A Guide to Benefits Under the Lay Defined Benefit Plan

CHURCH PENSION FUND
Serving the Episcopal Church and Its People

Letter from the President and CEO

Dear Friends,

Whether retirement is a distant dream, a next step, or a pleasant reality, the Church Pension Fund is here to help lay employees achieve financial security in retirement and throughout their employment.

Reaching that goal requires both planning and partnership. We can help lay employees plan. And when we work actively together, the Church Pension Fund can also be an informed and caring partner. That's because we know the complex ins and outs of the lay employee's benefits package, and we also have their best interests at heart.

As this Guide makes clear, The Episcopal Church Lay Employees' Retirement Plan is much more than a retirement plan. It offers financial protection for lay employees and their families in the event of disability or death at any stage in their career.

We hope you will find this overview of The Episcopal Church Lay Employees' Retirement Plan's rules and benefits useful. As questions arise, please give us a call, write to us, or visit our offices. We want to help.

Sincerely,

T. Dennis Sullivan

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The Church Pension Fund

The Church Pension Fund

- The Church Pension Fund (CPF), is the plan administrator and plan sponsor of The Episcopal Church Lay Employees' Retirement Plan (the Plan).
- CPF provides pensions and related benefits for lay employees of participating employers, their eligible surviving spouses or other named beneficiaries.
- As resolved by the 70th General Convention of The Episcopal Church, CPF levies assessments on participating employers to provide these benefits.

We hope this Guide will be a handy reference. This Guide is only a summary of the Plan and the way it applies to most lay employees. Individual situations may differ in some detail from those described in this Guide. To discuss specific circumstances, call Pension Services at (800) 223-6602; office hours are Monday – Friday from 8:30 am – 5:30 pm ET (excluding holidays) or email Pension Services at *benefits@cpg.org*. To discuss general questions about the Plan, call Client Engagement at (866) 802-6333; office hours are Monday – Friday from 8:30 am – 7:00 pm ET (excluding holidays).

For readability

Several shorthand terms are used throughout this Guide. The terms "employer" and "participating employer" represent all qualified employers that participate in the Plan. The terms "lay employee," "employee" and "active participant" generally refer to the lay employees who have been enrolled in the Plan and for whom assessments are up to date. The term "Plan" refers to The Episcopal Church Lay Employees' Retirement Plan.

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About this Guide

- This Guide is a summary of the benefits and rules governing The Episcopal Church Lay Employees' Retirement Plan, which covers all lay employees who are enrolled in the Plan by their Participating Employer.
- This Guide should be used by all lay employees who have been enrolled in the Plan by their employer to help them better understand their benefits, to clarify what they need to do to ensure eligibility for the benefit package provided by the Plan, and to encourage them to call Pension Services to establish a working relationship with us that begins at enrollment and continues through retirement.
- The Plan is only for lay employees of Participating Employers. It does not apply to Episcopal Church clergy.

What is the Plan?

The Plan is a defined benefit plan funded by employer contributions. Some of the main advantages of the Plan are the following:

Pooling

- Pension benefits are determined at the time of retirement without regard to the market performance of the general fund. This form of pension plan is known as a "defined benefit" plan.
- The Participating Employer contributes an amount equal to a percentage of each lay employee's Compensation, commonly called an assessment, to the Church Pension Fund every year. This assessment is not invested in an individual account, but in a general fund of pooled contributions from Participating Employers.

Portability

- Eligibility, vesting, and Credited Service will be carried with a lay employee to any other Episcopal Church employer who is a Participating Employer in the Plan.

Protection

- The Plan provides both survivor and disability benefit coverage from the time assessment payments begin all the way through retirement. This is contingent on the fact that assessments are paid on a timely basis. This includes:
  - ~ Disability benefits for lay employees who become seriously disabled during employment.
  - ~ If death occurs before or after retirement, the Plan offers an automatic benefit to an eligible surviving spouse. Note, however, the employee must die on or after age 55 for an eligible spouse to receive a pre-retirement benefit
  - ~ The Plan also provides a life insurance benefit to active participants under age 72. The benefit is equivalent to two times compensation up to a maximum of $50,000.
  - ~ For employees who are not married at the time of retirement, the Plan provides several optional forms of payment that will provide a death benefit to a named beneficiary after the employee's death.
- Since there are no individual accounts, the Plan does not provide for loans. Lump sum payouts are available on a very limited basis.

Eligibility and Participation

Employer Participation

What rules apply to newly Participating Employers?

- First, The Episcopal Church employer must file an application with the Church Pension Fund to become a Participating Employer as of a particular date the employer elects.
- At the time an employer enrolls in the Plan, each lay employee who has attained age 21, has worked a minimum of 12 months and completed 1,000 hours of service is eligible to participate in the Plan. If a lay employee has not met these requirements when his or her employer enrolls in the Plan, he or she will be eligible to participate on the first day of the month on which or following the date he or she meets these requirements.

What must Participating Employers do to keep their employees' benefits current?

- When an employer enrolls in the Plan, it must pay timely assessments for its enrolled lay employees. These assessments are a specified percentage of each lay employee's Compensation. Assessments are billed monthly or quarterly, and are due upon receipt.

Can employers cease participation in the Plan?

- A Participating Employer can voluntarily elect to stop participating in the Plan. A lay employee actively working for a Participating Employer at the time it stops participating in the Plan will become fully vested, regardless of the number of his or her Years of Service. The lay employee will not earn any additional benefits while the employer is not participating.

Can employers re-commence participation in the Plan?

- A former Participating Employer can re-enroll in the Plan at any time. The employer cannot pay any assessments for its lay employees for the period of time it was not participating. Lay employees can again begin earning additional benefits when the employer re-enrolls.

Employee Eligibility

When does a lay employee become eligible to participate in the Plan?

- When an employer enrolls in the Plan, it will select an employee eligibility waiting period that cannot exceed 12 months.
- In order to be eligible to participate in the Plan, an employee must meet the employee eligibility requirements specified by the employer. These requirements should not exceed 12 months of waiting period, 1,000 hours of service and attainment of age 21.

Are part-time employees eligible to participate in the Plan?

- Most employers require the employee to work a minimum of 1,000 hours to participate in the Plan. If your employer has adopted less stringent eligibility rules, you may be able to participate in the Plan even if you work less than 1,000 hours. Partial years of Credited Service are granted for years in which employees are working less than 1,000 hours of service. Partial years of Credited Service are granted based on the number of days worked during the year.

Employee Participation

When does a lay employee begin participation in the Plan?

- You will not become a participant in the Plan until your employer notifies us of your eligibility to participate in the Plan. Therefore, if you feel that you have satisfied the requirements, you should contact CPF or your employer to confirm enrollment into the Plan. Once the employee meets the eligibility requirements, an employer must file an Employee Application for Membership form with CPF to enroll each lay employee in the Plan. This form can be found on the CPG website at *www.cpg.org/clients/layemployees/pensions.cfm*.

Are there special rules if a lay employee worked for a Participating Employer prior to his or her current employer?

- If a lay employee changes employment from one Participating Employer in the Plan, The Episcopal Church Lay Employees' Defined Contribution Retirement Plan, or The Episcopal Church Retirement Savings Plan to another Participating Employer in the Plan, and the employee has earned at least 12 months of service (or such lesser amount as required by the new employer), the employee is automatically eligible to enroll in the Plan with the new Participating Employer.

  For example:

  ~ Jim is 23, works for Church A for six months and then moves to work with Church B. If Church B's eligibility waiting period is six months, Jim will begin participation once the employer notifies CPF of his enrollment.

- Lay employees will be able to carry any eligibility and vesting service to a new Participating Employer as long as the period of employment between the two Participating Employers is within a 30-year period.

Can lay employees contribute to the Plan?

- No employee contributions are permitted under the Plan.

Basic Benefits

Basic Benefit Formula

What can a lay employee expect to receive from the Plan as a retirement benefit?

- If the lay employee is vested in his or her benefit Plan and attains age 65, the annual retirement benefit equals:
  - ~ **Highest Average Compensation** x 1.5% x Credited Service *(Highest seven out of eight calendar years)*
- If the lay employee is vested in his or her benefit Plan and attains age 55, the annual retirement benefit equals:
  - ~ the benefit determined for a person retiring at age 65, reduced by a factor for each month the early retirement date is short of age 65. The factor is actuarially determined based on the lay employee's age at retirement.

For example:
John earned 30 years of Credited Service working for Employer A. At age 65, John has decided to retire. John's compensation for the consecutive eight years of participation in the Plan with the Highest Total Compensation are as follows:

$25,000

$28,000

$30,000

$30,000

$32,000

$33,000

$35,000

$38,000

John's Highest Average Compensation = $32,286

John's annual retirement benefit equals $32,286 x 1.5% x 30 = $14,529

If John had the same number of years of Credited Service, and compensation history, but decided to retire at age 55, John's annual retirement benefit would equal $8,732. This number is determined by multiplying John's normal retirement benefit by the factor specified in the Plan for his age at retirement.

What if a lay employee terminates employment before attaining retirement age?

- In order to receive a benefit at retirement age, the lay employee must be vested at termination.
- The retirement benefit is calculated based on Credited Service and Highest Average Compensation as of the termination date.
- The lay employee can begin receiving retirement benefits at age 55 or later.

- The benefit amount is reduced based on the early retirement factor set forth in the Plan for the age of the lay employee on his or her retirement date.

What is Credited Service?

- Credited Service (CS) is the period of years and months for which full assessments have been paid while working for a Participating Employer.
- The longer a lay employee works for a Participating Employer (assuming all assessments are paid), the more Credited Service the employee will earn and the greater the employee's retirement benefits will be.
- Credited Service will vary depending on the amount of a lay employee's service.
- Credited Service only includes service performed as a lay employee. Service as a member of The Episcopal Church Clergy Pension Plan or as an employee of The Church Pension Group Services Corporation does not count as Credited Service.
- A lay employee will receive one full year of Credited Service for each 12-month period in which the employee completes 1,000 hours of service as an active Plan participant. For this purpose, the 12-month period is the period beginning on the Participating Employer's enrollment date or, if later, the date on which the employee becomes eligible to participate in the Plan.

What is Highest Average Compensation?

- Highest Average Compensation (HAC) is generally the average of the highest-paid seven out of eight consecutive calendar years during the lay employee's participation in the Plan. If an employee participates in the Plan for less than eight calendar years, the HAC will be based on that shorter period. HAC will not take into account any period that the lay employee's employer does not participate in the Plan.

What is Compensation?

- Compensation is the basis on which pension assessments and Highest Average Compensation are calculated. Compensation consists of the following:
  - ~ Total wages as reported in the box titled "Medicare Wages and Tips" of Form W-2 paid to a lay employee by a Participating Employer for a year during which the employee is actively participating in the Plan. This includes the lay employee's salary plus all overtime, bonuses, commissions, and severance pay.
  - ~ Pre-tax contributions that are made to a health plan offered by CPF.
  - ~ The cash value of the maintenance that is being furnished to the lay employee (including utility and room and board expenses and the rental value of housing) that does not appear in Box 1 on Form W-2.
  - ~ Social Security is not included in Compensation.
  - ~ Compensation in excess of the IRS compensation limit is not taken into account for calculating an employee's retirement benefit and is not subject to assessments.

Are there other special situations that could impact a lay employee's benefit?

Military service

- The Uniformed Services Employment and Reemployment Rights Act (USERRA) provides important benefits for all Reserve and National Guard members that are called to active duty. This act not only requires employers to maintain pension coverage during the period of military deployment, but also requires employers to guarantee equivalent employment following release from federal service. This Plan is intended to ensure that pension assessments for lay employees called to active service in the military will be paid in full during the period of active duty.

Indianapolis Plan

- Special rules apply to lay employees who previously participated in The Episcopal Diocese of Indianapolis Retirement Plan.

Other sources of retirement income

- The retirement benefits provided through the Plan are a critical part of an employee's overall plan for financial security in retirement. However, a balanced financial plan will also include income from Social Security, as well as individual resources such as personal savings, life insurance, and pensions earned in other professions. The employee may also choose to continue working in accordance with the Plan's rules governing employment after retirement. See page 16.
- Since the retirement benefits are based both on Credited Service and Compensation history, if an employee commences participating in the Plan later in life, the employee may need to supplement his or her pension income with an additional personal retirement account, such as The Episcopal Church Retirement Savings Plan, another tax-sheltered retirement savings account, or an Individual Retirement Account (IRA).
- Regardless of age, all employees are encouraged to develop a comprehensive retirement plan which includes the benefits that will be provided by the Plan.
- If a lay employee has accumulated retirement benefits with another employer, this does not impact his or her benefits under the Plan.

Active Employment

Even if retirement is years away, it is important for lay employees to understand the basic provisions of the Plan. Understanding coverage in the event of untimely death and other unanticipated life changes can also help employees make thoughtful plans for their family and loved ones, thus contributing to the employee's peace of mind.

Vesting

What is vesting?

- Vesting is the point at which benefits have been earned and secured for future payment.

When is a lay employee vested in the Plan?

- A lay employee becomes vested upon (i) accumulating 5 Years of Service in the Plan, (ii) attaining age 55, (iii) becoming eligible for disability retirement, or (iv) upon his or her employer's termination of participation in the Plan.
- A lay employee will receive one full Year of Service for vesting purposes for each 12-month period in which the lay employee completes 1,000 hours of service as an active Plan participant and during which his or her employer pays the required assessments. (Generally, an hour of service is any hour for which an employee is paid by the Participating Employer.) For this purpose, the 12-month period is the period beginning on the Participating Employer's enrollment date or, if later, the date on which the employee becomes eligible to participate in the Plan.

Are there special rules that apply to vesting?

- A lay employee's employment period with all Participating Employers in the Plan is cumulative and will be applied to meet the vesting requirements in the Plan as long as the period of employment between the two Participating Employers is within a 30-year period.
  - ~ For example if an Employee has worked with Church A for 3 years, leaves to work for a secular employer for 10 years and then works for Church B, who also participates in the Plan, the employee's vesting service at Church A will count toward meeting the vesting requirements in the Plan at Church B.
- A temporary absence due to sickness, accident, or authorized leave of absence will not be considered a termination of employment.
- If a lay employee stops participating in the Plan because he or she becomes an ordained member of the clergy of The Episcopal Church, any future service earned under the Clergy Pension Plan will count as Years of Service for vesting purposes under the Plan.

Protection While Working

How does the Plan protect lay employees while they are working and having assessments paid?

The Plan provides a package of benefits to protect lay employees during the employee's working years.

Disability retirement

- If a lay employee becomes seriously disabled before retirement or reaching age 65, the employee may be eligible to receive a disability retirement benefit. To qualify:
  - the individual must be actively working as a lay employee for a Participating Employer immediately prior to the disability,
  - assessment payments must be up to date,
  - the employee must apply to his or her employer for disability retirement benefits, and
  - CPF's Medical Board must certify that the individual has been disabled for six months.
- If a lay employee is considering resigning for health reasons, he or she should file an application to determine whether he or she qualifies for disability retirement benefits. Disability retirement is for serious disabilities that prevent an individual from engaging in any substantial gainful activity, as determined by the CPF Medical Board.
- Disability retirement benefits will begin after the CPF Medical Board has determined that the employee is disabled and entitled to disability retirement benefits. The Medical Board requires periodic certification of continuing disability.
- Disability retirement benefits are determined using the formula for normal retirement (See page 4), based on Highest Average Compensation and Credited Service earned. A lay employee will always receive a minimum of 10 years of Credited Service for this purpose. A lay employee that does not have at least five Years of Service for vesting purposes will nevertheless become fully vested if he or she becomes eligible for disability retirement benefits while working for a Participating Employer provided assessments are paid timely on behalf of the employee.
- When a lay employee becomes eligible to receive disability retirement benefits, he or she will elect the form in which he or she wants those benefits to be paid. (See pages 12–15 for more information.) Disability benefits will end on the earliest of:
  - the date disability ceases, due to death or recovery;
  - the date the individual fails to submit proof of his or her continuing disability; or
  - the individual's normal retirement date.
- If an individual is receiving disability retirement benefits when he or she reaches his normal retirement date, disability retirement benefits will stop and the normal retirement benefit will begin. The normal retirement benefit will generally be paid in the same amount and form as disability retirement benefits.
- A lay employee will be required to submit documentation confirming his or her continuing disability status.

Death while in active service

Pre-retirement survivor's benefit

- If a lay employee is an active participant in the Plan at the time of death, the employee's Eligible Spouse (a person to whom a lay employee is legally wed at the time of death, and for at least 12 months prior to death, and in accordance with the Canons of The Episcopal Church) will receive a survivor's benefit. In order to receive the survivor's benefit,
  - ~ all assessments must be up to date, and
  - ~ the employee must have attained his or her early retirement date.
- The Eligible Spouse's benefit will be determined as follows:
  - ~ The employee's benefit will be calculated based on his or her Credited Service and Highest Average Compensation at the time of death; however, all lay employees will receive a minimum of 10 years of Credited Service for this purpose.
  - ~ This benefit will be adjusted based on the Plan's early retirement factors as if the employee retired at the time of death. If the lay employee dies on or after his or her normal retirement date, the early retirement factors will not apply.
  - ~ The Eligible Spouse will receive 50% of the adjusted benefit for his or her life.
- If a former lay employee who terminated employment on or after his or her early retirement date dies, the individual's Eligible Spouse will receive a survivor's benefit as described above. However, the benefit will not be calculated based on a minimum of 10 years of Credited Service. Instead, the benefit will be based on the former lay employee's actual years of Credited Service, which may be more or less than 10 years.
- If the lay employee does not have an Eligible Spouse at the time of death, no benefit will be paid.
- If the lay employee dies prior to attaining age 55, no benefits are payable from the Plan.

Other death benefits

- If a lay employee is an active participant in the Plan, then he or she will also be covered by The Episcopal Church Lay Employees' Death Benefit Plan (the "Death Benefit Plan").
- Under the Death Benefit Plan, beneficiaries of active participants under the age of 72 are eligible to receive a lump sum death benefit equal to the lesser of two times the participant's Compensation or $50,000.
- Active Participants must complete a separate beneficiary designation form for this benefit at the time of enrollment.

Changes in Personal Information

What must a lay employee do while working to ensure his or her benefits?

- To maintain full benefits, it's the lay employee's responsibility to make sure CPF receives:

- ~ timely and accurate assessment payments
- ~ accurate and up-to-date personal information regarding:
  - ~ compensation
  - ~ a major life event (e.g., marriage, divorce, birth or adoption of a child, etc.)
  - ~ a change in beneficiary
- ~ Reviewing the lay employee's Personal Information Summary is equally important because it reflects the demographic and personal information on file as well as current compensation and projected retirement benefits.

- Monitoring assessments
  - ~ A Participating Employer is required to make regular assessment payments on the eligible lay employee's behalf. If payments are incorrect or in arrears, the lay employee risks losing benefits for which he or she might otherwise be eligible.

Corrections to the Plan compensation and/or employment records will only be accepted for two years following the year in which the compensation or employment change became effective. No retroactive compensation corrections or notices of new employment will be accepted after the end of the second year following the year in which they became effective.

What must a Participating Employer do to make sure its lay employees will receive full benefit coverage?

- The Participating Employer must report all eligible employees to CPF.
- The Participating Employer must also pay the assessments accurately and on time. These payments are covered by Resolution D165(a) passed by the 70th General Convention (1991). See page 18.
  - ~ The assessment is 9% of Compensation. Because failure to pay assessments on time can jeopardize a lay employee's benefits, the employee should be aware that assessments are billed in advance on a quarterly or monthly basis and are payable on receipt.

What happens if assessments aren't paid on time?

- If assessments are not paid on time (i.e., six months past due), the lay employee may be in jeopardy of losing full benefits including:
  1. The accumulation of Credited Service, which affects retirement, survivor and disability benefits.
  2. The accumulation of vesting service, which determines an employee's right to receive any benefit from the Plan.
  3. The pre-retirement survivor benefit for participants who have satisfied the benefit requirement.
  4. The death benefit.
  5. The disability retirement benefit.

- If assessments are past due, the Participating Employer should contact Pension Services directly to handle payments.
- Assessments will not be accepted after a participant dies or retires.

Divorce and Retirement Benefits

What happens to the lay employee's retirement benefits if the employee divorces before retirement?

- A divorced spouse's share of the pension is usually determined by the divorce decree. In order to avoid paying taxes on amounts paid to a former spouse, the Internal Revenue Service requires a Qualified Domestic Relations Order (QDRO), which must be approved by CPF. If a lay employee is in or about to enter the divorce process, the employee should call Pension Services at (800) 223-6602 well before the court date for information. CPF has a model Qualified Domestic Relations Order available for an employee's use. Using this model can greatly speed approval of the QDRO by CPF, saving the employee both time and legal fees. Unless directed to do so by a Qualified Domestic Relations Order, CPF will not pay a portion of the employee's benefit to a former spouse while the employee is living.

Please note: *There are specific rules that govern benefits for surviving spouses of employees who either divorce or marry after retirement. (For more details, see page 16.)*

Checklist for working lay employees

- Make sure assessment are paid in full and on time
- Review the Personal Information Summary, generally mailed in the third quarter of each year
- Contact us:
  - ~ if there is a change in employment status
  - ~ if corrections need to be made to the Plan's compensation records
  - ~ if there is a marriage or divorce
  - ~ if there is a death of a spouse
- Develop a comprehensive retirement plan that includes all sources of retirement income, such as:
  - ~ Social Security
  - ~ Income from personal savings or investments
  - ~ Retirement benefits provided by the Plan
  - ~ Retirement benefits provided by a 403(b) plan such as, RSVP

If there are questions about any of the topics covered above, please call Pension Services at (800) 223-6602.

Retirement

If a lay employee's retirement is five years away or less, it's time to start planning in detail. CPF provides many choices in retirement. We can help employees understand their options as they make decisions that will affect the rest of their lives.

The Retirement Process

When does the retirement process begin?

- The process begins when a lay employee starts considering the timing of his or her retirement.
- As lay employees begin to consider a retirement date, they should contact Pension Services. We will explain all of the available retirement options so that the employee can take full advantage of his or her retirement benefits. At a minimum, we suggest calling Pension Services at least 3 months prior to a planned retirement date.

When can a lay employee retire?

- **Normal retirement**
  - ~ At or after attaining age 65, and termination of employment (or working less than 1,000 hours per year).
- **Early retirement**
  - ~ On or after attaining age 55, but before age 65, and termination of employment.

Can a lay employee work for a Participating Employer after retirement?

- As long as the lay employee works less than 1,000 hours per year, he or she may receive retirement benefits if he or she has attained age 55. If a lay employee is working more than 1,000 hours of service for a Participating Employer, he or she cannot begin benefits. This restriction only applies to lay employees who are working for a Participating Employer.

What about work outside The Episcopal Church after retirement?

- This will not impact pension benefits from the Plan.

It's important to look at the employee's whole retirement picture as part of the retirement-planning process. We can help, so please call Pension Services for an estimate of an employee's retirement benefits or for more information.

Payment of Benefits

How will a lay employee receive his or her monthly benefit?

- All retirement benefit payments must be sent directly to the employee's bank by electronic transfer. Using this mechanism allows CPF to transmit retirement benefit payments directly to the employee's bank account, thereby helping to ensure that they safely arrive and are deposited on time.
- To take advantage of this method of payment, a new or existing retiree needs to complete a simple form which is provided in the lay employee's retirement packet and also included with the lay

employee's monthly pension benefit payment. A lay employee can request a retirement packet by contacting Pension Services at (800) 223-6602. Once the banking relationship is established, there is no need for further maintenance unless the banking information changes.

What forms of benefit payments are available to lay employees at retirement?

Survivor's benefit for lay employees married at retirement.

- The Plan offers an automatic survivor's benefit for married lay employees.
  - ~ The cost for providing the spouse's benefit is achieved through a reduction in the employee's benefit.
  - ~ Upon the employee's death, the surviving spouse receives 50% of the benefit that was being paid to the employee.
- Alternatively, the employee may elect a variety of other forms of benefit payments, subject to applicable spousal consent rules. These other forms of benefit payments include:
  - ~ An enhanced survivor's benefit equal to 66⅔%, 75% or 100% of the employee's benefit. If this enhanced benefit is provided to the spouse, no spousal consent is required.
  - ~ A 5-, 10- or 15-year certain and continuous retirement benefit, with spousal consent.
  - ~ A single life annuity, with spousal consent.
- The foregoing benefit options are elected during the retirement process. Once payments begin, the election is irrevocable.
- The benefit payable under each option is determined using actuarial tables and is dependent on the employee's age and the age of his or her spouse.
- Pension Services can provide you with a comparison of your retirement benefit under the various benefit options offered by the Plan.

What about lay employees who are not married?

- Pension benefits are calculated using a single life annuity.
- Single employees may then choose either to receive one of the following forms of benefits:
  - ~ A single life annuity.
  - ~ A survivor's benefit for a named beneficiary. The survivor's benefit can be 50%, 66⅔%, 75% or 100% of the single employee's adjusted benefit.
  - ~ A 5-, 10- or 15-year certain and continuous retirement benefit.
- The benefit payable under each option is actuarially determined based on the employee's age and the age of his or her named beneficiary.

What is the certain and continuous retirement benefit?

- Under the certain and continuous retirement benefit, the employee will receive a retirement benefit for the remainder of his or her life.

- If, however, the employee dies before the end of the "certain" period (e.g., 10 years), the named beneficiary will receive monthly payments for the remainder of the certain period selected.
- If the employee elects one of these options, the basic annual pension benefit will be actuarially adjusted to take into account the "certain" period.
- If the beneficiary dies before the participant, the participant cannot name a new beneficiary to receive any "certain" period benefits. Any such benefits will be paid to the participant's estate.

Can retirement benefits be paid in one lump sum?

- If, at the time of retirement, the monthly benefit payable to an employee is less than $50 and the present value of the employee's retirement benefit is $1,000 or less, the employee's retirement benefit will automatically be paid in a lump sum.
- If, at the time of retirement, the monthly benefit payable to an employee is greater than $50 but less than $100 or the monthly benefit payable to an employee is less than $50 and the present value of the employee's retirement benefit is greater than $1,000, the employee may elect to receive a lump sum payment of his or her retirement benefit. The employee's spouse must consent to the election of a lump sum.
- Benefits that are received as a lump sum may be rolled over to an IRA or another employer's retirement plan. Beneficiaries who are eligible for this type of distribution, will be presented with this option as well.

When must retirement benefits commence?

- Retirement benefits must commence upon the later of the lay employee's termination of employment or attaining age 70½. This is commonly known as the required minimum distribution.

What other benefits will be received from CPF at retirement?

Discretionary cost-of-living increases

- CPF is not required to increase the benefits provided by the Plan.
- However, to help ensure that the purchasing power of these benefits remains constant or grows over time, increases have been granted.

Are pension benefits taxable?

- Benefits paid from the Plan are subject to federal income tax and possibly state and/or local tax.
  - If an employee receives a lump sum payment or any other payment that is eligible for roll over to another employer's plan or an IRA, no tax will be withheld if the payment is rolled over. However, if the payment is not rolled over, 20% of the payment will be withheld for federal income tax.
  - Periodic payments are treated like wages for withholding purposes. However, an employee may elect not to have tax withheld.
  - At retirement, lay employees will receive a Form W4-P, and a state withholding form.

  - In January, retired lay employees will receive a Form 1099-R which will report the distributions from the Plan during the previous calendar year.
- Lay employees should consult with their tax advisor before making any federal, state, and/or local withholding elections.

Checklist for an upcoming retirement

- Call Pension Services at (800) 223-6602 at least three months before announcing retirement plans.
- Review the estimate of retirement benefits.
- Complete the retirement application.
- Choose a benefit level for a surviving spouse or other beneficiary (and obtain spousal consent, if required).
- Make sure assessments are fully paid.
- Contact the Social Security Administration at (800) 772-1213 and request an estimate of benefits, or visit the Administration's website at *www.ssa.gov* at least three months before retirement.
- Call Pension Services to discuss options if there is a change in marital status.
- Attend a Planning For Tomorrow conference and while there, arrange for a private consultation with a CPF representative.

Post-Retirement Events

Returning to Work

- If a lay employee works less than 1,000 hours per year, he or she may begin receiving retirement benefits as early as age 55. A lay employee who is working more than 1,000 hours per year for a Participating Employer cannot receive retirement benefits.
- If a lay employee who is receiving retirement benefits returns to employment for a Participating Employer and is scheduled to work more than 1,000 hours per year, his or her retirement benefit will be suspended. However, if a lay employee returns to work after April 1 following the calendar year in which he or she attains age 70½, then benefits will not be suspended.
- Upon his or her subsequent retirement, the employee will receive a retirement benefit that consists of the following components:
  - ~ The retirement benefit that he or she was previously receiving, adjusted for cost-of-living increases, if any, paid in the form previously elected.
  - ~ The retirement benefit that he or she earns after his or her return to service, payable in the form he or she elects.
- In some cases, certain minimum benefits must be paid, even while the lay employee is working, in order to comply with certain legal requirements.
- These restrictions apply only to employment with a Participating Employer within The Episcopal Church.

Marriage or Divorce After Retirement

- **Marriage after retirement.** If an employee marries after he or she retires, the employee's new spouse is not a beneficiary of the Plan, which means that he or she will not be entitled to a benefit in the event the lay employee pre-deceases the spouse.
- **Divorce after retirement.** If an employee divorces after retirement, the person that was designated as the employee's beneficiary (if any) at the time of retirement remains entitled to the survivor's benefit elected at retirement. This cannot be changed, even pursuant to a Qualified Domestic Relations Order. An employee may, however, use a Qualified Domestic Relations Order to provide a share of his or her lifetime retirement benefits to his or her former spouse. See page 11 for further information relating to Qualified Domestic Relations Orders.

Do not hesitate to call. We wish all of our lay employees the very best in their retirement, and we hope the benefits they have earned bring them peace of mind as well as financial security. As questions about the benefits provided by the Plan arise, employees can call Pension Services at (800) 223-6602 and for general information regarding the Plan, call Client Engagement at (866) 802-6333. We want to help. That's what we're here for.

Checklist for retirees

- Notify us if there is an address change or a change in banking relationships.
- Notify us if a retiree marries or divorces, or if a spouse or named beneficiary pre-deceases the retiree.
- Make sure the retiree's spouse or beneficiary knows how to contact Pension Services if the retiree pre-deceases the spouse or beneficiary.
- Contact the Social Security Administration at (800) 772-1213 or *www.ssa.gov* for details about the benefits provided by Social Security.
- Enjoy retirement and keep in touch.

Appendices

Significant Dates Affecting the Benefits Provided by the Plan

- **Date of Participation**
  - ~ If the employer is enrolled in the Plan, participation begins when the lay employee attains age 21, completes the applicable service requirements, and the employer reports the employee to the Church Pension Fund.
  - ~ Assessments begin to be paid as soon as the lay employee begins participating.
  - ~ Lay employee earns Credited Service when assessments are paid and payment of assessments qualifies employee for retirement, disability, and survivor benefits pursuant to the terms of the Plan.
- **5 Years of Service** — the lay employee is fully vested in the Plan.
  - ~ See page 7 for a further description of the vesting rules.
- **Age 55** — the lay employee is eligible for early retirement benefits and automatically becomes vested in the Plan.
- **Age 65** — the lay employee is eligible for normal retirement benefits.
- **Age 70½** — the lay employee must commence minimum required distributions from the plan no later than the first day of April following the calendar year in which the employee retires or attains age 70½, whichever occurs later.
- **Age 72** — the lay employee is no longer eligible to receive a life insurance benefit.

Resolution D165(a)

The pension benefits for lay employees of The Episcopal Church were established in 1991 by Resolution D165(a) passed by the 70th General Convention.

Title: Require Episcopal Church Bodies to Provide a Pension Plan for Lay Employees

Resolved, the House of Bishops concurring, That all Parishes, Missions, and other ecclesiastical organizations or bodies subject to the authority of this Church, and any other societies, organizations, or bodies in the Church which under the regulations of the Church Pension Fund have elected or shall elect to come into the pension system, shall provide all lay employees who work a minimum of 1,000 hours annually retirement benefits through participation in the Episcopal Church Lay Employees Retirement Plan (ECLERP) or in an equivalent plan, the provisions of which are at least equal to those of ECLERP. Such participation shall commence no later than January 1, 1993. At its commencement, if the plan is a defined benefit plan, the employer contribution shall be not less than 9 percent of the employee's salary; if the plan is a defined contribution plan, the employer shall contribute not less than 5 percent and agree to "match" employee contributions of up to another 4 percent; and be it further

Resolved, That the employer may impose a minimum age of 21 years and a minimum employment period not to exceed one year of continuous employment before an employee would be eligible to participate; and be it further

Resolved, That the Trustees of the Church Pension Fund shall have authority to increase or decrease the contribution percentages required for the lay pension plan; and be it further

Resolved, That each Diocese of this Church shall implement this resolution by Diocesan Canon or appropriate resolution.

Glossary of Terms

CPF The Church Pension Fund, a New York corporation.

Credited Service (CS) The period of years and months for which full assessments have been paid on behalf of a lay employee to the Plan. Credited Service only includes service as a lay employee and generally requires completion of 1,000 hours in a 12-month period.

Compensation Total wages as reported in the box titled "Medicare Wages and Tips" of Form W-2, plus pre-tax contributions to a health plan and the cash value of any housing allowance. This includes the lay employee's salary plus all overtime, bonuses, commissions, and severance pay.

Early Retirement The date a lay employee reaches age 55, or any later date prior to normal retirement.

Eligible Spouse The spouse of a lay employee pursuant to the laws of the State governing the creation of the civil state of marriage and to the Canons of The Episcopal Church governing the solemnization of Holy Matrimony (Title I, Canon 18 (2006)) to whom a lay employee is wed for at least twelve months prior to retirement or death, as applicable.

Highest Average Compensation Generally, the average of the highest-paid seven out of eight consecutive calendar years during which the employee is a participant in the Plan.

Normal Retirement The date a lay employee reaches age 65, or the employee's age when his employer enrolls in the Plan, if later.

Participating Employer An Episcopal organization that has enrolled in the Plan in accordance with the requirements set by CPF.

Vested The point at which benefits have been earned and secured for future payment. To be vested in the Lay Employees' Retirement Plan, a lay employee must have earned at least 5 Years of Service, or must have attained age 55 while an active participant in the Plan.

Years of Service A 12-month period during which a lay employee completes at least 1,000 hours of service and for which full assessments have been paid by his employer.

Contact Us

Company or Department	*Contact Information*	*Service*
Pension Services	**(800) 223-6602** *benefits@cpg.org* M–F 8:30am – 5:30pm ET	The Lay Employees' Retirement Plan, Lay Employees' Defined Contribution Plans, Retirement Savings Plan (RSVP)
Client Engagement	**(866) 802-6333** M–F 8:30am – 7:00pm ET	General pension questions or for assistance
The Episcopal Church Medical Trust	**(866) 273-4545** *mtmedsupp@cpg.org*	Post-retirement healthcare benefits questions, including enrollment
Church Life Insurance Corporation	**(866) 802-6333** *churchlife@cpg.org*	Group and Individual Life Insurance, Supplemental Life Insurance, Disability Insurance, Retirement Savings Plan, IRAs, Annuities
Pastoral Care	**(800) 223-6602**	Pre-retirement questions and personal pre-retirement meetings, disability questions, work after retirement issues
Prudential Life Insurance Company	**(800) 732-0416** *www.cpg.org/ltc*	Long term care insurance
Written correspondance	**The Church Pension Fund** Att: Pension Services 445 Fifth Avenue New York, NY 10016	

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