until all benefits have been paid or secured. If you have any questions about the plan, please contact the Diocesan Benefits Coordinator.

This brochure is simply a brief summary of the key features of the pension plan as in effect on March 1, 2013. In the event of a conflict with the language of the official plan document, the plan document takes precedence. The plan was effective January 1, 1996.

THE DIOCESE OF SACRAMENTO LAY EMPLOYEES PENSION PLAN

The key features of the pension plan.

The pension plan includes the following features.

- All full-time eligible lay employees of participating employers within the Diocese of Sacramento are automatically covered upon meeting the one-year-of-service eligibility requirement.
- Your pension account balance will be credited each year with an amount equal to 6% of your annual pay (pay credits).
- Pay credits will be based on all your W-2 wages, including any contributions you make to an Internal Revenue Code Section 403(b) tax-sheltered annuity or flexible benefits plan.
- Your pension account balance will be credited with interest each year, currently at 7%. Your account will not be affected by the investment results of the plan's trust fund.
- Your pension plan benefit is completely employer-paid, and is in addition to Social Security benefits to which you and your spouse may become entitled.