

**SUMMARY OF MONEY PURCHASE PENSION PLAN  
FOR EMPLOYEES OF PARISHES AND SCHOOLS**

**DIOCESE OF JACKSON**

Prompted by requests from some of our school principals, and the firm belief that employees of parishes and schools deserve a retirement plan to supplement Social Security retirement benefits, the Diocesan Department of Educational Services and the Department of Administration put together a program.

An attorney, who specializes in planning retirement programs, was asked to prepare the plan. After meeting with Catholic School employees, other lawyers and bank trust officers to review retirement plan objectives, the attorney recommended a money purchase pension plan combined with a Tax Sheltered Annuity Program.

Money Purchase Plan: Under this plan a trust was created to receive contributions made by the employing entity (parish or school). AmSouth Bank serves as Trustee of the funds. These funds are invested according to the advice of an investment management firm selected by the Diocese and the bank trust department will provide participating employees with statements of their individual accounts. This portion of the retirement program is mandatory for all parishes and schools of the diocese. The contributions will be a minimum of 2% and a maximum of 10% of all employees' gross salaries. The level of contributions is determined by the individual parishes and schools. This allows them to select a level of contribution according to their ability to fund the program. The level of contribution will remain consistent for an entire plan year but it can be changed at the beginning of any given plan year.

Tax Sheltered Annuity Plan: This portion of the program is the individual employee's opportunity to participate in the retirement program on a voluntary basis. The employee may designate the amount he or she wishes to be deducted from salary for deposit. The maximum amount allowed is governed by provisions in the Internal Revenue Service Code of Regulations.

This combination of plans offers an opportunity for church and school employees to participate in the money purchase pension plan and in the Tax Sheltered Annuity. Their contributions are excludable from gross income and exempt from income tax withholding (although subject to Social Security taxes).

**PARISH AND SCHOOL RETIREMENT PROGRAM  
DIOCESE OF JACKSON**

**Q. What is the Parish and School Retirement Program?**

**A.** It is a pension program for eligible employees of parishes and schools of the Catholic Diocese of Jackson. The program has two parts:

1. **The Money Purchase Plan.** This part of the plan is mandatory. All parishes and schools are required to participate and make monthly payments to the retirement fund for the benefit of eligible employees.
2. **The Tax Sheltered Annuity (TSA) –** This part of the plan is entirely voluntary on the part of the individual employee. All contributions are made by the individual employee through payroll deductions.

**Q. What are the eligibility requirements for the Money Purchase Pension Plan?**

- A.**
- (a) Employment by any parish or school of the diocese.
  - (b) Attainment of age twenty one (21) and
  - (c) Completion of one (1) year of credited service.

**Q. Will participation in the Money Purchase Plan lower my salary?**

**A.** No. The employer will make monthly contributions to the retirement fund based on a percentage of your gross salary.

**Q. How much will these contributions be?**

**A.** The percentage of your gross salary to be deposited in the retirement fund is determined by the employer. It may not be less than 2% and not more than 10%. The percentage will be the same for all eligible employees of the employing unit. The percentage may be changed any anniversary date of adoption of the plan, July 1.

**Q. How are the contributions to the Money Purchase Plan Invested?**

**A.** All contributions are deposited with the trustee, the AmSouth Bank. The trustee invests the funds at the direction of an Investment Management Firm selected by the diocese.

**Q. Who is entitled to the earnings of the trust funds?**

**A.** On each valuation date (June 30) the net earnings of the trust fund are allocated to each participant's account in the same proportion as his or her account bears to the balance of all participants' accounts. A statement of the individual accounts will be provided each year to all participants.

**Q. When am I entitled to receive benefits from the Money Purchase Plan?**

**A.** The normal retirement date is the later of age sixty-two (62) or termination of your service with the employing entity. In either case you will receive the total of your vested percentage of contributions made on your behalf and any earnings on these contributions.

**Q. What is a vested percentage?**

**A.** This is the portion of your account consisting of contributions and earnings to which you become entitled during your time of employment.

The vesting schedule is:

<u>If Your Completed Years of Credited Service Are</u>	<u>The Vested Per- centage of Your Share Will Be</u>	<u>The Percentage of Your Share to be Forfeited</u>
Less than 3 years	0%	100%
3 full years	20%	80%
4 full years	40%	60%
5 full years	60%	40%
6 full years	80%	20%
7 or more years	100%	0%

In addition, you will become 100% vested on the first day of the month in which you become sixty-two (62) years old.

**Q. How do I receive a year of credited service for vesting purposes?**

**A.** Generally, you will receive a year of service for vesting purposes for all fiscal years (July 1 through June 30) in which you have five hundred (500) hours of service, including years prior to adoption of the plan and years of service with another parish or school of the diocese. However, you will not receive credit for years prior to attaining age eighteen (18).

**Q. If I terminate employment, when will I receive my vested percentage?**

**A.** Your vested percentage will be paid to you in the manner elected by you in accordance with the terms of the plan. Even though you have terminated employment, you can choose to defer distributions by leaving your vested percentage on deposit in the plan. Although no further contributions would be made to your account by your employer, you would continue to share in the earnings of the plan. However, under federal law, there are rules governing when distributions must begin. Without going into all the exceptions, generally distributions must begin by April 1 of the calendar year following the later of (1) the calendar year in which the participant attains age seventy and one-half (70 ½) or (2) the calendar year in which the participant retires. Of course, distributions can begin earlier. For participants who have deferred their benefits, distributions can begin at anytime. For those who do not defer their benefits, generally distributions are made after

the valuation date (June 30) following their termination of service. For both those who have deferred their benefits and for those who request distributions at termination of service, the exact amount of your vested percentage due will be known after the completion of the earnings allocation as of the valuation date (June 30). In recent years, the earnings allocation has been completed as early as September. Partial distributions are possible before the valuation date but they involve a loss of earnings for the plan year during which the distribution is made.

**Q. How much will I receive?**

A. The contributions paid by an employer may vary depending on the percentage of salary the employer elects to contribute. Also, the earnings on your funds will vary. Therefore, it is not impossible to say exactly what you will receive. However, you will receive an annual statement of your account.

**Q. How will my benefits be paid to me?**

A. Benefits under the Money Purchase Plan will be paid according to your wishes. This can be lump sum, life annuity, joint and survivor annuity or installment payments over a number of years selected by the participant.

**Q. What if I become disabled?**

A. Disabled means that the participant is unable to perform the usual and customary duties of the employee by reason of physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. If you are determined to be disabled independently by a duly licensed physician, you will become 100% vested in your account balance.

**Q. What if I die while I am still employed by a parish or school of the diocese?**

A. The vested percentage due on your account would become 100% and the balance in your account would be paid to your designated beneficiary using the form of payment you designated in accordance with the terms of the plan.

**Q. How do I apply for benefits?**

A. To make a claim for benefits under the Money Purchase Pension Plan, you should apply in writing using the forms which make up the "termination package". The forms can be obtained from your employer. If your claim is denied, you will be informed in writing of the reason and you have the right to appeal the decision.

**Q. Must I pay income taxes on my employer's contributions to my account in the Money Purchase Pension Plan or on the earnings credited to my account?**

A. Not until the funds are paid to you. You will report the income for tax purposes only when distributions of benefits are made to you.

- Q. May I make contributions to an Individual Retirement Account (I.R.A.) if I am a participant in the Diocesan Money Purchase Plan?**
- A.** Under the provisions of the Internal Revenue Service Code, depending on your level of income, you may not be eligible to make contributions to an IRA. However, you may make contributions to a Tax Sheltered Annuity (TSA) if you wish.
- Q. What is a tax sheltered annuity (TSA)?**
- A.** A TSA program is an opportunity for employees to participate in both an employer provided retirement program and a personal retirement program which is tax sheltered.
- Q. Is participation in the TSA required in order to participate in the Money Purchase Retirement Plan?**
- A.** No. Participation in a TSA is entirely voluntary on your part.
- Q. Who is eligible to participate in a TSA?**
- A.** Any employee of a Catholic parish or school in the Diocese of Jackson even though he or she may not be eligible under the Money Purchase Plan.
- Q. What are the big advantages of a TSA?**
- The main advantage is the tax savings. State and federal income taxes are computed on your net salary after the TSA deposits are deducted. However, Social Security taxes by both employer and employee are paid on gross salary.
  - In addition, the earnings on your TSA account are not taxable until withdrawn.
  - You are always 100% vested in your TSA account.
  - Your funds can be invested in a variety of investment type accounts (guaranteed interest account, stock account, bond account, balanced account, etc.) at your direction.
- Q. What is an example of tax savings as a result of a TSA?**
- A.** Let's assume that a teacher has income that places her in a 15% tax bracket and she participates in a TSA by having \$100 per month deducted from her salary. The income taxes deferred on the portion of salary deposited in the TSA account would be 15% or \$180 per year. ( $\$100 \times 12 \times 15\%$ )
- Q. How do I participate in a TSA?**
- A.** By completing an application form which authorizes your employer to deduct a designated amount from your salary each pay period. These funds are then transferred to the TSA custodian company you choose.