

# ***LAY EMPLOYEES' PENSION PLAN***

***FOR THE***



**UDIOCESE  
OF  
COVINGTON**



**UDIOCESE  
OF  
LEXINGTON**

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## **INTRODUCTION**

The Lay Employees' Pension Plan of the Diocese of Covington and Lexington (the "Plan") has been made available to provide you and your family additional income during your retirement years. All benefits in the Plan are in addition to your benefits from Social Security.

This booklet has been prepared to provide you with a summary description of the principal features of the Plan. We hope that you will read this information carefully. It explains the Plan in non-technical language...but it does include terms that may be new to you. You may find it helpful to refer to the list of definitions before reading further.

Your rights are governed by the Plan Document and not the descriptions in this booklet. If there are any inconsistencies between this description and the actual provisions of the Plan, the Plan documents will govern. If you have any questions regarding the Plan, please contact Nyhart at 1-888-901-2090. Employees of the Diocese of Covington may also call the Finance Office or employees of the Diocese of Lexington may contact the Human Resources office.

Other retirement benefits, in the form of employee salary reduction 403(b) accounts, may be available through the Diocesan Payroll Department

## **DEFINITIONS**

### **NAME OF PLAN, as recorded with the Internal Revenue Service**

Employees' Pension and Investment Plan of Diocese of Covington and other Participating Employers

### **TYPE OF PLAN**

Defined Benefit Plan

### **EFFECTIVE DATE OF PLAN**

July 1, 1984

### **ANNIVERSARY DATE**

July 1 of each year

### **ENROLLMENT DATE**

Date of hire (if you opt out, you may choose to enroll any following November 1<sup>st</sup>)

### **PARTICIPATING EMPLOYER**

Any Catholic employer in the Roman Catholic Dioceses of Covington and Lexington, KY that has elected to participate in the Plan. **Not all Catholic institutions in the Dioceses are Participating Employers.**

### **ENTRANCE DATE OF EMPLOYER**

Effective Date, Anniversary Date or the date on which a Participating Employer begins participation in the Plan

### **VESTED**

Your right to a non-forfeitable benefit from the Plan

### **VESTING DATE**

You are 100% vested after 5 years of Credited Service

### **PLAN YEAR**

12-month period beginning on July 1 and ending on June 30

### **CREDITED SERVICE**

Period of Service with your Employer based on full years and completed months

### **PERIOD OF SERVICE**

A period measured from your date of employment to your date of termination

## **DEFINITIONS (continued)**

### **ANNUAL COMPENSATION**

Your W-2 compensation for each Plan Year, plus contributions made to 403(b) or §125 accounts, and any amount received as housing allowance

### **ACCRUED BENEFIT**

A participant shall accrue or accumulate a benefit payable at Normal Retirement Age based on his Prior Service Compensation and Annual Compensation earned as of the date of determination of the accrued benefit.

### **NORMAL RETIREMENT DATE**

Determined from the last day of the month in which you have participated in the plan for five years and have satisfied the earlier of:

- 1) attained age 65, or
- 2) attained age 60 and have completed 30 years of employment

### **EARLY RETIREMENT DATE**

The last day of the month in which you reach age 55 and have completed 10 years of Credited Service.

### **PRIOR SERVICE COMPENSATION**

Your Annual Compensation for the calendar year preceding the date of your Plan Participation.

## **WHEN YOU CAN PARTICIPATE**

You are eligible to participate, and will be automatically enrolled in, the Pension Plan on the first day of the month following your date of hire provided you meet the following requirements:

- 1) You have reached age 21; and
- 2) You work at least 5 months per year; and work at least the minimum hours per week for your Diocese as follows:
  - a) Covington employees must work at least 15 hours per week,
  - b) Lexington employees must work at least 20 hours per week (was 15 hours per week prior to July 1, 2008), and
- 3) You agree to contribute a percentage of your gross salary to the Plan.

You will be automatically enrolled in the Plan on the first day of the month after satisfying the above requirements.

***NOTE:*** *If you are eligible to participate in this Plan but do not, you are still considered an active participant in the Plan. Therefore, your W-2 will reflect your active status and your ability to establish an after-tax account may be affected.*

If you opt out of this plan, you will lose any benefit accrued from your date of hire. You may enroll on any November 1st, but you will not receive credit for any prior service for benefit determination purposes.

## **CONTRIBUTIONS**

The Plan is funded by three sources:

- 1) After tax contributions made by plan participants, and
- 2) Contributions made by Employers of plan participants, and
- 3) Investment earnings of the plan assets provided for future benefits.

## **NORMAL RETIREMENT BENEFIT**

A participant who entered the Plan before November 2, 2000 is eligible for a retirement pension payable for their life determined as follows:

- 0.885% of Prior Service Compensation multiplied by service credited prior to their date of participation plus 1.77% of their Annual Compensation for each year of Credited Service following their date of participation.

A participant who enters the Plan after November 1, 2000 is eligible for a retirement pension payable for their life determined as follows:

- 1.77% of Annual Compensation for each year of Credited Service following date of participation

## **NORMAL RETIREMENT BENEFIT (continued)**

Because retirement benefits are funded in part by contributions made by employees participating in the plan, some portion of the benefit paid will be exempt from income taxes. The exempt portion is based on formulas provided by the IRS.

### **Normal Retirement Benefit Example:**

Following is an example of how your monthly pension benefit payable for your lifetime is determined:

**Retiree:** Age 65 with 10 years of Credited Service.

#### **Step 1: Benefit Earned During Participation:**

<u>Year</u>	<u>Actual Compensation</u>	<u>Benefit Percent</u>	<u>Annual Benefit Amount</u>
1	\$ 29,000	1.77%	\$ 513.30
2	\$ 30,000	1.77%	\$ 531.00
3	\$ 31,000	1.77%	\$ 548.70
4	\$ 32,000	1.77%	\$ 566.40
5	\$ 33,000	1.77%	\$ 584.10
6	\$ 34,000	1.77%	\$ 601.80
7	\$ 35,000	1.77%	\$ 619.50
8	\$ 36,000	1.77%	\$ 637.20
9	\$ 37,000	1.77%	\$ 654.90
10	\$ 38,000	1.77%	\$ 672.60
			Total \$ 5,929.50
			÷ 12
		Monthly Benefit	\$ 494.13

**Step 2:** Prior Service Benefit (if applicable) + 26.55

**Result:** Total monthly lifetime benefit \$ 520.68

The minimum monthly normal retirement benefit is \$50.

Prior Service Benefit is only applicable to participants whose participation date is on or before November 1, 2000.

## **Early Retirement Benefit**

After reaching age 55 and completing 10 years of service, a participant may retire and elect to receive an immediate monthly benefit equal to the participant's accrued benefit reduced 0.5% for each month by which the participant's Early Retirement Date precedes his Normal Retirement Date.

## **IN-SERVICE RETIREMENT BENEFIT**

A participant who has completed 5 years of plan participation and has either (1) attained age 60 and has completed at least 30 years of employment or (2) has attained age 65 may either retire or cease making contributions and elect to receive an immediate monthly benefit equal to their accrued benefit without reduction.

## **VESTING**

You are always 100% vested in the value of the amount you have contributed to the Plan. Upon completion of 5 years of Credited Service, you become 100% vested in your accrued benefit.

## **EARLY WITHDRAWAL FROM PLAN**

If you cease working for a Participating Employer (or cease plan participation and elect to take your contributions) with fewer than 5 years of Credited Service, you will receive an amount which equals your contributions plus the interest earned.

If you cease working for a Participating Employer (or cease plan participation) after completing 5 years but less than 10 years of Credited Service, you may elect to receive your contributions with interest. However, if you do so, you **will forfeit** your vested rights to the employer-paid portion of your accrued benefit and you will **NOT** be allowed to rejoin this Plan any time in the future.

If you cease working for a Participating Employer (or cease plan participation) after completing 10 or more years of Credited Service, your contributions are retained to help fund your retirement benefit.

## **DEATH BENEFITS**

The following outline describes the death benefits provided by the Plan and the conditions which qualify for benefits:

- 1) **Eligibility:** Death occurs after you satisfy requirements for a vested benefit and after being married to your spouse for at least one year.

**Beneficiary:** Spouse or estate.

**Benefit:** At your surviving spouse's election; either a single sum payment of your accumulated contributions to the Plan, with interest; or a 50% Joint and Surviving Spouse Annuity, reduced 0.5% per month for the first 120 months and 0.08333% per month for each additional month by which your date of death precedes your Normal Retirement Date.

## **DEATH BENEFITS (continued)**

2) **Eligibility:** Death occurs as an unmarried participant or prior to completing 5 years of Credited Service.

**Beneficiary:** Designated beneficiary or estate, if no beneficiary is designated.

**Benefit:** A single sum payment of your accumulated contributions to the Plan with interest.

3) **Eligibility:** Death occurs after benefit has commenced.

**Beneficiary:** Designated beneficiary or estate, if no beneficiary is designated.

**Benefit:** Based on benefit elected at the time of retirement, if applicable. (See next section).

## **HOW BENEFITS ARE PAID OUT**

If you are unmarried when you retire, you will normally receive a monthly pension in the form of a life annuity. If, however, you are married when your benefit payments begin, you will receive your benefit in the form of a 50% Joint and Surviving Spouse Annuity, unless you elect otherwise.

The following forms of payment are available to you at retirement:

**Life Annuity** – This is the normal form of payment. (See Normal Retirement Benefit). Monthly payments are made for your lifetime and stop at your death.

**50% Joint and Surviving Spouse Annuity** – A monthly benefit equal to 90% of your Normal Retirement Benefit paid for your lifetime with 50% of this reduced pension continuing to your spouse for his or her lifetime upon your death.

**Life Annuity With Minimum Number of Payments** – A monthly benefit equal to 90% of your Normal Retirement Benefit is paid for your lifetime. If you die before receiving the 120 guaranteed monthly payments, payments will continue to your beneficiary for the balance of the guaranteed period.

**Direct Transfer of Eligible Rollover Distributions** – Certain “eligible rollover distributions” may be transferred by means of a direct rollover to an “eligible retirement plan or IRA” in order to avoid the mandatory 20% income tax withholding that would apply to such distributions if not transferred by means of a direct rollover. Keep in mind that your employee contributions were made with after tax dollars and therefore not subject to the 20% income tax withholding. *Before electing a rollover, if eligible, be sure that the new retirement plan/IRA accepts this type of money.*

## **WHEN YOU MAY LOSE YOUR BENEFITS**

Both Dioceses and Participating Employers make contributions into the Plan solely for plan members and their beneficiaries. You should know, however, that there are ways in which you might lose a portion of your benefit.

If you leave, you will lose any portion of your benefit that is not vested. You are fully vested after 5 years of Credited Service or when you are eligible to retire under the terms of the Plan. You are always vested in your own accumulated contributions, with interest.

The Pension Plan has been established to provide long-term benefits for participants over an indefinite period of time. Naturally, it is intended that the Plan will continue, but if circumstances prevent this, the Plan can be terminated. If this occurs, your accrued benefit as of the date of termination may be non-forfeitable to the extent that the plan is funded.

The Plan is intended to qualify under the regulations issued by the Internal Revenue Service. If these regulations are changed in the future, it may be necessary to amend the Plan so that the Plan will remain qualified. The Plan has been maintained in compliance with these regulations since its inception. The plan can be changed at any time at your Employer's sole discretion. If any future changes are adopted, you will be notified shortly thereafter.

## **WITHDRAWAL OF PARTICIPATING EMPLOYERS**

Any Participating Employer in the Plan may, at their discretion, withdraw from the Plan at any time. Benefits for those plan participants of the withdrawing Employer will cease accruing as of the effective date of the withdrawal.

## **PLAN ADMINISTRATION**

An Administrative Committee appointed by the Bishops administers the Plan and establishes rules and procedures necessary for the Plan's operation. You may contact any member of the Administrative Committee if you have questions or need additional information. The Diocesan Offices maintain the contact information for Administrative Committee members.

The legal documents which govern the Plan are located in the Finance offices of the dioceses and are available for your review during regular office hours.

## **HOW DO I APPLY FOR BENEFITS**

**Retirement** – At least 60 days prior to your expected retirement date, contact the Plan Administrator at Nyhart, 1-888-901-2090 to obtain an estimation of your retirement benefits. You will be furnished with the estimated benefits available and an application to apply for your retirement benefit.

After completing the appropriate forms, they must be returned to the Plan Administrator at Nyhart.

You must cease your contributions to the pension plan 30 days prior to your retirement date to avoid a delay in receiving your first check. Otherwise, your first retirement check may be delayed up to 60 days. You can obtain a card to cease withholdings from Nyhart by calling 1-888-901-2090.

**Severance or Discontinue Participation** – At the time you cease to be employed by a Participating Employer or such time you choose to no longer participate in the Plan (i.e. make contributions), contact the Plan Administrator at Nyhart, 1-888-901-2090 to obtain an application for return of contributions with interest.

If you cease working for a Participating Employer (or cease plan participation) after completing 5 years but less than 10 years of Credited Service, you may elect to receive your contributions with interest. However, if you do so, you **will forfeit** your vested rights to the employer-paid portion of your accrued benefit and you will **NOT** be allowed to rejoin this Plan any time in the future.

Be aware that once your employment with the diocese ceases, you will no longer earn interest on your contributions.

## **SOCIAL SECURITY BENEFITS**

The benefits that you receive from the Plan are in addition to any Social Security benefits for which you are eligible. Social Security benefits are not automatic; you must apply for them. To get more information on your rights to benefits, contact your local Social Security Office.

## **CLAIMS PROCEDURE**

In order to receive a benefit upon retirement or termination from employment, you must submit an application form to Nyhart. Application forms can be obtained by contacting Nyhart.

If you feel you have a right to benefits that have not been paid, you may submit a written claim for benefits to the Administrative Committee.

If your claim is denied (in whole or part), you will receive a written explanation from the Administrative Committee within 90 days of the receipt of your claim, that contains at least the following information:

- Specific reasons for the denial,
- Specific references in the Plan document which support those reasons.
- Additional information you must provide the Committee to support your claim, the reasons such information is necessary and the procedures for further review of your claim.

You have a right to appeal that denial by submitting a written application to the Administrative Committee within 90 days after your claim has been denied. You or your designated representative may review the Plan documents and submit written comments to the Administrative Committee.

The Committee will conduct a full and fair review of your claim and its denial. You will be notified of the decision within 90 days of receipt of your written claim for review. The final and conclusive decision will be in writing and will include the specific reasons and Plan references for the Administrative Committee's decision.

## **OTHER INFORMATION**

### **THE EMPLOYER**

Any Participating Employer of the Roman Catholic Dioceses of Covington or Lexington, KY.

### **THE PLAN ADMINISTRATOR**

The Administrative Committee oversees the Pension Plan. The Plan Administrator is the Chief Financial Officer of the Diocese of Covington. Nyhart serves as actuarial and benefits consultant. Ordinarily, questions about benefits, vesting, and return of contributions should be directed to Nyhart by calling, toll free, 1-888-901-2090 or in writing to:

Nyhart  
Attn: Diocese of Covington/Lexington  
Plan Administrator  
8415 Allison Pointe Blvd, Suite 300  
Indianapolis, IN 46250.

### **DIOCESAN OFFICES**

Diocese of Covington  
Diocesan Curia  
1125 Madison Avenue  
Covington, KY 41011-3115  
(859) 392-1500

Diocese of Lexington  
The Catholic Center  
1310 W Main Street  
Lexington, KY 40508-2040  
(859) 253-1993

### **PLAN IDENTIFICATION NUMBER**

001

### **ADMINISTRATIVE COMMITTEE IDENTIFICATION NUMBER**

61-1089611

### **TRUSTEE**

The Huntington Bank, Inc.  
(800) 545-0703

### **AGENT FOR SERVICE OF LEGAL PROCESS**

The Plan Administrator and the Trustee