

**DIOCESE OF COLORADO SPRINGS
LAY EMPLOYEES' PENSION PLAN
&
TAX-DEFERRED ANNUITY PLAN**

SUMMARY PLAN DESCRIPTIONS

October 2016

DIOCESE OF COLORADO SPRINGS

TAX-DEFERRED ANNUITY PLAN

TAX-DEFERRED ANNUITY PLAN

INTRODUCTION

Your employer helps you increase your retirement funds by making available to you the Diocese of Colorado Springs Tax-Deferred Annuity Plan (the "TDA Plan"). TDAs were originally created by Congress to permit certain non-profit organizations to provide retirement benefits to employees on a tax-favored basis.

Your contributions to the TDA Plan can work together with the Cash Balance Pension Plan to build a strong financial foundation for your future.

Participation in the TDA Plan is voluntary. You decide whether you want to participate in the TDA and how much you want to contribute. (Subject to certain limitations.) A TDA Plan makes saving for retirement easy and rewarding while deferring your federal and state income taxes on the amounts you've saved and interest earned on your investment.

ELIGIBILITY TO PARTICIPATE

You are eligible to participate in the TDA Plan if you are an employee of the employer generally scheduled to work greater than 780 hours in the 12-month period beginning on your date of employment. Further, you will be eligible to participate if you are excluded from participation but work 1,000 or more hours during any 12-month period beginning on your date of employment and any anniversary thereafter.

YOUR TAX-DEFERRED CONTRIBUTIONS

Generally, you may contribute a percentage of your compensation up to the maximum limit allowable under the Internal Revenue Code of 1986, as amended ("Code"). For 2016, the maximum limit is \$18,000. This amount is indexed annually for inflation. You authorize your employer to withhold this money from your paycheck and direct it into your TDA account. The minimum contribution is \$200 per year.

YOUR CATCH-UP CONTRIBUTIONS

In addition to the contributions listed above, all eligible employees who have attained age fifty before the close of the plan year, will be eligible to make catch-up contributions. For 2016, the maximum catch-up contribution limit is \$6,000. This amount is also indexed annually for inflation.

There is also a special catch-up contribution available for participants who have completed at least 15 years service with your employer. Check with your TDA vendor if you would like more information on the special catch-up contribution.

TAX ADVANTAGES

When you save in the TDA Plan, you save before-tax dollars, thus reducing your current taxes. Before-tax savings are deducted from your pay before federal and state income taxes are withheld. Because before-tax savings decrease your taxable pay, they reduce your current taxes. This way you will have more money to take home or to save in the Plan. Your savings are sheltered from taxes until you withdraw your monies. This is often after retirement when you are in a lower tax bracket.

INVESTING YOUR ACCOUNT

You may choose what amount you wish to save - - and how your savings will be invested. Your employer offers TDAs through the following current approved vendors:

- * Ameriprise Financial (formerly IDS and American Express)
- * The Vanguard Group
- * Waddell & Reed, Inc.
- * USAA Life Insurance & Investment Management Company
- * AIG/VALIC
- * AXA Equitable Life Insurance Company
- * Knights of Columbus, A Fraternal Benefit Society

that offer a wide array of investment options. Any investment earnings will be tax-free until you withdraw your monies.

VESTING

You are always fully vested in (entitled to) the balance in your Plan account. Your monies may be received in accordance with the vendor agreement.

WITHDRAWALS AND LOANS

You may withdraw funds from your TDA account. However, the amount withdrawn is included as taxable income for the year in which it is received. If withdrawals occur before you reach age 59 ½ and are not on account of disability or death, they are generally also subject to a nondeductible 10% premature distribution penalty tax. Some TDA vendors allow you to borrow from your account in the form of a loan. Loans are only available from annuity contracts. Check with your TDA vendor representative for details.

RECEIVING YOUR ACCOUNT

The full value in your account, your pre-tax savings and investment earnings, may be paid when you request a distribution, or when you retire, become disabled, leave your employer or die.

However, if you leave your employer, you may choose to leave your money invested on your behalf. In this way, you may avoid a penalty for early withdrawal, and you postpone paying income taxes on these funds. You may elect to delay distribution, however, you may not delay distribution beyond the later of: (1) April 1 of the calendar year following the calendar year in which you reach age 70 ½, or (2) April 1 of the calendar year following the calendar year in which you retire. If sufficient records are available which separate any pre-1987 balance in your account and the vendor agreement so provides, the amounts credited prior to January 1, 1987 do not need to be distributed until age 75.

TAXES ON YOUR ACCOUNT

When you receive part or all of your money, taxes will be due on your before-tax savings and investment earnings. However, if you receive your money at retirement, you may owe less in ordinary income taxes since your income and tax bracket may be lower at retirement. You should consult a tax advisor to learn more about your options.

PAYING EXPENSES ON YOUR ACCOUNT

You will be charged an administration fee by the vendor that sponsors your TDA. How you pay that fee varies with each vendor. Some charge a fee for each contribution you make; other charge fees when you withdraw money from your account. Others charge a monthly or yearly fee; some use a combination of these methods.

QUESTIONS TO ASK

Here are some things you may want to consider when you are deciding which TDA vendor best meets your own financial objectives:

- * Are different investment funds offered with varying risk and return – such as stock funds and fixed income funds?
- * How have these funds performed in the past?
- * What is the guaranteed interest rate for the fixed funds?
- * How often can I change my investment choice?
- * How do I withdraw funds? Are there restrictions or penalties on withdrawals?
- * Do I pay expenses when I contribute, when I withdraw funds, or on an ongoing basis?
- * Can I borrow from my account? What is the charge and interest rate for loans?
- * Do I have confidence in this vendor? Can I get my questions answered quickly from a local representative or a toll-free information line?

HOW TO JOIN THE TDA PLAN

To join, complete an enrollment form available from the approved Diocesan list of TDA representatives.

On the form you will:

- * Indicate the percentage of pay you wish to save.
- * Authorize your employer to deduct your savings from your pay.
- * Choose how your savings will be invested.
- * Name a beneficiary.

Your payroll deductions will begin on the first pay period after the effective date of your contract.

Please check with the Finance Office for additional information. Your employer cannot accept responsibility for the performance of any TDA vendors.