A Guide to Benefits Under the Lay Defined Benefit Plan

Rules in effect as of January 1, 2016 with Addendum

CHURCH PENSION FUND

Letter from the CEO and President

Dear Friends,

Whether retirement is a distant dream, a next step, or a pleasant reality, The Church Pension Fund is here to help you achieve financial security throughout your employment and in retirement.

Reaching that goal requires both planning and partnership. We can help you plan. When we work actively together, The Church Pension Fund can be an informed and caring partner because we know the complex ins and outs of your benefits package, and we have your best interests at heart.

As this Guide makes clear, The Episcopal Church Lay Employees' Retirement Plan (the Lay Defined Benefit Plan) is more than a retirement plan. It offers financial protection for you and your family in the event of disability or death at any stage in your career.

We hope you will find this overview of the Lay Defined Benefit Plan rules and benefits useful. As questions arise, please contact us or visit our offices. We are here to help.

Sincerely,

Mary Kate Wold

Mary Kate Wold
CEO and President
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 and their eligible surviving spouses or other named beneficiaries.
- As authorized by the Constitution and Canons of The Episcopal Church, CPF levies assessments on participating employers of eligible lay employees 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 any questions you may have, call Client Services at (866) 802-6333, Monday – Friday from 8:30AM – 8:00PM ET (excluding holidays), or email Client Services at ***benefits@cpg.org***.

For readability

For readability, several shorthand terms are used throughout this Guide. The terms "employer and participating employer" represent all eligible 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.

Addendum to A Guide to Benefits Under the Lay Defined Benefit Plan (the Guide)

The Lay Defined Benefit Plan provides a survivor benefit to eligible spouses — same-gender and opposite-gender — of active employees who die at or after age 55 but before retirement. Under current rules, to be eligible, a surviving spouse must have been legally married to an active employee for at least 12 months prior to the employee's death.

Acknowledging that same-gender marriage was only recently recognized nationally, and also in response to General Convention Resolution 2015-D047, we are relaxing eligibility requirements for a period of time. Specifically, the period during which the employee and same-gender surviving spouse were in a committed relationship will be credited toward fulfilling the 12-month marriage requirement. To qualify for this benefit, the lay employee or same-gender surviving spouse must submit a marriage certificate and an Affidavit of Committed Relationship by December 31, 2017. Please call the Client Services team at (866) 802-6333 to obtain a copy of the affidavit form.

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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 Client 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. The main features of the Plan include the following:

- The Participating Employer contributes an amount equal to a percentage of each lay employee's Compensation (as defined on pages 6 – 7), commonly called an assessment, to CPF.

Pooling

- Assessments are not invested in an individual account, but in a general fund of pooled contributions from all Participating Employers. While the Plan is separately accounted for, the assessments are co-mingled with the assets of the highly successful Clergy Pension Plan for investment purposes.
- Pension benefits are determined at the time of retirement without regard to the market performance of the Plan's assets. This form of pension plan is known as a "defined benefit" plan.

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 timely payment of assessments. This includes:
  - ~ Disability benefits for active lay employees who become permanently and totally disabled during employment
  - ~ If death occurs before retirement, the Plan offers an automatic benefit to an eligible surviving spouse. Note, however, the participant must die while in active service on or after age 55 for an eligible spouse to receive a pre-retirement survivor's benefit.
  - ~ If death occurs after retirement, the Plan provides an automatic benefit to an eligible surviving spouse, unless it was waived at the time of retirement. If a participant is not married at the time of retirement, the Plan provides several optional forms of payment that will provide a survivor's benefit to a named beneficiary after the retired participant's death. A married participant, with spousal consent, may also elect one of these optional forms of payment.

    - A lay lump sum death benefit is available upon the death of an active participant. The benefit is equal to two times Compensation, subject to a maximum of $50,000.

- Since there are no individual accounts, the Plan does not provide loans. Lump sum payouts are available on a limited basis. (See page 16.)

Eligibility and Participation

Employer Participation

What rules apply to new Participating Employers?

- First, an Episcopal Church employer must file an adoption agreement with CPF to become a Participating Employer in the Plan. Retroactive adoption of the Plan is not permitted.
- At the time an employer adopts the Plan, each lay employee who is scheduled to work 1,000 or more hours per year is eligible to participate in the Plan. If a lay employee has not met this requirement when his or her employer adopts the Plan, he or she will be eligible to participate on the first day of the month coincident with or next following the date on which he or she meets this requirement. An eligible lay employee will not become a participant in the Plan until his or her employer enrolls such employee in the Plan by filing the appropriate form with CPF.

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

- After an employer adopts the Plan, it must timely pay 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 Participating 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 the employer stops participating in the Plan will become fully vested, regardless of the number of his or her years of Credited Service. The lay employee will not earn any additional benefits under the Plan while the employer is not participating.

In keeping with the requirements of the *Constitution and Canons of The Episcopal Church*, an employer with eligible employees who voluntarily elects to cease participation in the Plan will be required to enroll in The Episcopal Church Lay Employees' Defined Contribution Retirement Plan on a date concurrent with the cessation of the employer's participation in the Plan.

Employee Eligibility

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

- In order to be eligible to participate in the Plan, an employee must be scheduled to work a minimum of 1,000 hours per year. There is no minimum age or waiting period for a lay employee to be eligible to participate in the Plan.

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

- Employees scheduled to work fewer than 1,000 hours per year cannot participate in the Plan.

Employee Participation

When does a lay employee begin participation in the Plan?

- A lay employee does not become a participant in the Plan until his or her employer notifies CPF of the lay employee's eligibility to participate in the Plan. The employer must file an Employee Application for Membership form with CPF (or use the online tool called the Employee Roster) to enroll each lay employee in the Plan. The form can be found on the CPG website at ***www.cpg.org/forms-and-publications/forms/pensions/***. Note that employees cannot be enrolled retroactively. An employee will not become a participant in the Plan until the first day of the month following receipt by CPF of all necessary enrollment information and paperwork. If a lay employee feels that he or she has satisfied the participation requirement, he or she should contact CPF or the employer to confirm enrollment in the Plan.

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

- 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, the employee is eligible to enroll in the Plan with the new Participating Employer.
- Lay employees who were active in the Plan as of January 1, 2009, or later will be able to carry any eligibility and vesting service to a new Participating Employer as long as the period between the two Participating Employers is 30 years or less.

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 (see page 8 for more information about vesting) and attains age 65, the annual normal retirement benefit equals:
  - ~ Highest Average Compensation x 1.5% x Credited Service
  - ~ Highest Average Compensation is generally the average of the highest-paid seven out of eight consecutive 12-month periods during which the lay employee is an active participant in the Plan.

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 a consecutive eight-year period of participation in the Plan is 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 normal retirement benefit equals $32,286 x 1.5% x 30 = $14,529

- If the lay employee is vested and attains age 55 and desires to receive a retirement benefit prior to age 65, the annual early retirement benefit equals:
  - ~ The benefit determined for a person retiring at age 65 using the employee's Highest Average Compensation and Credited Service as of the early retirement date
  - ~ If the early retirement date occurs on or after age 60 and before age 65, the benefit is reduced by 0.2% for each month that the early retirement date occurs prior to age 65
  - ~ If the early retirement date occurs on or after age 55 and before age 60, the retirement benefit is actuarially reduced for each month the early retirement date occurs prior to age 60, and is further reduced by 0.2% for each month that the early retirement date occurs between age 60 and 65 and prior to age 65

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, and all assessments must be paid up to date.
- 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 may be reduced based on the early retirement factors set forth above, depending on the age of the lay employee on his or her retirement date.

What is Credited Service?

- Credited Service is the period of years and months for which full assessments have been paid while working for a Participating Employer.
- A lay employee will receive one full year of Credited Service for each 12-month period during which he or she works at least 1,000 hours as an active Plan participant and for which assessments have been paid.
- Credited Service will vary depending on the length of a lay employee's service.
- Credited Service only includes service performed as a lay employee. Service as a participant in The Church Pension Fund Clergy Pension Plan or as an employee of the Church Pension Group Services Corporation does not count towards Credited Service under the Plan.

What is Highest Average Compensation?

- Highest Average Compensation (HAC) is generally the average of the highest-paid seven out of eight consecutive 12-month periods during which the lay employee is an active participant in the Plan. If an employee participates in the Plan for less than eight years, the HAC will be based on that shorter period. HAC will not take into account any period during which the lay employee was not actively participating 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:
  - ~ Base salary
  - ~ Overtime
  - ~ Special service fees
  - ~ Bonuses
  - ~ Severance pay
  - ~ Utilities
  - ~ Housing, the assessable value of which is determined as follows:
    - If the participant is provided with housing rent-free, 30% of the sum of the participant's base salary and utilities
    - If both housing and meals are provided cost-free, 40% of the sum of the participant's base salary and utilities
    - Any cash housing allowance and/or housing equity allowance that the participant receives is not included in Compensation

- ~ Required employer payments of the Social Security tax are not included in Compensation
- ~ Compensation in excess of the IRS compensation limit for the applicable calendar year 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 who are called to active duty. This act not only requires employers to maintain pension coverage during the period of eligible military deployment, but also requires employers to guarantee equivalent employment following release from federal service. In accordance with USERRA, the Plan requires that pension assessments for lay employees called to active service in the military be paid in full during the period of eligible active duty.

Indianapolis Plan

- Special rules apply to lay employees who previously participated in The Episcopal Diocese of Indianapolis Retirement Plan. Contact Client Services at (866) 802-6333 or ***benefits@cpg.org*** for more information.

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 18.)

- Since the retirement benefits are based both on Credited Service and Compensation history, if an employee begins 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 (if adopted by the employee's employer), 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 that 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 unanticipated life changes or untimely death 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 the first to occur: (i) accumulating five years of Credited Service in the Plan, (ii) attaining age 55 while actively participating in the Plan, (iii) becoming eligible for disability retirement under the Plan.
- A lay employee will receive one full year of Credited Service for vesting purposes for each 12-month period during which the lay employee works at least 1,000 hours 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 begins to participate in the Plan.

Are there special rules that apply to vesting?

- On and after January 1, 2009, 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 re-employment period between two Participating Employers is 30 years or less.
  - ~ For example, if an employee has worked with Church A for three years, leaves in 2010 to work for a secular employer for six years, and then returns in 2016 to work for Church B, which 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.
- An active lay employee who previously worked for an Episcopal employer that did not participate in the Plan may receive vesting credit for that period of service if the employee and/or the employer notifies CPF in writing of such employment. To be eligible, the lay employee must have worked at least 1,000 hours annually.
- 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 Church Pension Fund Clergy Pension Plan will count toward the vesting requirement.

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 permanently and totally 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 for disability retirement benefits from the Plan.
  - The employee's physician must certify that the disability is total and continuing.
  - The CPF Medical Board (as constituted under the Plan and currently designated as Liberty Life Assurance Company of Boston (Liberty Mutual)) must concur.
- 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 (physical or mental) that prevent an individual from engaging in substantial gainful activity and that can be expected to result in death or be of long-continued and indefinite duration, as determined by Liberty Mutual.
- Disability retirement benefits will begin after Liberty Mutual has determined that the employee is disabled and entitled to disability retirement benefits.
- Disability retirement benefits are determined using the formula for normal retirement (see page 5), based on Highest Average Compensation and Credited Service earned through the date of disability, provided that a lay employee will always receive a minimum of ten years of Credited Service for this purpose. A lay employee who does not have at least five years of Credited Service for vesting purposes will nevertheless become fully vested if he or she becomes eligible for a disability retirement benefit while working for a Participating Employer, provided assessments have been timely paid 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 15–16 for more information.) Disability benefits will end on the earliest of:
  - The date disability ceases due to recovery or death
  - The date the individual fails to submit proof of his or her continuing disability
  - The individual's normal retirement date
- If an individual is receiving disability retirement benefits when he or she reaches age 65, the disability retirement benefits will automatically be converted to a normal retirement benefit, payable in the same amount and form as the disability retirement benefits.

- If a participant dies after disability payments are approved but prior to electing the form in which such benefits will be paid, the participant's disability benefits will be distributed in the form of a single life annuity if the participant was not married, or a 50% joint and survivor annuity if the participant was married at the time of the participant's death. The participant's marital status on record with CPF at the time of death will be used to determine the form of benefit payable.
- A lay employee may be required to periodically submit documentation confirming his or her continuing disability status.

Death while in active service

Pre-retirement Survivor's Benefit

- If an active lay employee dies on or after attaining age 55 but prior to retirement, the employee's Eligible Spouse will receive a pre-retirement survivor's benefit for life. (An Eligible Spouse is the person to whom the lay employee was legally married at the time of death and for at least 12 months prior to the lay employee's death.)
  - Please note that special provisions may apply in the case of a lay employee who dies while performing qualified military service. Contact Client Services at (866) 802-6333 or ***benefits@cpg.org*** for more information.
  - An Eligible Spouse includes either an opposite-gender or same-gender spouse. An active married participant should submit a Participant Change Form and a copy of the marriage certificate to CPF as soon as possible. (All married participants are required to submit a copy of their marriage certificate at the time of enrollment in the Plan, or at the time of their marriage, if later.)
  - Please refer to page iv for information about a special transition period for same-gender spouses that ends on December 31, 2017.
- In order for an Eligible Spouse to receive the pre-retirement survivor's benefit, all assessments must be paid up to date.
- If a lay employee does not have an Eligible Spouse at the time of death, no pre-retirement survivor's benefit will be payable from the Plan.
- An Eligible Spouse's pre-retirement survivor's benefit will be determined as follows:
  - The amount of the employee's calculated retirement benefit based on his or her Credited Service and Highest Average Compensation at the time of death; however, all active lay employees who have not yet attained age 65 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 had retired at the time of death.
  - The Eligible Spouse will receive 50% of the adjusted benefit for his or her lifetime.

- If a lay employee is an active participant at the time of death and dies on or after attaining age 65, or if a former lay employee who terminated employment on or after attaining age 55 dies, the employee's Eligible Spouse will receive a pre-retirement survivor's benefit calculated as previously described. However, the benefit will not be calculated based on a minimum of ten years of Credited Service. Instead, the benefit will be based on the employee's actual years of Credited Service, which may be less than ten years.

- If a lay employee is an active participant in the Plan at the time of his or her death, then he or she may 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 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 should complete a separate beneficiary designation form for this benefit at the time of enrollment and update their beneficiary designation as the need arises. It is imperative that the beneficiary designation be kept up-to-date. If the lay employee has named his or her spouse as a beneficiary, such beneficiary designation will not be automatically revoked if the lay employee and spouse subsequently divorce.
  - ~ In the absence of a valid beneficiary designation, the "default beneficiary" provisions under the Death Benefit Plan will apply, and they may or may not be in keeping with the lay employee's wishes.

Changes in Personal Information

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

- To maintain full benefits, it is 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)
    - 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 with CPF, as well as current Compensation and projected retirement benefits.

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

If assessments are not paid within two calendar years following the year in which they are due, or if the lay employee's Compensation records are not corrected within that same time period and assessments are due on that corrected Compensation, the assessments will not be accepted by CPF unless interest is paid.

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 and enroll them in the Plan as soon as they meet the eligibility requirement (i.e., are scheduled to work 1,000 or more hours per year). Retroactive enrollments are not permitted.
- The Participating Employer must pay the assessments accurately and on time.
  - The current assessment rate is 9% of Compensation. This rate may be adjusted from time to time by CPF's Board of Trustees. 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 upon receipt.

What happens if assessments aren't paid on time?

- If assessments are not paid on time (i.e., they are six months or more past due), the lay employee may be in jeopardy of losing full benefits, including:
  - The accumulation of Credited Service, which affects retirement, survivor, and disability benefits
  - The accumulation of vesting service, which determines an employee's right to receive any benefit from the Plan
  - The pre-retirement survivor's benefit payable to the eligible spouse of an eligible participant
  - The lay lump sum death benefit under the Death Benefit Plan
  - The disability retirement benefit
- If assessments are past due, the Participating Employer should contact Client Services directly to handle payments because interest may be due.
- Assessments will not be accepted after a participant 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 for a lay employee to avoid paying taxes on amounts paid to his or her former spouse, the Internal Revenue Service requires the use of a Qualified Domestic Relations Order (QDRO), which must be approved by CPF. The divorce decree generally will not act as the QDRO. If a lay employee is going through or about to enter the divorce process, the employee should call Client Services at (866) 802-6333 for information well in advance of any court date. CPF has a model QDRO available for use by employees. Using this model form can greatly speed approval of the QDRO by CPF, saving the employee both time and legal fees. Unless directed to do so by a QDRO, CPF will not pay any 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 18.)*

Checklist for working lay employees

- Make sure assessments are paid in full and on time.
  (If they are not paid on time, interest may be charged.)
- Review the Personal Information Summary, generally mailed in the third quarter of each year.
- Contact us:
  - If there is an address change
  - If there is a change in employment status
  - If corrections need to be made to 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 The Episcopal Church Retirement Savings Plan, or other tax-deferred plan

If there are questions about any of the topics covered above, please contact Client Services at (866) 802-6333 or ***benefits@cpg.org***.

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 Client Services. Client Services representatives can explain the available retirement options so that the employee can take full advantage of his or her retirement benefits. At a minimum, we suggest calling Client Services at least three months prior to a planned retirement date.

When can a lay employee retire?

- **Normal retirement**
  - ~ At or after attaining age 65
  - ~ Either a termination of employment or a reduction in hours worked to fewer than 1,000 hours per year
- **Early retirement**
  - ~ On or after attaining age 55 but before age 65
  - ~ Termination of employment

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

- As long as the lay employee is scheduled to work fewer than 1,000 hours per year, he or she may receive retirement benefits and continue to work for a Participating Employer following retirement. If a lay employee is scheduled to work 1,000 or more hours per year, he or she cannot begin receiving any retirement benefits, and if retirement benefits have already commenced, they will be suspended until the employee subsequently retires. (See page 18 for more information.) This restriction applies only 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 employees should call Client Services for an estimate of their retirement benefits or for more information.

Payment of Benefits

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

- All retirement benefit payments can 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 payments arrive safely and are deposited on time.

- To take advantage of this method of payment, a new or current retiree needs to complete a simple form that is provided in the lay employee's retirement packet and is also included with the lay employee's monthly pension benefit payment. A lay employee can request a retirement packet by contacting Client Services at (866) 802-6333. 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?

- A single life annuity, providing a benefit to the employee for his or her life. If the employee is married at the time of retirement, spousal consent is required to elect this option.
- A joint and survivor annuity, providing a benefit to the employee for his or her life and a survivor's benefit to the employee's named beneficiary for life
  - ~ The survivor's benefit can be equal to 50%, $66\frac{2}{3}$%, 75%, or 100% of the employee's benefit.
  - ~ The cost for providing the survivor's benefit is covered through a reduction in the employee's benefit.
  - ~ Upon the employee's death, the named beneficiary will receive the survivor's benefit as elected.
  - ~ Note that if the employee is married at the time of retirement, the Plan provides for an automatic 50% survivor's benefit, which may be waived by the employee's spouse. No spousal consent is required for a married employee to elect one of the other joint and survivor options for his or her spouse.

  However, if a married employee designates someone other than his or her spouse as the named beneficiary, spousal consent is required.

  Note that the joint and survivor options for a beneficiary who is not the participant's spouse may be limited depending on the age difference between the participant and his or her beneficiary (as required by the Internal Revenue Code).

- A five-, ten-, or 15-year certain and continuous retirement benefit, providing a benefit to the employee for his or her life and a potential survivor's benefit to the employee's named beneficiary for a period certain (i.e., five, ten, or 15 years). A married participant must obtain spousal consent to elect one of these options. (See page 16 for more information.)
- The foregoing benefit options are elected during the retirement process. Once retirement benefits commence, the **election is irrevocable**. This means that if the beneficiary named at retirement pre-deceases the employee, the employee cannot name a new beneficiary as a "replacement."
- 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 beneficiary.
- Upon request, Client Services can provide a comparison of a participant's retirement benefit under the various benefit options offered by the Plan.

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 participant dies before the end of the "certain" period (i.e., five, ten, or 15 years, as applicable), the named beneficiary will receive monthly payments for the remainder of the certain period selected. (If the participant outlives the certain period, no benefit will be paid to the named beneficiary.)
  - ~ If the participant elects one of these options, the participant's annual pension benefit will be actuarially adjusted to take into account the "certain" period.
  - ~ If neither the participant nor the named beneficiary survive the "certain" period, payments for the remainder of the "certain" period will be paid to the estate of the last to survive.

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 payment.
- Benefits that are received as a lump sum generally may be rolled over to an IRA or another employer's retirement plan, unless the required minimum distribution rules (described immediately below) apply.
  - ~ Beneficiaries who are eligible for this type of distribution will be presented with this option as well.

When must retirement benefits commence?

- A lay employee must commence receiving retirement benefits by April 1 of the year following the year during which the lay employee terminates employment or attains age 70½, whichever is later. This is commonly known as the required minimum distribution.

What other benefits may be provided by CPF at retirement?

Discretionary cost-of-living increases

- CPF may, but is not required to, increase the benefits provided by the Plan.
- To help ensure that the purchasing power of these benefits remains constant or grows over time, discretionary cost-of-living increases have been granted in the past.
- The CPF Board of Trustees, however, has adopted a policy that a discretionary cost-of-living increase will not be granted in any defined benefit plan administered by CPF, including the Plan, unless the funding ratio of the plan is equal to or in excess of 1.00. A ratio of 1.00 means that the plan is, in the opinion of CPF's consulting actuaries, fully funded.

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 rollover 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.
  - ~ Every 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 tax withholding elections.

Checklist for an upcoming retirement

- Contact Client Services at (866) 802-6333 or ***benefits@cpg.org*** at least three months before the date on which you plan to retire.
- Review the estimate of retirement benefits.
- Complete the retirement application.

  Retirement benefits will commence coincident with or on the first day of the month following CPF's receipt of the participant's completed retirement application. (Retroactive retirements may be permitted under limited circumstances.)
- Choose a benefit level for a surviving spouse or other beneficiary (and obtain spousal consent, if required).
- Make sure assessments are fully paid. No assessments will be accepted by CPF after your retirement date. In addition, adjustments to your Compensation record cannot be made after your retirement date.
- At least three months before retirement, 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***.
- Call Client Services to discuss options if there is a change in marital status.

Post-Retirement Events

Returning to Work

- If a lay employee is scheduled to work fewer than 1,000 hours per year for a Participating Employer, he or she may begin receiving retirement benefits as early as age 55. A lay employee who is scheduled to work 1,000 or more 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 1,000 or more hours per year, his or her retirement benefit will be suspended. However, if a lay employee returns to work after April 1 of the year following the calendar year in which he or she attained 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 earned 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 retired lay employee pre-deceases the spouse.
- In addition, because the employee's eligibility for the Death Benefit Plan terminates at retirement, the new spouse will not be entitled to a lump sum death benefit in the event the retired lay employee pre-deceases the spouse.

Divorce after retirement

- If an employee divorces after retirement, the person who 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 (QDRO), and even if the beneficiary pre-deceases the employee. An employee may, however, use a QDRO to provide a share of his or her lifetime retirement benefits to his or her former spouse. (See page 12 for further information relating to QDROs.)

Do not hesitate to call us. 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 should call Client Services at (866) 802-6333. We're here to help.

Checklist for retirees

- Notify us if there is an address change or a banking relationship change.
- Notify us if you marry or divorce, or if a spouse or named beneficiary pre-deceases you.
- Make sure your spouse or beneficiary knows how to contact Client Services if you pre-decease 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.

The Claims and Appeals Process

Claim for Benefits (Other than Relating to a Disability Determination)

Initial benefit claim

If a participant, beneficiary, or any other person (a "claimant") believes that he or she has been denied benefits that he or she is due under the Plan, or any other plan described in this Guide (a "CPF Plan"), the claimant may file a claim with CPF at the address below. The claim:

- May be submitted either by the claimant or by his or her authorized representative
- Must provide detailed reasons (including any supporting evidence) regarding why the claimant believes CPF's initial decision was incorrect

The claim will be subject to a full and fair review. The claimant generally will receive a written response to his or her claim within 60 days after the claim is received by CPF. If CPF needs additional time (up to 60 days) to review the claim, the claimant will be notified of the reason(s) for the delay and the anticipated response date, which may not exceed a total of 120 days from the date CPF receives the claim.

If CPF denies the claim, in whole or in part, CPF's written response to the claimant will include:

- The specific reason(s) for the denial
- Specific reference to the plan provision(s) on which the denial is based
- A description of the plan's appeal procedures and the time limits applicable to such procedures.

Where to file an initial benefit claim:

Attn: Pension Appeals — Initial Benefit Claims
Church Pension Group
P.O. Box 2745
New York, NY 10164-4514

Appeal procedure

Within 60 days following the date the claimant receives CPF's denial letter, the claimant (or his or her authorized representative) may submit a written appeal letter to CPF at the address on next page. (CPF may, in its sole discretion, extend the 60-day period to file an appeal.) The appeal letter should give a detailed explanation of why the claimant believes the claim should not have been denied and include any other documents or supporting information that may have a bearing on the claim. The claimant will be afforded a full and fair review of the claim that does not give deference to the initial determination.

The claimant generally will receive a written response to his or her appeal within 90 days after the appeal is received by CPF. If CPF needs additional time (up to 90 days) to review the claim, the claimant will be notified of the reason(s) for the delay and the anticipated response date, which may not exceed a total of 180 days from the date CPF receives the appeal.

If, upon appeal, the denial of the claim is upheld, CPF's written response will again give the specific reason(s) for the denial and the plan provision(s) on which the denial is based.

Where to file an appeal:

Attn: Benefit Appeals Committee
Church Pension Group
P.O. Box 2745
New York, NY 10164-4514

Claim for Benefits Relating to a Disability Determination

Initial claim relating to a disability determination

If a claim relates to whether or not a participant is disabled under a CPF Plan, the initial disability benefit claim should be submitted to Liberty Mutual, in accordance with Liberty Mutual's claims procedures.

Appeal procedure for a disability determination

After Liberty Mutual's claims procedures have been exhausted, the claimant (or his or her authorized representative) may submit a written appeal letter to CPF. The same appeal procedures outlined above under the heading "Appeal procedure" generally will apply, except that:

- The appeal must be submitted to CPF within 180 days after the claimant's receipt of Liberty Mutual's denial letter. (CPF may, in its sole discretion, extend the 180-day period to file an appeal.)
- In rendering its decision, CPF may, in its sole discretion, consult with an independent expert selected by CPF from time to time

Where to file a disability appeal

Attn: Benefit Appeals Committee
Church Pension Group
P.O. Box 2745
New York, NY 10164-4514

After CPF's Final Determination

A claimant may not file a civil suit until he or she has exhausted the CPF Plan's administrative review process outlined above. If a claimant is not satisfied with CPF's final determination, the claimant may file a civil suit within 180 days after receiving CPF's final determination. As a participant or beneficiary in a CPF Plan, the claimant has consented to the exclusive venue and jurisdiction of the courts located in New York City. Therefore, any civil action must be filed in New York City.

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 employer reports the employee to CPF by enrolling the employee in the Plan. Retroactive employee enrollments are not permitted.
  - ~ Assessments begin to be paid as soon as the lay employee begins participating.
  - ~ The lay employee earns Credited Service when assessments are paid on the employee's behalf.

Significant Dates During an Employee's Participation in the Plan

- **Five Years of Service**
  - ~ The lay employee is fully vested in the Plan. (See page 8 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 begin taking 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.

Canons of The Episcopal Church (2015) Pertaining to the Lay Pension

Title I, Canon 8: Of the Church Pension Fund

Sec. 1. The Church Pension Fund, a corporation created by Chapter 97 of the Laws of 1914 of the State of New York as subsequently amended, is hereby authorized to establish and administer the clergy pension system, including life, accident and health benefits, of this Church, substantially in accordance with the principles adopted by the General Convention of 1913 and approved thereafter by the several Dioceses, with the view to providing pensions and related benefits for the Clergy who reach normal age of retirement, for the Clergy disabled by age or infirmity and for the surviving spouses and minor children of deceased Clergy. The Church Pension Fund is also authorized to establish and administer the lay employee pension system and denominational health plan of the Church, substantially in accordance with the principles adopted by the General Convention of 2009 in Resolution 2009-A177, with the view to providing pensions, health care and related benefits for the eligible Clergy and eligible lay employees of this Church, as well as their eligible beneficiaries and dependents.

Sec. 3. For the purpose of administering the pension system, The Church Pension Fund shall be entitled to receive and to use all net royalties from publications authorized by the General Convention, and to levy upon and to collect from 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 shall elect to come into the pension system, assessments based upon the salaries and other compensation paid to Clergy by such Parishes, Missions, and other ecclesiastical organizations or bodies for services rendered currently or in the past, prior to their becoming beneficiaries of the Fund. For the purpose of administering the lay employee pension system and denominational health plan, The Church Pension Fund shall be entitled to collect from 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 shall elect to come into the lay employee pension system, assessments and/or contributions based upon the salaries and other compensation paid to eligible lay employees by such Parishes, Missions and other ecclesiastical organizations or bodies, determine the eligibility of all Clergy and lay employees to participate in the denominational health plan through a formal benefits enrollment process, and The Church Pension Fund shall be entitled to levy upon and collect contributions for health care and related benefits under the denominational health plan from all Parishes, Missions and other ecclesiastical organizations or bodies subject to the authority of this Church with respect to their Clergy and lay employees.

Glossary of Terms

CPF The Church Pension Fund, a New York State corporation.

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

Compensation This includes the lay employee's base salary, overtime, special service fees, bonuses, severance pay, utilities, and housing (as described below). The assessable value of church-supplied housing is equal to 30% of the sum of the participant's base salary plus utilities. The assessable value of church-supplied room and board is equal to 40% of the sum of the participant's base salary plus utilities.

Early Retirement The date on which 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 whom a lay employee is married for at least 12 months prior to retirement or death, as applicable. The definition of Eligible Spouse includes legally married same-gender spouses. A civil union does not constitute a marriage under the Plan. Please refer to page iv for information about a special transition period for same-gender spouses that ends on December 31, 2017.

Highest Average Compensation Generally, the average of the highest-paid seven out of eight consecutive 12-month periods during which the employee is an active participant in the Plan.

Normal Retirement The date on which a lay employee reaches age 65, or the employee's age when his or her employer enrolls the employee 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 under the Plan, a lay employee must have earned at least five Years of Service, must have attained age 55 while an active participant in the Plan, or must have become eligible for disability retirement under the Plan.

Year of Service A 12-month period during which a lay employee completes at least 1,000 hours of compensated employment and for which full assessments have been paid by his or her Participating Employer. For vesting purposes only, it also includes a 12-month period during which a lay employee completed at least 1,000 hours of compensated employment at an Episcopal employer that did not participate in the Plan, if the employee and/or employer notifies CPF in writing of such employment.

Contact Us

Company or Department	*Contact Information*	*Service*
Client Services	**(866) 802-6333** M – F 8:30AM – 8:00PM ET *benefits@cpg.org*	All pension-related questions The Lay Employees' Retirement Plan The Lay Employees' Defined Contribution Retirement Plan The Retirement Savings Plan (RSVP) Request a personal pre-retirement discussion
The Church Pension Fund	**(800) 223-6602** *www.cpg.org*	General information
The Episcopal Church Medical Trust	**(800) 480-9967** *mtcustserv@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 Disability Insurance, IRAs, Annuities, and RSVP rollovers
Written Correspondence	The Church Pension Fund Attn: Client Services 19 East 34th Street New York, NY 10016	

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code, but as a church plan, it is not subject to the Employee Retirement Income Security Act of 1974, as amended. The Plan's financial condition is disclosed in the Church Pension Group Annual Report, which is located on our website at www.cpg.org. The Church Pension Fund, as sponsor of the Plan, continues to monitor the funding status closely. Like many defined benefit plans, the Plan currently is not fully funded.

Please note that this Guide is provided to you for informational purposes only and should not be viewed as investment, tax, or other advice. In the event of a conflict between the information contained in this Guide and the official plan documents, the official plan documents will govern. The Church Pension Fund and its affiliates retain the right to amend, terminate, or modify the terms of any benefit plans described in this Guide at any time, without notice, and for any reason.

CHURCH PENSION FUND

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