



Policy for the Compensation of Priests

July 1, 2016-June 30, 2017

PLEASE NOTE:
THE CURRENT 'POLICY FOR THE COMPENSATION OF PRIESTS'
IS AVAILABLE BY CONTACTING THE
DIOCESE OF WINONA OFFICE OF FINANCE.



Priest Retirement

The Pension Plan for Priests of the Diocese of Winona is a defined benefit Trust. The Pension Plan for Priest's (formerly known as the "Bureau of Priest retirement" "Priests' Retirement and Disability Plan of the Diocese of Winona" or the "Clerical Association of the Diocese of Winona") has a separate Board of Trustees that govern the plan. The Board of Trustees determines the level of benefits, establishes policy, interprets policy and provides input on the amount of parish pension assessment.

All incardinated priests of the Diocese of Winona are eligible to participate in the plan. No personal dues are required. Priest eligibility for benefits is tied to a vesting schedule based on years of service. Eligible priests receive a monthly pension benefit payment and Diocesan healthcare and dental benefits. Parish assessments, bequests and investment earnings provide funding of the Pension Plan for Priests.

The following pages provide a descriptive summary of the pension plan. A copy of the Pension Trust Agreement and Pension Plan is on file at the Diocese of Winona, where it may be examined during regular business hours.

Looking Ahead . . .

Money can't buy everything. We're all aware of that fact. And yet, few of us want to face our retirement years without sufficient financial resources to maintain a comfortable lifestyle. What does that mean for us priests during our working years?

It means it's never too early to start focusing on your future. In fact, taking a long-range view of planning and saving can mean the difference between a lower standard of living — and enjoying retirement to the fullest.

The Diocese of Winona wants to help you prepare for a fulfilling, financially secure retirement. We play our part by providing a pension plan — and a comprehensive communication effort to help you understand your pension benefits, Social Security benefits, and the role you must play in preparing for life after work.

We have prepared this Summary Plan Description to give you helpful information about the Pension Plan for Priests. It answers basic questions about your retirement benefits and highlights the Pension Plan's Historical Investment Performance. This information, when combined with other communications you receive from the Diocese, can help you as you start planning for the security you want and need in the future.

If you have questions about your retirement benefits after reviewing this booklet, please contact the Director of Finance at (507) 454-4643.



Your Pension Plan

Q What is the Pension Plan for Priests?

A The Pension Plan is a trust fund created by the Diocese of Winona in 1972 and restated as of July 1, 1995. This fund was established to hold the Plan's participant and employer contributions and investment earnings, and is designed to provide pension benefits for eligible priests of the Diocese in their retirement years or in case of total disability.

Q Who administers the Plan?

A The Plan is managed by a Pension Board of Trustees, comprised of the Ordinary as Chairman (either the Bishop or his designated representative), members of the Presbytery, and community representatives. An Executive Committee, if appointed, can act on behalf of the Board and administer the Plan. The Board is also authorized to appoint a Plan Administrator qualified by experience, education and knowledge to advise the Board and administer the Plan.

Q Where do the funds come from?

A When the Plan began in 1972, the Diocese transferred about \$20,000 from the "Clerical Association" of the Diocese to the Pension Fund. Annual contributions come from the Diocese and participating schools, parishes, institutions or agencies.

Employer contributions are collected by the Diocese from participating employers on proportionate basis, with the actual contribution amount determined by the Bishop after consultation with the Board of Trustees each year.

Q What happens to these contributions?

A Each year, all contributions are deposited into the Pension Plan's trust fund. Then, CBIS, the Plan's investment manager, manages and invests the fund according to the investment policy established by the Board of Trustees.

Investment earnings are continually reinvested in the trust. Money may be withdrawn from the trust only to pay benefits for disabled participants and retirees or to pay Plan expenses. Plan expenses include professional fees for actuaries, attorneys, auditors, accountants and consultants.



Q Is the trust fund financially secure?

A The Diocese is committed to providing all Plan participants with a monthly pension benefit if they retire or are disabled. The amount the Diocese contributes to the trust fund each year is actuarially determined based on data about current participants and retirees — and is *at least* the minimum amount needed to meet its financial obligations to Plan participants.

In addition, the Pension Plan’s investment performance has been quite good in recent years. The average rate of return since 1989 has been 9.7%. Total market value of the Plan’s assets as of July 1, 2001 is \$12,389,060. Investments have performed well historically and we expect the steady growth of Plan assets to continue; however, future investment performance cannot be guaranteed.

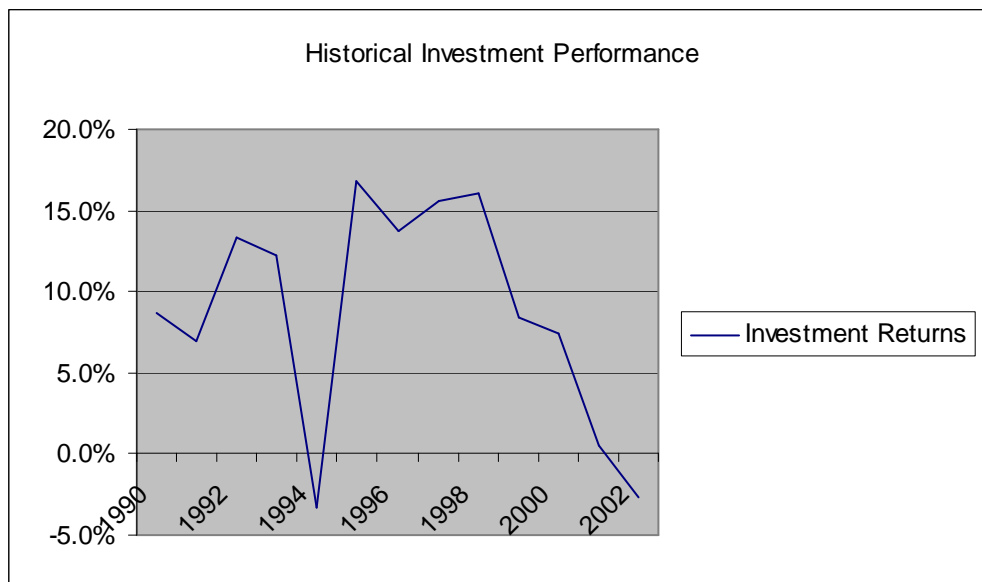


Q What is the Board of Trustees’ investment philosophy?

A The trust fund is designed to reflect our overall retirement philosophy — using long-term financial gains to help build retirement security for priests of the Diocese.

If you study the investment results for the Plan, you will see that the rate of return has varied over the years. This is not unusual with long-term investments. In fact, the Board of Trustees expects fluctuations in investment performance from year to year — with some years showing a high rate of return and some years showing a negative return.

If you look at the following Historical Investment Performance chart, you will see that the Pension Plan for Priests is accomplishing our long-range objectives. This means that in spite of annual fluctuations, our investment performance has resulted in a steady overall growth in the Plan’s assets.





For another historical perspective on plan performance, refer to the table below.

Additional Background Information

PLAN YEAR (Beginning July 1)	NUMBER OF PARTICIPANTS				MARKET VALUE OF ASSETS
	Active	Vested Terminated	Retired	Total	
1989	114	0	38*	152	\$3,971,017
1990	109	0	49*	158	\$4,300,852
1991	111	0	50*	161	\$4,731,973
1992	101	2	39	142	\$5,569,642
1993	98	1	41	140	\$6,561,266
1994	94	0	44	138	\$6,228,067
1995	90	0	46	136	\$7,332,887
1996	83	0	44	127	\$8,408,681
1997	80	0	48	128	\$9,774,177
1998	75	3	49	127	\$9,773,545
1999	77	2	49	128	\$11,230,458
2000	75	2	50	127	\$11,828,016
2001	73	2	48	123	\$12,389,060
2002	72	2	48	122	\$11,608,838

*Includes Active Priests over age of 68 who are receiving retirement benefits.

How the Pension Plan for Priests Works

Q Who is eligible to participate in the Pension Plan?

A To participate in the Plan, you must begin the incardination process with the Diocese of Winona, and be employed in its ministry (either by the Diocese or one of its participating parishes, schools, institutions or agencies).

Q Am I still eligible if I am also eligible for a military or government pension?

A If you serve as a chaplain for one of the military services or for any state or federal institution, you may participate in the Diocese Pension Plan if you contribute your personal dues, plus a designated “institutional” share.



Q What is my pension benefit? How is it determined?

A Your pension benefit is the maximum monthly benefit that is payable on your normal retirement date. Your age and years of Credited Service with the Diocese are used in calculating the actual amount of your benefit. You receive one year of Credited Service for each year you:

- are employed in active ministry with the Diocese,
- make the Required Personal Contribution, *and*
- have an employer contribution made for you.

Q When am I eligible to receive the full benefit from the Plan?

A You will receive the full monthly benefit for life, provided you:

- have reached your normal benefit date, *and*
- have served continuously as a priest of the Diocese for at least 25 years.

Your normal benefit date is the day of your 68th birthday, if your birthday occurs on the first of the month. If your birthday comes after the first, your normal benefit date is the first day of the *following* month.

Example—If you turn 68 on August 1, your normal benefit date is August 1. If your birthday is August 2 (or any day other than the 1st), your normal benefit date is September 1.

Q Do my years of service count if some of them occurred before the Pension Plan was created in 1972?

A You earn credit for one year of service each year you are employed by the Diocese or one of organizations participating in the Plan. This is calculated in years and completed months of service, and includes service prior to February 1, 1972.

As mentioned above, all required contributions for a Plan Year must be made for you to receive credit for a year of service.

Q May I count the time spent on a leave of absence?

A Time spent on an authorized leave of absence will be included in your length of service, provided:

- the temporary leave is authorized by the Bishop of the Diocese, *and*
- you return to the active ministry on completion of your leave.



There are two types of leaves of absence: (1) when you are authorized to cease functioning as a priest temporarily, and (2) when you are authorized to serve in the ministry outside of the Diocese. Either of these *types* of leave can be included in your service time, as long as you and/or your employer make the required personal and employer contribution for that time period.

Q If I have at least 25 years of service and am age 68, what will my monthly benefit be?

A You will receive the full monthly benefit offered by the Plan. Effective July 1, 2002, the full monthly benefit amount is \$1,300. This monthly benefit amount is set by the Board of Trustees and may be increased in the future. If the monthly benefit amount is increased after you retire, you will receive the increased benefit amount.

Q What if I am age 68, but have less than 25 years of service when I retire?

A If you have less than 25 years of service, your monthly benefit will be figured according to your actual amount of service. To calculate your benefit, multiply the full monthly benefit amount times a fraction with your years of service on the top and the number “25” on the bottom.

Example—Assume that the full monthly benefit is \$1,300.00 and that you have served 20 years. You would use the following calculation to figure your monthly benefit amount.

$$\$1,300 \times \frac{20}{25} = \$1,040.00$$

You would receive monthly benefit payments of \$1,040.00. If the Board of Trustees increases the monthly benefit amount, your benefit will be recalculated to reflect the increase.

Q What will my benefit be if I was ordained or incardinated into the Diocese at an “advanced age?”

A If you have less than 25 years of service when you reach age 68 (because of late ordination or incardination), you can receive a full pension benefit, providing:

- the Ordinary agrees to grant credit for additional years of credited service, *and*
- you, or the Diocese of Winona, or another Diocese, religious order, parish, school, etc. (which employed you previously) makes the contributions necessary to cover the cost of a full benefit.



If additional contributions are not received, you will receive credit only for your actual years of service with the Diocese.

Q What happens if I retire early?

A You may begin receiving retirement benefits as early as age 65 if you have the required years of total service. These monthly benefits will be reduced because they must be paid over a longer period of time. Your normal retirement benefit will be reduced by .5% (.005) for each month your retirement precedes age 68. Early benefits may begin on the first day of any month after your 65th birthday.

Example—Assume that the current full monthly benefit is \$1,300.00 and that you retire at age 65 with 25 years of service. You would use the following calculation to figure your monthly benefit amount.

<u>Normal Retirement Benefit</u>			<u># of Months Before Age 68</u>		<u>Reduction Percentage</u>		<u>Benefit Reduction</u>
\$1,300.00	x		36	x	.005	=	\$234.00

Your monthly benefit would be \$1,066.00 (\$1,300.00 minus \$234.00). If the Board of Trustees increases the monthly benefit amount, your benefit will be recalculated to reflect the increase.

Q What happens if I retire later than age 68?

A If you are eligible for a benefit and you do continue to work, you will begin receiving your full pension once you reach age 68. Your Required Personal Contributions will also end.

If you have less than the required years of service at age 68 and continue to work, you will continue to receive credit for your service, up to a maximum of 25 years of service. Your monthly benefit will then be adjusted annually to reflect any additional service you may earn, as long as you and/or your employer continue to make the required contributions. If the Board of Trustees increases the monthly benefit amount, your benefit will be recalculated to reflect the increase.

Q How does the Plan work in cases of disability?

A If you have a total disability that prevents you from working as a priest, you are entitled to receive a disability pension equal to the full monthly benefit. Benefit payments will begin after the Pension Board of Trustees reviews your medical reports and approves the disability. The benefit is payable for life, unless you



recover from the disability before you reach normal retirement age. In that case, benefit payments will end.

You also are credited for a year of service for each year you are absent from active ministry because of total disability. If the Plan's Board of Trustees increases the monthly benefit amount, your benefit will be recalculated to reflect the increase.

Q What if my service ends for some reason other than disability or retirement?

A You are entitled to a vested interest in the pension credits you have earned if:

- you have completed at least 10 years of service, *and*
- your service ends for some reason other than death, disability or retirement.

You will receive a deferred monthly pension — beginning when you reach your normal benefit date.

To figure the amount of this pension, multiply the full benefit amount at the time your service ends by a fraction made up of your years of service on the top and the number “40” on the bottom.

Example—Assume that the monthly benefit amount when you leave service is \$1,300 and that you have served 18 years.

$$\$1,300 \times \frac{18}{40} = \$585$$

Your deferred monthly pension would equal \$585. You will receive this monthly benefit amount for life — beginning when you reach age 68. This amount will not be affected by changes to the full monthly benefit amount.

Please note. If you choose, you may forego your vested interest in the total retirement benefit, and instead receive repayment of your personal contributions (along with annual interest at the rate of 5.25% per year) at the time you leave the Diocese. This amount may be paid to you directly or may be directly transferred (or “rolled over”) to another eligible retirement plan. Priests with less than 10 years of Credited Service are also eligible for this repayment of their personal contributions.

Q How will my pension be paid?

A You will receive your pension in monthly installments, payable for your life only. (Retirees who are eligible for a benefit, but who are married and no longer functioning as priests on their normal retirement date, may receive this benefit as a



66.67% Joint and Survivor Annuity. The Plan Administrator will provide a written description of this benefit, if applicable.)

Q If I am receiving pension benefits, can I also receive hospitalization and dental benefits?

A Yes. If you receive monthly pension benefits because of early, normal or disability retirement, you will also receive hospitalization insurance coverage and dental and supplementary health benefits sponsored by the Diocese. As of July 1, 2002, the Diocese’s cost for hospitalization insurance coverage is \$229 per person per month. That means if you retire at normal retirement age, the value of your monthly benefit is equal to \$1,529 (your \$1,300 pension benefit plus the cost for hospitalization insurance).

Q Historically, how has the Plan provided benefits?

A The following chart shows how the Diocese’s contribution for retiree pension, hospitalization insurance, and dental and supplementary health benefits have increased over the years.

Historical Benefit Levels

Benefit Levels per Month

<u>July 1</u>	<u>Pension</u>	<u>Hospitalization Insurance</u>	<u>Total</u>	<u>Hospitalization Insurance as % of Total Benefit</u>
1992	\$770	\$100	\$870	11.5%
1993	\$800	\$110	\$910	12.1%
1994	\$830	\$110	\$940	11.7%
1995	\$870	\$110	\$980	11.3%
1996	\$910	\$110	\$1020	10.8%
1997	\$950	\$115	\$1,065	10.8%
1998	\$1,000	\$115	\$1,115	10.3%
1999	\$1,100	\$122	\$1,222	10.0%
2000	\$1,150	\$160	\$1,310	12.2%
2001	\$1,250	\$184	\$1,434	12.8%
2002	\$1,300	\$229	\$1,529	15.0%



Q If I receive a Pension Plan benefit, will I also be eligible for Social Security?

A You may be eligible for Social Security, depending on your reported earnings over your working career. To qualify for benefits, you need credit for a certain amount of work (called Quarters of Coverage) under Social Security. Most workers need 40 Quarters of Coverage (QCs) to qualify for retirement benefits. Workers born before 1929 need fewer QCs.

If you qualify, you can start receiving reduced Social Security retirement benefits as early as age 62. Currently, full, unreduced retirement benefits are paid at age 65. This full retirement age is being increased in monthly steps so that by the year 2027, you must be age 67 to receive full Social Security benefits.

For more information about Social Security for priests or your current accrued benefit, call the nearest Social Security Administration office.

Q Should I sign up for Medicare benefits when I turn age 65?

A Medicare coverage is available at age 65, whether you retire or not. Medicare also becomes available after you have been receiving Social Security disability benefits for two years, or if you have chronic kidney disease.

When you should enroll in Medicare depends on your qualified status under Social Security and Medicare as well as the age you actually retire from the Diocese. Therefore, keep the following points in mind when making enrollment decisions.

The Medicare program has two parts. Part A (hospital insurance) is available at no premium cost for qualified individuals. Part B (supplemental medical insurance) always requires that you pay a premium. Generally, you are qualified for Medicare if you are age 65 and eligible to receive Social Security retirement benefits.

While you are employed, the Diocese's medical plan will be your primary source of medical benefits. Even so, if you qualify (i.e., do not have to pay a premium), you may want to enroll in Medicare Part A when you turn age 65. Medicare Part A is useful as a secondary payer if you have Medicare-recognized expenses beyond those covered by the Diocese's medical plan. When Medicare is the secondary payer, Medicare generally pays the smaller of:

- what would have been paid if Medicare were primary, or
- the Medicare-recognized cost, minus what the Diocese's medical plan actually pays.



In general, while you are working, you should not obtain Medicare Part B coverage. The Diocese's medical plan will provide your primary medical coverage, and Part B is not likely to provide enough coverage to warrant the premiums you would have to pay for it. However, you must decide what is right for you based on your own situation.

When you do retire (at age 65 or later), you should enroll in Part B. Medicare (Parts A and B) will be your primary medical coverage after you retire. Medicare enrollment periods are limited and a premium surcharge applies to late enrollments. If you enroll in a timely manner upon your retirement, however, you will not incur any surcharge.

For more information about Social Security and Medicare eligibility and enrollment, call the Social Security Administration.

Q Can someone else take care of my pension if I become incapacitated?

A The Board of Trustees may decide it is better not to make your pension payments directly to you because of your physical condition or other incapacity. If that happens, they will determine how to handle the matter in a way that is most to your benefit. This may involve paying your benefits to a responsible third person in your behalf.

Q Can I transfer my pension payments to someone else?

A No. You may not transfer, pledge, sell, or in any other way assign your benefits to another person for any reason, including debt. If you attempt to do this, the Board of Trustees has the right to terminate your benefits.

This information is intended to serve only as a descriptive summary of the Pension Plan for Priests. If any difference exists between this summary and the actual provisions of the Pension Trust Agreement and Pension Plan for Priests of the Diocese of Winona, the latter will govern in all cases. A copy of the Pension Trust Agreement and Pension Plan is on file at the Diocese of Winona, where it may be examined during normal business hours.

The Diocese of Winona Pension Board of Trustees