
Highlights and Frequently Asked Questions:

The Church-wide Lay Employee Pension System – Resolution A138

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Introduction

Dear Friends,

The 76th General Convention was a significant moment in the history of The Episcopal Church and the Church Pension Group (CPG).

The passage of Resolution A138, which established the Church-wide lay employee pension system, will help lay employees save for retirement. Resolution A177, which established the denominational health plan, will result in health benefit cost savings for dioceses, parishes, and institutions.

As the administrator of these programs, CPG becomes the benefits provider for nearly everyone who works for the Church. We are grateful to have been given this double vote of confidence, and excited about moving forward.

We understand pensions and healthcare benefits well because we've been in these businesses for years. And we understand the Church, because we've been serving you for years.

1914 The Church Pension Fund was founded.

1917 The Clergy Pension Plan (defined benefit) began paying benefits. Since inception, nearly \$3.4 billion in benefits have been paid to beneficiaries.

1978 The Episcopal Church Medical Trust was formed to sponsor and administer health plans.

1980 The lay employees' defined benefit pension plan was established.

1991 The lay employees' defined contribution plan was established.

We also understand how complicated all this can be. And we are here to support and assist you as we move forward together in service to the Church.

Our implementation plans for these two programs are designed to help make things simple. They are based on three overarching principles:



UNDERSTAND



EVALUATE



ENROLL

We'll help you understand what Resolution A138 means for you, who is eligible, how we can help you comply with the resolution, and the process.

We'll help you evaluate plan options and costs, timing, and approach.

Ultimately, we'll help you **enroll** your institution and employees.

This booklet provides highlights, as well as the answers to frequently asked questions. We hope you will find it a useful starting point.

Highlights of the Lay Employee Pension System

Overview

The Church-wide Lay Employee Pension System was established by Resolution A138 of the 76th General Convention of The Episcopal Church and its associated canon in July 2009.

The Resolution provides that the Church will establish a church-wide Lay Employee Pension System for employees who are scheduled to work a minimum of 1,000 compensated hours annually for any domestic Diocese, Parish, Mission or other ecclesiastical organization or body subject to the authority of the Church in accordance with the following principals:

- The Lay Employee Pension System shall be designed and administered by the Trustees and Officers of the Church Pension Fund.
- The Lay Employee Pension System shall provide benefits that will, initially, include a defined benefit plan and a defined contribution plan.
 - ~ ***If a defined benefit plan is selected***, the employer assessment shall not be less than 9% of the employee's compensation.
 - ~ ***If a defined contribution plan is selected***, the employer shall contribute not less than 5% of the employee's compensation and match not less than 4% of the employee's compensation. The employer has the option of making a larger employer contribution provided the combination of the employer's contribution and match equals a minimum of 9%.
- Employers have the option, but not the requirement, of providing lay employees scheduled to work or working fewer than 1,000 compensated hours per year an opportunity to participate in a lay employee pension plan.
- **If a Church employer does not have a lay employee pension plan but does have eligible lay employees**, that employer will offer one of CPF's plans. CPF offers both a defined benefit and a defined contribution plan.
- **If a Church employer has a non-CPF lay employee pension plan:**
 - ~ ***If a defined benefit plan***, the employer shall be permitted to continue the plan as long as the plan design delivers pension benefits not less than the pension benefits required by Resolution A138, as determined by the Plan Administrator (the Church Pension Fund). Annual certification will be required.
 - ~ ***If a defined contribution plan***, the employer shall be required to begin participation in a CPF lay employee pension plan no later than January 1, 2013.

(Note: There are IRS regulations that should be considered prior to terminating an existing defined contribution plan. We recommend the employer freeze the existing defined contribution plan rather than terminating it.)

- If a school currently participates in a defined contribution plan for lay employees administered by TIAA-CREF that provides contribution levels equal to or exceeding those required by Resolution A138, that plan may be retained. Annual certification will be required.
- **If a Church employer does not have a lay employee pension plan and does not have eligible lay employees:** nothing needs to be done until such time as the employer has a lay employee who is scheduled to work 1,000 or more compensated hours per year.
- Other societies, organizations or bodies in the Church, not mandated to participate in the Lay Employee Pension System may elect to participate in accordance with the regulations established by the Church Pension Fund.

Implementation of the Lay Employee Pension System and Collaboration at the Local Level

While The Episcopal Church is bringing the Church together around lay employee pension benefits on a national level, it is the dioceses that will engage congregations and diocesan agencies/institutions at the local level, particularly with regard to the question as to which schools and institutions will be required to participate.

The Church Pension Fund will collaborate closely with Episcopal employers during and after the implementation period.

Implementation of the Lay Employee Pension System will occur over a minimum of two years to minimize possible disruption to employers and employees, with a scheduled completion date of January 1, 2013.

The comprehensive, multi-year implementation program seeks to:

- transition dioceses, congregations, and other groups that do not currently participate in the Church Pension Fund's lay employee pension plans by providing on-demand, comprehensive, web-based employer and employee communication and education materials that can be supplemented by regional in-person meetings and presentations.
- ensure a seamless, efficient, pastoral transition for all involved, as well as world-class ongoing client service and assistance.

The Church Pension Fund's Commitment to The Episcopal Church

The Church Pension Fund is committed to providing the Church with the same or better lay employee pension benefits than those provided by third party plan administrators while seeking additional ways to improve participants' retirement benefits and thus improve their financial security in retirement.

Overview of the Lay Employee Pension System

For more than 20 years, the Episcopal Church has wrestled with the question of whether or not to mandate pension benefits for the lay employees of the Church. The 70th General Convention (1991) passed Resolution D165a stating that all parishes, missions and other ecclesiastical organizations or bodies subject to the authority of this Church...shall provide all lay employees who work a minimum of 1,000 hours annually [with] retirement benefits through participation in the Episcopal Church Lay Employees Retirement Plan or an equivalent plan...”

The 75th General Convention (2006) authorized the Office of Ministry Development to take the lead in conducting a feasibility study examining whether pension benefits for lay employees should be made compulsory. The 75th General Convention also asked the Office of Ministry Development to determine whether the lay pension benefits should be administered by a single provider. The results of the feasibility study were reported to the 76th General Convention.

On receiving the results of that feasibility study, Executive Council authored legislation that was introduced at and passed by the 76th General Convention (2009). That legislation was introduced by the House of Bishops as Resolution A138. It carried with it an amendment to the Constitution and Canons of the Episcopal Church. The amended canon now states that the Church Pension Fund is responsible for the administration of both the Lay Employee Pension System and the Denominational Health Plan.

What is the Lay Employee Pension System (LPS)?

The Lay Employee Pension System was established by the 76th General Convention (2009). It requires that employees of any domestic diocese, parish, mission or other ecclesiastical organization or body subject to the authority of the Church scheduled for or working 1,000 hours or more of compensated work annually be provided with a lay pension plan benefit.

What is the deadline for complying with Resolution A138?

Employers are required to comply by January 1, 2013.

Who is the administrator of the Lay Employee Pension System?

The Church Pension Fund is the administrator of the Lay Employee Pension System.

Why did General Convention elect to place the responsibility for administering the Lay Employee Pension System with only one organization?

Having one Church-wide pension administrator helps ensure compliance with the provisions of Resolution A138. This also makes it easier for an employee to continue to participate in the Lay Employee Pension System if the employee moves from one Church employer to another.

What are the required employer contributions?

For the defined contribution plan:

- the employer contributes not less than 5% of the employee's compensation as defined by the plan.
- the employer also matches on a dollar-for-dollar basis not less than 4% of the employee's compensation.

For the defined benefit plan:

- the employer assessment will not be less than 9% of the employee's assessable compensation

Can an employer who is participating in the defined contribution plan elect a base contribution amount that is greater than 5%?

Yes. An employer can elect any base contribution amount that exceeds 5% as long as the total of the base and matching contributions equals or exceeds 9%. For example, the employer can elect a base contribution of 7% and a matching contribution of 2%. An employer can also elect a base contribution of 9% or 10% or more with no matching contribution.

Will an employee's service prior to being provided a lay employee pension benefit be counted for vesting purposes?

Yes. All service earned during employment with any Episcopal Church employer will be counted for vesting purposes.

Will an employer be allowed to continue minimum age and service requirements for participation in the Lay Employee Pension System?

No. Effective January 1, 2013, there will no longer be any age or length of service requirements.

Overview of the Church Pension Fund Sponsored Lay Employee Pension Plans

What lay employee pension plans are sponsored by the Church Pension Fund?

The Church Pension Fund sponsors the following plans:

- **The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (the defined contribution plan)**
 - ~ This plan requires employers to contribute a base percentage of an employee's compensation plus a dollar for dollar matching contribution to an account that is held in the employee's name
 - ~ Employees must contribute to their accounts to trigger the employer matching contribution
 - ~ The IRS Code includes limits on the amount of an employees' annual contribution and the amount of the sum of the employee and employer annual contributions
 - ~ Vested employees determine how these contributions will be invested by selecting from among the investment options offer through the Plan
 - ~ Employees can elect to withdraw all or a portion of their account balance at retirement. Alternatively, the employee can take periodic withdrawals or can purchase an annuity from the Church Life Insurance Corporation or another provider
- **The Episcopal Church Lay Employees' Retirement Plan (the defined benefit plan)**
 - ~ This plan requires the employer to pay an assessment to the Church Pension Fund that is based on a percentage of the employee's compensation
 - ~ No employee contributions can be made to this plan
 - ~ The employee's pension benefit is determined at retirement based on a formula that takes into account the employee's credited service in the plan, the employee's highest average compensation and a multiplier which is currently 1.5%
- **The Episcopal Church Retirement Savings Plan (RSVP)**
 - ~ This plan allows employees to contribute to a tax deferred retirement account that is held in the employee's name
 - ~ No employer contributions are required although optional employer contributions are permitted
 - ~ Participants in a defined benefit plan often use this plan as a means for personally saving for retirement

Who is the record keeper for the Church Pension Fund sponsored lay employee pension plans?

Fidelity Investments is the record keeper for the defined contribution plan and RSVP. The Church Pension Fund is the record keeper for the defined benefit plan.

What are the vesting options for employer contributions?

The employer can choose either immediate or 3-year cliff vesting if the defined contribution plan is elected.

Employees are fully vested after earning five years of service or if an active plan participant at age 55, whichever comes first, if the defined benefit plan is selected.

How much can an employee contribute to the defined contribution plan or RSVP?

An employee can contribute up to the lesser of 100% of taxable compensation or the maximum limits established by the IRS Code. The IRS employee contribution limit is \$16,500 for 2010. Employees age 50 and over can make an additional catch-up contribution of \$5,500 in 2010. The limitation on total contributions (both employer and employee) is the lesser of \$49,000 or 100% of taxable compensation in 2010.

What are the investment options available through the defined contribution plan?

Investment options include a variety of choices ranging from a money market mutual fund to growth-focused stock mutual funds. They include a stable value investment option. Also included are the Fidelity Freedom Funds®, which are the default investment options for the defined contribution plan. The employee bears the investment risk. The employee should read the available education materials and possibly seek professional investment advice prior to selecting from the various investment options.

Are there fees associated with the defined contribution plan?

The investment options in the defined contribution plan have fees that range from zero to 1.31% depending on the investment option selected. The Church Pension Fund charges an administrative fee of 0.075% per quarter on the participant's mutual fund account balance. There are no fees charged to the employer.

Where can an employer obtain additional information regarding the lay employee pension plans that are sponsored by the Church Pension Fund?

Additional information can be obtained through

- through the Church Pension Group website, www.cpg.org, or
- by calling the Church Pension Fund at (866) 802-6333, Monday – Friday, 8:30AM – 8:00 PM ET, excluding holidays, or
- by emailing the Church Pension Group at layplans@cp.org.

Employer Participation

Who must comply with the Lay Employee Pension System?

Any domestic diocese, parish, mission or other ecclesiastical organization or body subject to the authority of this Church with lay employees scheduled for 1,000 hours or more of compensated work annually.

Employers have the option, but not the requirement, to provide lay employees scheduled for less than 1,000 hours of compensated work annually with a lay employee pension benefit.

Does the Lay Employee Pension System require parish schools, camps and conference centers, social service agencies, or other Episcopal institutions to participate?

Yes, if the employer is an ecclesiastical organization or body subject to the authority of this Church.

Societies, organizations, or other bodies not required to participate in the lay employee pension system may elect to participate in accordance with the regulations established by the Church Pension Fund.

What if a Church employer with eligible lay employees does not currently offer lay employee pension benefits?

The employer is required to adopt one of the Church Pension Fund's lay employee pension plans by no later than January 1, 2013. The Church Pension Fund administers both a defined benefit plan and a defined contribution plan.

Will an employer be required to make retroactive contributions for employees based on an employee's hire date if the employer does not currently offer lay employee pension benefits?

No. Resolution A138 clearly states that retroactive contributions will not be required. However, the employer may elect to make retroactive contributions within the limits established by the IRS Code and the plan documents.

What if a Church employer currently sponsors a lay employee pension plan that is not a Church Pension Fund sponsored plan?

- The employer can continue an existing defined benefit plan as long as the plan delivers pension benefits not less than the pension benefits required by Resolution A138. The determination will be made by the Church Pension Fund. Annual certification will be required.
- The employer will be required to begin participation in a Church Pension Fund lay employee pension plan no later than January 1, 2013 if the employer currently participates in a 401(a) plan, 401(k) plan, SEP IRA, 403(b) plan or other defined contribution pension plan.

(Note: There are IRS regulations that should be considered prior to terminating an existing defined contribution plan. We recommend the employer freeze the existing defined contribution plan rather than terminating it.)

What if a school employer sponsors a lay employee pension plan that is not a Church Pension Fund sponsored plan?

- If the school currently sponsors a defined contribution pension plan that is administered by TIAA-CREF that provides contribution levels equal to or exceeding those required by Resolution A138, that plan may be retained.
- Annual certification will be required.
- Schools that are not participating in a TIAA-CREF administered plan by January 1, 2013 will need to adopt a Church Pension Fund lay employee pension plan by that date.

Will employers that sponsor a defined benefit pension plan that is not administered by the Church Pension Fund be required to contribute a minimum of 9% of the covered employees' compensation to the plan?

No. The financial condition of the plan will dictate the required contributions. As previously noted, the existing plan must deliver pension benefits not less than the pension benefits required by Resolution A138. Annual certification will be required.

Does an employer who is already participating in a Church Pension Fund lay employee pension plan need to do anything?

There is nothing the employer needs to do if the employer complies with the contribution levels specified by Resolution A138 and all eligible employees are enrolled.

What if an employer does not currently have lay employees scheduled to work 1,000 or more hours annually?

Nothing needs to be done until such time as the employer has a lay employee who is scheduled for 1,000 hours or more of compensated work annually. However, the employer can elect to enroll in one of the Church Pension Fund's lay employee pension plans at no cost to the employer. This will make employee enrollment simpler if and when the employer has lay employees who are scheduled for 1,000 hours or more of compensated work annually.

Does participation in the Lay Employee Pension System require an employer to comply with Resolution A177, the Denominational Health Plan, as well?

Two separate General Convention Resolutions established the Lay Employee Pension System and the Denominational Health Plan. Although the participation requirements are independent of each other, all dioceses, parishes, and missions are required to comply with each.

Why does participation in the Lay Employee Pension System require 1,000 hours or more of compensated work annually while participation in the Denominational Health Plan requires scheduled compensated work to equal or exceed 1,500 hours?

Resolution A138, which established the Lay Employee Pension System, was based on Resolution D165a enacted by the General Convention at its 1991 triennial meeting. The Task Force that conducted the study of the existing lay employee pension practices of The Episcopal Church recommended that any lay pension resolution enacted not detract from the guidelines established by Resolution D165a. Resolution D165a established a 1,000 hour basis for participation in a lay employee pension plan.

Resolution A177, which established the Denominational Health Plan, was based on a study conducted by the Church Pension Fund. The study looked at the current costs, projected cost savings, and other factors associated with providing medical coverage for all clergy and lay employees scheduled to work more than a minimum number of hours per year. Those conducting the study concluded, and the General Convention agreed, that the appropriate threshold for medical benefits is 1,500 hours.

Employee Eligibility

Are there requirements other than the scheduled compensated work requirement for employee participation?

No. Resolution D165a included a requirement that the employee be a minimum of 21 years of age and have at least one year of service to be eligible for a lay pension benefit. (Participating employers could adopt lesser restrictions if they desired.) These age and service restrictions were removed when General Convention enacted Resolution A138.

What if a lay employee's scheduled hours decrease and he/she is now scheduled for less than 1,000 hours of compensated work annually?

The employer will no longer be required to contribute to a lay employee pension plan on behalf of the employee. However, the employee can continue to contribute to his or her account if the employee is participating in The Episcopal Church Lay Employees' Defined Contribution Retirement Plan. The employee can contribute to the Episcopal Church Retirement Savings Plan (RSVP) if he or she is enrolled in the defined benefit plan.

Must a lay employee with a vested retirement benefit from a previous employer participate in the Lay Employee Pension System?

Yes. All lay employees who are scheduled for 1,000 hours or more of compensated work annually must participate in the Lay Employee Pension System regardless of prior employment. Many of our current lay employees have worked out side the Church. Their Episcopal Church benefits will not be impacted by their prior employment.

Is there a way for employees to contribute to their retirement benefit if they are participating in the Church Pension Fund sponsored defined benefit plan?

No employee contributions can be made to the Church Pension Fund defined benefit plan. However, as long as the employer agrees to withhold and remit contributions, the employee can enroll and participate in optional tax deferred savings plans like the Retirement Savings Plan (RSVP), which is sponsored by the Church Pension Fund.

Will employers be required to enroll employees in a Church Pension Fund sponsored lay employee pension plan if their pension benefits are dictated by a collective bargaining agreement?

No. Employees whose pension benefits are dictated by a collective bargaining agreement will continue to receive pension benefits through the plan(s) specified by that agreement.

Implementation

How will implementation of the Lay Employee Pension System be accomplished and how long will implementation take?

Implementation will be accomplished on a province-by-province basis beginning in the spring of 2011 and continuing through early summer, 2012. Implementation must be completed by January 1, 2013.

This comprehensive, multi-year implementation program seeks to:

- transition dioceses, congregations, and other groups that do not currently participate in the Church Pension Fund's lay employee pension plans
- provide on-demand, comprehensive, web-based employer and employee communication and education materials that can be supplemented by regional in-person meetings and presentations
- ensure a seamless, efficient, pastoral transition for all involved while providing excellent ongoing client service and assistance.

The Church Pension Fund will collaborate closely with each diocese and all Episcopal employers during and after the implementation period.

Can employers adopt a lay employee pension plan now?

Yes, employers can adopt a lay employee pension plan anytime they choose to do so. However, employers must adopt a plan by January 1, 2013.

Who is going to monitor compliance with the Lay Employee Pension System?

It is the individual diocese's responsibility to ensure compliance with Resolution A138, as it is with all General Convention resolutions and canons. The Church Pension Fund in its role as Plan Administrator will periodically provide to the diocesan bishops, and others who have been designated by the diocesan bishops, information regarding compliance with Resolution 138.

Contact Us

If you have any questions or need additional information, call us toll-free at (866) 802-6333, Monday – Friday, 8:30AM – 7:00PM ET (excluding holidays) (the hours of operations will be extended to 8:00PM effective August 30, 2010) or email us at layplans@cpg.org.