ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
BENEFIT TRUSTS

66 BROOKS DRIVE, BRAINTREE, MASSACHUSETTS 02184

August 2010

Dear Employee:

This letter contains important information about upcoming changes to the Roman Catholic Archdiocese of Boston Pension Plan ("the Pension Plan" or "the Plan"). You are receiving this letter because our records identify you as an active current or future participant in the Plan.

The Archdiocese and the other participating employers in the Pension Plan make contributions to a separate pension trust, a pool of money that is maintained specifically to pay pension benefits and Plan administrative fees. A Board of Trustees that includes independent members oversees the trust assets, monitors funding levels, and determines the amount participating employers must contribute each year in order to fund benefits.

The economic downturn that began in 2007 has adversely affected the investment performance of the assets in the trust and, as a result, the Pension Plan has lost value, creating a funding shortfall. As of June 30, 2010, the overall funding level of the trust is currently estimated to be approximately 79% (meaning assets in the trust as of June 30, 2010 are estimated to cover only 79% of the current value of expected future benefit payments). As Plan participants continue to accrue benefits (with more years of service and higher pay), the Plan's obligations also continue to grow.

The Trustees extensively researched many options and have been unable to identify a feasible way to both sustain current and projected benefit obligations *and* close the funding gap caused by investment losses. After careful and thorough consideration, the Trustees have decided on a new strategy for providing retirement benefits to employees in the future. Going forward, we will be moving away from the current unsustainable model to one that enables employees and employers to work as partners in funding retirement benefits. Specifically, the Pension Plan will be frozen effective December 31, 2011. In addition, a new retirement plan (a 403(b) or 401(k) plan) will be introduced that will allow employees to save on a tax-deferred basis while encouraging joint responsibility for retirement savings. Under this new structure, your employer-sponsored retirement benefit will consist of two pieces:

(1) the benefit you earn under the current Pension Plan through December 31, 2011, *and*

(2) the benefit you earn from the new 403(b) or 401(k) plan beginning January 1, 2012.

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These changes were recently communicated to participating employers and are described below:

- **Pension benefits will be frozen as of December 31, 2011 and will no longer grow after that date.** Active Pension Plan participants will stop earning benefits under the Plan as of December 31, 2011. Participants in the Plan who are not yet vested as of the freeze date (have not completed five years of service in which they worked at least 1,000 hours each year), will continue to earn vesting service after December 31, 2011 for each year in which they work at least 1,000 hours. *This freeze will not affect benefits earned under the Pension Plan as of December 31, 2011.*

- **Participants who will be age 55 or older and vested in the Pension Plan as of December 31, 2011, will have a one-time option to receive voluntary payment of their pension benefit while still employed.** Eligible participants who elect to receive a voluntary payment of vested pension benefits will have the option to receive the money in the form of a one-time lump sum payment, which can be rolled over to an IRA or other tax-deferred account, or to begin payment of an annuity. If the one-time voluntary payment option is chosen, amounts paid will be reduced to reflect the Pension Plan's funding status at a time to be determined in 2011. Under the current Plan provisions, any payments that begin before age 65 are reduced to reflect the fact that benefits will start earlier and be paid for a longer period of time. This reduction will also apply to benefits under the special one-time early payment option for those employees at least age 55 and under age 65 as of December 31, 2011.

- **Employees of a parish or school within the Archdiocese and of the Pastoral Center will be eligible for an employer contribution into an employee retirement savings plan, such as a 403(b) or 401(k) plan, beginning in 2012.** The Trustees' intent is for all employers currently participating in the Pension Plan to provide a supplemental vehicle that will allow employers and employees to work together to fund future retirement benefits. Keep in mind that benefits earned in the new retirement savings plan are *in addition to* any benefits earned from the Pension Plan.

The Benefits Office and Pension Plan Trustees understand you will have many questions and want to make sure you receive all the information you need to plan for the future. Meetings will be held around the Boston area in September and October 2010 to further describe and discuss these changes and how they will affect all active Pension Plan participants. Information about the dates and times of these meetings will be made available through the benefits administrator at your parish or school. Additional meetings and information sessions will be held in 2011 to further describe the one-time payment option for employees age 55 and over, after which personalized information packets for each eligible employee will be distributed. Information will also be provided in 2011 about the new 403(b) or 401(k) plan. To assist you with understanding these changes in the meantime, please see the attached Frequently Asked Questions. You may also contact the Benefits Office at (617) 746-5830 or pension@rcab.org if you have questions.

Sincerely,

The Board of Trustees of the Roman Catholic Archdiocese of Boston Pension Plan

Frequently Asked Questions
Changes to the Roman Catholic Archdiocese of Boston Pension Plan effective December 31, 2011

1. **Why are changes being made to the Pension Plan?**

   The economic downturn that began in 2007 has adversely affected the investment performance of the assets in the pension trust. Like many other pension plans throughout the United States, the trust has lost value, creating a funding shortfall. If the Plan were to continue as it is today, employer contributions would need to increase significantly. By freezing the Pension Plan, future liabilities can be capped and the Plan will be better able to sustain current benefits without requiring participating employers to contribute at unsustainable levels at a time when employees and employers are working hard to maintain an economic balance.

2. **What does it mean to "freeze" the Pension Plan?**

   Each active participant currently earns benefits under the Pension Plan based on his or her service and compensation while employed by an employer actively participating in the Plan. When the Pension Plan is frozen on December 31, 2011, it means that the pension benefits of active Pension Plan participants will no longer grow after that date; additional service and compensation will no longer be used to compute benefits. Plan participants who are vested will not lose any benefits earned through December 31, 2011.

   Employees who are not participants in the Pension Plan as of December 31, 2011, including those who are hired after December 1, 2010, will not accrue any benefits under the Pension Plan. This means that anyone who is hired after December 1, 2010, or anyone hired before that date who does not complete 1,000 hours of service before December 1, 2011, will not become a participant in the Plan and will not be eligible for a benefit from this Plan at any time in the future.

3. **Did the Trustees consider other options before deciding to freeze the Pension Plan?**

   Yes. The Board of Trustees and its advisors spent nine months evaluating various options, which included: maintaining the Plan in its current state, with the attendant risks from investment volatility; closing the Plan only to employees hired in the future; freezing the Plan several years from now; and terminating the Plan in an underfunded status, which would result in some participants being forced to take less than their full pension benefit. The Board approved the option that is the best way to continue paying benefits to current retirees, protect the benefits that have already been earned by current employees, and provide an opportunity for participants closer to retirement age to receive a portion of their benefit immediately, if desired.

4. **If the economy improves, will the Pension Plan be "unfrozen"?**

   There are no plans to unfreeze the Pension Plan. Instead, a new type of retirement plan will be introduced effective January 1, 2012 – a 401(k) or 403(b) savings plan – to provide future retirement benefits. With this new approach, participants will receive employer-sponsored retirement benefits in two components:

   - benefits earned from the Pension Plan through December 31, 2011 *plus*
   - benefits from the new 403(b) or 401(k) plan beginning January 1, 2012.

   Under this new structure, employers and employees will be able to jointly fund retirement benefits. Details of the new retirement plan are still to be determined.

5. **If I am not vested when the Pension Plan is frozen on December 31, 2011, will I still receive a pension benefit?**

   All employees who become "participants" in the plan before December 31, 2011 and who complete at least five years of service (in which an employee works at least 1,000 hours) before they leave employment with the Archdiocese or a separately incorporated participating employer will become vested and eligible for a benefit from the Pension Plan. An employee must be hired no later than December 1, 2010 and work at least 1,000 hours before December 1, 2011 to become a "participant" in the Pension Plan. Service for participants after December 31, 2011 will continue to count toward vesting, even after the Plan is frozen.

6. **What is "vesting"?**

   "Vesting" refers to a Plan participant's right to his or her pension benefit. A participant becomes vested under the Pension Plan after completing five years of service with an Archdiocesan or separately incorporated employer. A year of service means a year in which an employee works at least 1,000 hours.

7. **Do I have to retire before the Pension Plan freezes to get a pension benefit?**

   No. Participants who retire after the Plan freezes will be eligible to receive the vested pension benefit they have earned through December 31, 2011, in accordance with the Plan provisions in effect at the time of their retirement.

8. **Will I be able to take my pension benefit as a lump sum? If so, when?**

   Under the new amendments to the Pension Plan, for the first time, employees age 55 or older as of December 31, 2011 with a vested pension benefit will be allowed a one-time election of a lump sum or an immediate annuity while they are still working, regardless of the size of their benefit. In exchange for this new option, any "in service" pension payments received during employment will be subject to a reduction based on the Plan's funded status. These payments will also be reduced for early commencement for employees who have not reached age 65. This reduction for early commencement is to account for the fact that payments are beginning early and are expected to be paid over a longer period of time.

   This new payment option will be first offered in the Fall of 2011 to all active, vested Pension Plan participants who will be age 55 or older as of December 31, 2011. Participants who are not age 55 as of December 31, 2011 will be offered this one-time option when they turn age 55, as long as they are vested.

9. What actions do I need to take now? What are my options?

There is no immediate action required; however, participants may want to begin thinking about the options that will be available in 2011 and beyond:

- ***Participants who will be age 55 or older and who have earned a vested benefit as of December 31, 2011*** will be able to elect a one-time lump sum payment of their benefit or an annuity as described above in Question 8. Participants who receive a lump-sum payment will be encouraged to direct these funds into a tax-deferred account, such as the new 403(b) or 401(k) or an IRA, so that these amounts are used for their intended purpose as retirement savings. These individuals may also opt to keep their pension benefits in the frozen Plan and wait until retirement to begin payments as described in Question 7, above.
- ***Participants who will be age 55 or older as of December 31, 2011 but are not yet vested*** will be offered the same one-time voluntary options noted above upon attaining vested status. More information will be provided to these individuals in 2011.
- ***Participants who are age 55 or older with a vested benefit at any time*** can choose to end their active employment with the Archdiocese (meaning working less than 1,000 hours per year, or ceasing work altogether) and begin collecting their benefit under the provisions of the Plan in effect at the time payments begin. Participants who choose this option will have their pension benefits reduced if payments begin before age 65, but the payments would not be reduced to reflect the funding level of the Plan.
- ***Participants who are under age 55 as of December 31, 2011*** will not need to do anything with their accrued benefits in the Pension Plan as long as they continue to work for the Archdiocese. They will have the opportunity to participate in the new 403(b) or 401(k) plan effective January 1, 2012. These participants will also be offered the one-time lump sum or annuity option described above upon attainment of age 55. Finally, these individuals may end their employment with the Archdiocese at any time. After December 31, 2011, as a former employee, they may then opt for a lump sum or an annuity, reduced for funded status (if under age 55) and age (if under age 65).

10. How can I find out how much my accrued pension benefit is now?

Plan participants can find out the value of the pension benefit they have already earned by reviewing their most recent Pension Plan benefit statement. The statement that was mailed to participants in November 2009 reflects the benefit earned through December 31, 2008. This Fall, Plan participants will receive an updated statement showing their accrued benefit through December 31, 2009 and their estimated benefit as of December 31, 2010.

11. If I will be age 55 or over as of December 31, 2011, how can I estimate what a lump sum or annuity taken during my employment will be?

Lump sum and annuity payments taken on an in-service basis will not be calculated until the Fall of 2011, after service for 2010 and 2011 is counted and annual earnings for those years are recorded. At meetings in September and October 2010, information will be provided that will allow participants to estimate the amount of an in-service lump sum or annuity based on accruals through December 31, 2008.

12. Is my pension benefit protected?

The Archdiocese Pension Plan benefits are funded by a pension trust, which is a pool of money that is separate from the assets of the Archdiocese (or any participating employer). The money in the trust can only be used to pay pension benefits for Plan participants and their eligible beneficiaries, as well as Plan administrative expenses. A Board of Trustees oversees the investments and funding of the trust. Although the Trustees' goal is to make sure there are adequate assets to meet all Plan liabilities, due to the unpredictability of future investments, there is no guarantee that all benefits will be fully payable at retirement.

13. Will there be any more changes to the Pension Plan?

At this time, the Board of Trustees does not intend to make further changes to the Pension Plan. However, the Pension Plan can be changed at any time in the future.

14. When will the new 403(b) or 401(k) plan become effective?

The Archdiocese expects the new supplemental retirement plan to be effective in January 2012. The new plan will be administered by the Archdiocese and not by the Trustees of the Pension Plan. Additional information about the new plan will be provided in the coming months as details are finalized.

15. I need more information about investing money in a 403(b) or a 401(k) plan. Where and when can I obtain more information about these employee retirement savings plans?

Some parish, school, and Pastoral Center employees may already participate in the Archdiocese 403(b) plan set up several years ago. Approximately 15 different vendors currently handle these retirement funds, and under the new plan, there will be one vendor for all locations, which will improve the current 403(b) offering by allowing employees broader investment options, improved access to on-line information, a higher level of vendor service, and lower fees. Employees already contributing a 403(b) should be able to find out information about that plan through the individualized quarterly statements they receive from their current vendor. All employees who participate in the Pension Plan will become eligible for the new 403(b) or 401(k) plan. Specific information about the new plan and general information about how these plans work will be shared over the next several months.

16. Where can I get more information about all of these changes to the Pension Plan?

Employee meetings and information sessions will be held throughout the Boston area in the Fall of 2010 to review the changes. Information about the dates and times of these meetings will be available through the benefits administrator at all locations. Additional meetings will be held in 2011 to further describe the one-time payment option for employees age 55 and over, after which personalized information packets for each eligible participant will be distributed. In the meantime, employees may also contact the Benefits Office at (617) 746-5830 or pension@rcab.org with questions.