



*Tuesday November 9<sup>th</sup> & 10<sup>th</sup>, 2010*

# A Frozen Pension

## What does this mean?

 PENSION & BENEFITS  
ASSOCIATES, INC.  
131 WAYSIDE AVE, WEST SPRINGFIELD, MA 01089 TEL: (413) 732-6773 FAX: (413) 731-1277



# We all want to retire some day!

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- How will YOU create your retirement paycheck?



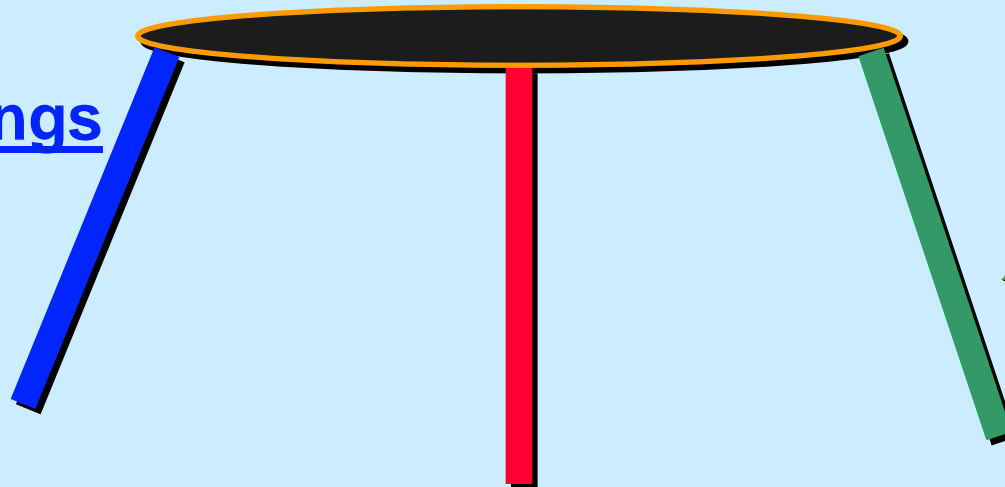
Lay employee of the Roman Catholic Diocese of Springfield

Retirement Plans

# Three Legged Stool



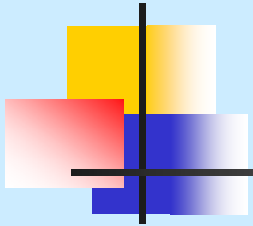
Private Savings



**TODAY**  
*Defined Benefit & 403(b)  
Plan without a Match*

Social Security





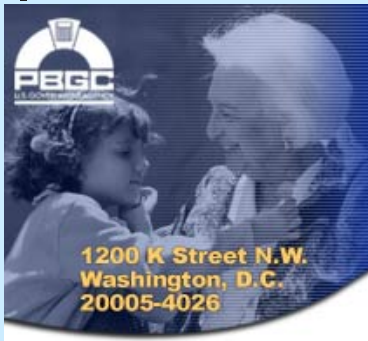
# ERISA / 1975 to 2010

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## What has happened?



# The Post ERISA Years Private Companies



1975.....over 100,000 DB Plans

2005...fewer than 26,000 DB Plans



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1974.....200+ DB Plans

2010.....less than 30 DB Plans



# Why have DB Plans declined?

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- Unpredictable Annual Costs each year.
- Underfunding due to market CRASH of 2008-2009...plus LOW INTEREST rates = higher liabilities!
  - Government premiums for PBGC on the rise
  - Balance Sheet impact via FASB rules
- No relief in sight





# What about Social Security?

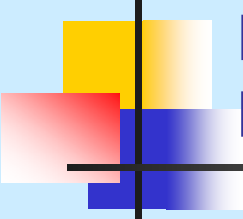


Current yearly salary	Monthly benefit at age 67, before tax (for a single person)	Percentage of salary replaced
\$20,000	\$888	53%
\$30,000	\$1,154	46%
\$40,000	\$1,421	42%
\$68,400+	\$1,837	32%

NRD = Normal Retirement Date

Age \_\_\_\_\_? (SS ~ Age 67 max today... ▲ 69.....**70.....75**)





## Diocese Goal has always been to be competitive in our Retirement Offerings:

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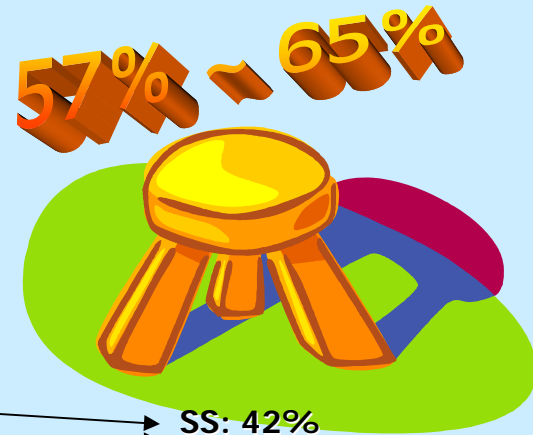
- What is the current Defined Benefit Formula?

$\frac{3}{4}$  of 1% of Average Monthly Compensation  
Multiplied by all years and months of service

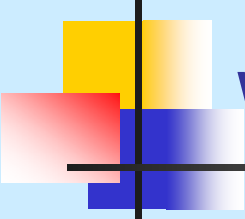
Example in Handout = \$343.60 month or  
\$4,123 per year/20 years Service

Or **15%** replacement ratio

If 30 YOS = **23%**

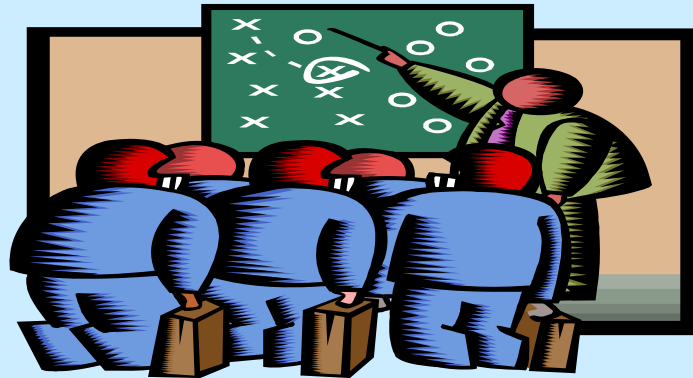
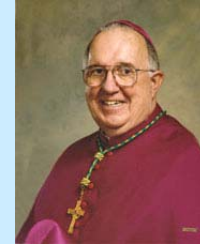


***In early 2010 we reviewed, analyzed and forecasted funding requirements for the DB Plan in the coming years.***



## Why now (Letter dated 10/25/2010):

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The Diocese Finance Council's recommendation was to **Freeze** the Defined Benefit Plan based on the Actuary's Annual Valuation Report that showed a significant underfunding level [GAP] on this plan.

Letter of 10/25/2010 review it today!



We'll help you get there.™

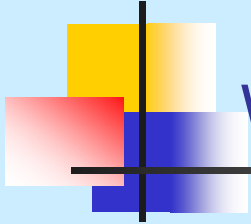
403(b) Plan?



Rules & Regulations



**Effective December 31st, 2010**



## What will happen @ YE 2010?

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- Your defined benefit retirement program will be put on “pause” :





What will happen @ YE 2010?

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- Defined Benefit or Pension Plan will be **Frozen**





# DB Frozen Plan ???

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- What does it mean to me?





# Have I lost anything?

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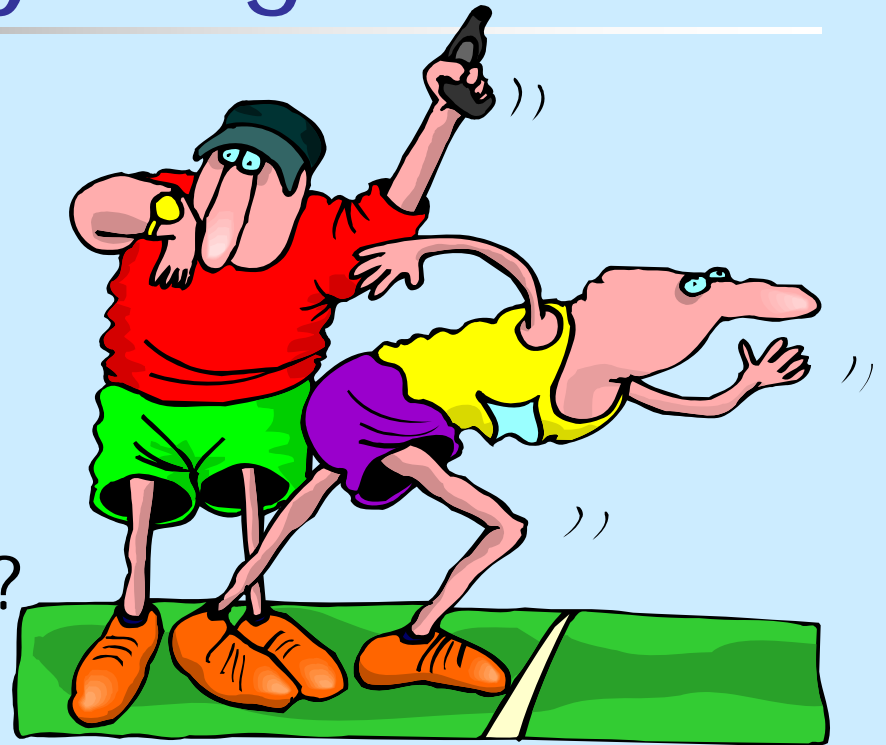
- A "Frozen Plan" does NOT take away the benefits that have been **earned** to date.
- A "Frozen Plan" still provides a **monthly income stream** or a LUMP SUM (Under \$5,000 PVAB Only on this plan) in retirement at your Normal Retirement Date (**Age 65**).
- A "Frozen" Plan will **not accrue any additional benefits** after [12/31/2010] the date the Plan is paused and you receive the Notice on October 25th, 2010.

**Note:** Please keep in mind that Diocese of Springfield is **still obligated to continue funding** the Pension Plan after it is "paused" or "frozen".



# Have I lost anything?

- Then this means that I will not see anything more added to my DB earned benefit after the end of this year?
- YES
- *Vesting continues but benefit increase do not after 12/31/2010*



**Q&A supplement will be out by year end**



## How long can we stay underfunded?

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- Our Government signed into law [PPA\* in 2006] a requirement that all DB plans need to be funded in 7 years...plus other provisions that impact DB plans today.
- The demographics gives us time to close the GAP *[Not everyone is turning Age 65 today]...*and the anticipated increase in employer contributions required to close this GAP....and the outlook for our invested assets...



# Replacement Plan?

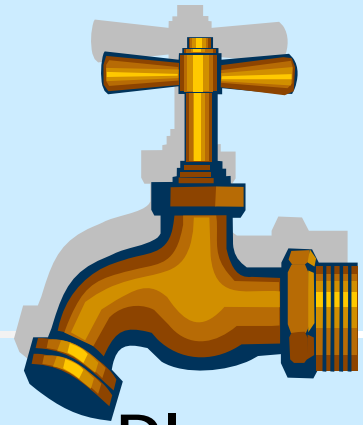
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- None at this time



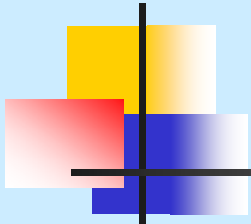
# What will I retire on?

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1. "Frozen" or "Paused" Pension Plan
2. Social Security
3. My own money in the 403(b) or IRA





# Questions?

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