



# **The Roman Catholic Archdiocese of Boston Pension Plan Voluntary Election Information**

**April 2017**

# Today's agenda

- Overview of the RCAB Pension Plan
- Outline of Pension Plan options for eligible participants
- Time for questions



# RCAB Pension Plan: background and history

- The RCAB Pension Plan is an employer-funded “defined benefit” non-ERISA church plan started in 1963 whose assets are held by a charitable trust
- Approximately 6,000 participants, approximately 40 employers
- Funds held in Trust can be used only to pay:
  - participants’ benefits
  - Plan administrative expenses
- Additional information and financial reports are located online at [www.bostoncatholicbenefits.org/pension](http://www.bostoncatholicbenefits.org/pension)



# RCAB Pension Plan Long-Term Goal

- Goal of the Trustees is to achieve full funding for the Plan in the next 20+ years through a combination of:
  - Plan freeze
  - Voluntary lump sum/in-service/monthly annuity options
  - Continued employer contributions at levels set by Trustees
  - Investment market returns that meet targets over the next two+ decades



# RCAB Pension Plan Long-Term Goal

- The goal of “full funding” is defined to mean settlement of all liabilities through transfer of the risk to one or more insurance companies (“annuitization”) at full value to all participants in the Plan at that time (20+ years from now).
- Achievement of this goal will require, in addition to ongoing employer contributions and investment market performance at targets:
  - Improvement in annuity purchase rates
  - Adjustment of various actuarial assumptions to bring Plan’s liability profile more in line with insurance company requirements
  - **Employers may be well-funded enough to purchase annuities at different times in the next 20+ years – check with your employer or the RCAB Benefits Office for more information**



# Option: voluntary monthly in-service annuity

- **Current** employees **age 55+** with vested benefits have a one-time opportunity to voluntarily elect to begin monthly annuity payments while continuing to work 1,000+ hours/year. Payments will begin in July 2017.
- Monthly in-service annuity payments that begin before age 65 (normal retirement date) include a reduction for early commencement, consistent with current Plan rules.
- Monthly in-service annuity payments also include an additional reduction to reflect the Plan's average funded ratio for the four calendar quarters prior to the opening of the election period on March 31, 2017. The average funded status for that period was 82.4%.



# Option: voluntary monthly in-service annuity

- Monthly in-service annuity payments do not change after an employee retires, reduces hours below 1,000 per year, and/or leaves employment.
- Monthly annuity payments are taxable (federal and state).
- For married employees, joint & survivor payment is the default payment option; can elect single life annuity with spouse's consent.
- Monthly in-service annuity payments will include a death benefit (\$5,000-\$10,000, depending on length of service; payable upon the death of the participant).



## Example: voluntary in-service annuity opportunity

Sharon Sullivan is 55 years old. She has a \$6,000 annual benefit (\$500 monthly benefit) if she stops working and begins payments at age 65.

- If she elects to begin in-service annuity payments at age 55, her benefit would be reduced by 60% to reflect her age and the additional 10 years of payments she will receive.
  - $\$6,000 \times 40\% = \$2,400$  annual benefit (\$200 monthly benefit)
- In addition, in-service annuity payments would also be reduced to reflect the Plan's funded ratio (the average funded ratio for the four calendar quarters prior to the opening of the election period was 82.4 %)
  - $\$2,400 \times 82.4\% = \$1,977.60$  annual benefit (\$164.80 monthly benefit)





# Option: voluntary monthly annuity opportunity

- **Former** employees with vested benefits **regardless of age** will be given the one-time opportunity to voluntarily elect a monthly annuity payment
  - Early monthly annuity payment will reflect:
    - Reductions for commencement before age 65; *and*
    - If under age 55, a reduction to reflect the Plan's average funded ratio for the four calendar quarters prior to the opening of the election period on March 31, 2017, which was 82.4 %.



# Option: voluntary lump sum payment

**Current** employees age 55+ with vested pension benefits have a one-time opportunity to voluntarily elect a current lump sum distribution, payable by July 31, 2017, in lieu of future monthly benefit payments.

- Each lump sum payment represents:
  - The “present value” of the monthly payments that would have been made to a former employee if he began receiving payments at age 65 and continued receiving them until his death; *and*
  - An additional reduction to reflect the Plan’s average funded ratio for the four calendar quarters prior to the opening of the election period on March 31, 2017 (*i.e.*, 82.4 %)
  - No death benefit is available for employees electing a lump sum.



## Option: voluntary lump sum payment

- **Former** employees with vested benefits **regardless of age** will be given the opportunity to voluntarily elect a lump sum distribution, payable July 2017, in lieu of future monthly benefit payments
- Each lump sum payment will represent:
  - The “present value” of the monthly payments that would have been made to a former employee if he began receiving payments at age 65 and continued receiving them until his death; *and*
  - A reduction to reflect the Plan’s average funded ratio for the four calendar quarters prior to the opening of the election period on March 31, 2017 (*i.e.*, 82.4 %)
  - No death benefit is available for employees electing a lump



sum.

# Voluntary lump sum payment calculation

- Calculation based on “present value” factors (posted online) and Plan’s interest rate. Factors are based on:
  - Age (as of July 1, 2017)
  - Actuarial assumptions about life expectancy
  - Assumed interest rate of 6.5%
- Greatest “present value” assigned to individuals at age 65 to align with Plan’s “normal retirement date”
- Individual view of the desirability of a lump sum payment will vary depending on a number of factors, including age, life expectancy, and decisions on investment of lump sum



## Example: voluntary lump sum payment

Sharon Sullivan has a \$6,000 annual benefit (\$500 monthly benefit) if she waits until she turns 65 to take her pension.

- If she elects a lump sum payment at age 55, the estimated amount of her lump sum payment would be \$6,000 multiplied by a “present value” factor which takes into account her current age *and* the number of years payments will likely be made to her over her lifetime *and* expected interest returns over that payment period.

$$\$6,000 \times 5.48 \text{ (PV factor for age 55)} = \$32,880$$

- In addition, the lump sum would also be reduced to reflect the Plan’s funded ratio (the average funded ratio for the four calendar quarters prior to the opening of the election period was 82.4 %)

$$\$32,880 \times 82.4 \% = \$27,093.12$$



# Option: Voluntary Lump Sum Payment

- Lump sum payments made as direct payments to plan participants are subject to taxes, including an automatic 20% federal tax withholding, state tax withholding, if applicable (amounts vary by state of residence) and may be subject to other taxes and/or tax penalties, including a 10% excise tax if you are under age 59½.
- Lump sum payments can generally be rolled over to the RCAB 401(k) Plan (if applicable), to another employer-sponsored plan (ex: 403(b)), or to an IRA in order to defer taxes and allow for continued retirement savings.
- Participants electing a lump sum are strongly encouraged to roll over their payments into a tax-deferred account.



# One-time opportunities

- Participants have a one-time opportunity to elect an in-service annuity *or* a lump sum payment during a defined window between March 31, 2017 and June 1, 2017.
- No future opportunity to elect an in-service annuity or a lump sum payment from the Plan is expected to be available.
- Payments will be made by July 31, 2017.



## Option: Elect not to participate – decline in-service/immediate annuity and lump sum

- Current employees with vested benefits who elect not to participate remain eligible to begin taking future monthly annuity payments from the Plan upon termination of employment/reduction of hours below 1,000 per year at a date in the future, based on Plan provisions in effect at that time.
  - Note: employees reaching age 70.5 may begin unreduced annuity payments (timing of payment start varies – contact the Benefits Office for more details)
- Former employees with vested benefits who elect not to participate remain eligible to begin taking future monthly annuity payments as early as age 55.
- Three months' notice to the Benefits Office is requested prior to starting monthly annuity payments.
- Select “Election Not to Participate” option on Election Form and return to the Benefits Office.





# Next Steps: voluntary options

- Election forms and additional background information should be reviewed (with your spouse, if any) carefully prior to making your election.
- Contact the Benefits Office with any questions.
- Return signed and notarized election forms (including spousal consent, if applicable) by June 1, 2017.



# Contact us

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[www.bostoncatholicbenefits.org/pension](http://www.bostoncatholicbenefits.org/pension)

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# Questions?

