Archdiocesan Pension Plan for Lay Employees

Financial Statements
As of and for the Years Ended December 31, 2020 and 2019
Archdiocesan Pension Plan for Lay Employees

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Independent Auditor’s Report

To the Most Reverend Paul D. Etienne
Roman Catholic Archbishop of Seattle and Plan Administrator
Archdiocesan Pension Plan for Lay Employees
Seattle, Washington

Opinion

We have audited the financial statements of Archdiocesan Pension Plan for Lay Employees (the Plan), an employee benefit plan. The financial statements comprise the statements of net assets available for benefits as of December 31, 2020 and 2019, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2020 and 2019, and the changes in its net assets available for benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan’s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Management is responsible for maintaining a current plan instrument, including all plan amendments. Management is also responsible for administering the Plan and determining that the Plan’s transactions that are presented and disclosed in the financial statements are in conformity
with the Plan’s provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

February 18, 2022
### Archdiocesan Pension Plan for Lay Employees

#### Statements of Net Assets Available for Benefits

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$15,992</td>
<td>$49,360</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>54,634,234</td>
<td>45,449,601</td>
</tr>
<tr>
<td>Common collective trust fund</td>
<td>87,388,292</td>
<td>74,820,855</td>
</tr>
<tr>
<td><strong>Total Investments, at fair value</strong></td>
<td>142,022,526</td>
<td>120,270,456</td>
</tr>
<tr>
<td>Fully Benefit-Responsive Investment Contracts, at contract value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed investment fund</td>
<td>22,637,382</td>
<td>-</td>
</tr>
<tr>
<td>Guaranteed pooled fund</td>
<td>-</td>
<td>22,029,815</td>
</tr>
<tr>
<td>Insurance company general accounts</td>
<td>521,535</td>
<td>498,522</td>
</tr>
<tr>
<td><strong>Total Investments, at contract value</strong></td>
<td>23,158,917</td>
<td>22,528,337</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>165,181,443</td>
<td>142,798,793</td>
</tr>
<tr>
<td>Contributions Receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>8,221,179</td>
<td>8,105,566</td>
</tr>
<tr>
<td>Other receivables</td>
<td>88,496</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Receivables</strong></td>
<td>8,309,675</td>
<td>8,105,566</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>173,507,110</td>
<td>150,953,719</td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets | | |
| Accounts payable | - | 51,451 |
| Related-party payables | 110,494 | - |
| **Total Liabilities** | 110,494 | 51,451 |
| **Net Assets Available for Benefits** | $173,396,616 | $150,902,268 |

*See accompanying notes to financial statements.*
Archdiocesan Pension Plan for Lay Employees

Statements of Changes in Net Assets Available for Benefits

Year Ended December 31, 2020

Additions to Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net appreciation in fair value of investments</td>
<td>$23,482,631</td>
<td>$23,309,264</td>
</tr>
<tr>
<td>Dividends and interest income</td>
<td>673,644</td>
<td>572,069</td>
</tr>
<tr>
<td>Investment income on fully benefit-responsive investments contracts</td>
<td>446,164</td>
<td>424,627</td>
</tr>
<tr>
<td>Total investment income</td>
<td>24,602,439</td>
<td>24,305,960</td>
</tr>
</tbody>
</table>

| Contributions                                              |                  |                  |
| Employer                                                  | 8,221,179        | 8,105,566        |
| Rollovers from other qualified plans                       | -                | 51,119           |
| Total contributions                                        | 8,221,179        | 8,156,685        |

Total Additions                                             | 32,823,618       | 32,462,645       |

Deductions from Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits paid to participants</td>
<td>10,034,639</td>
<td>8,603,593</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan administrative and other expenses</td>
<td>217,819</td>
<td>439,085</td>
</tr>
<tr>
<td>Professional services</td>
<td>76,812</td>
<td>65,779</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>10,329,270</td>
<td>9,108,457</td>
</tr>
</tbody>
</table>

Net Increase                                                | 22,494,348       | 23,354,188       |

Net Assets Available for Benefits, beginning of year         | 150,902,268      | 127,548,080      |

NetAssets Available for Benefits, end of year                | $173,396,616     | $150,902,268     |

See accompanying notes to financial statements.
1. Description of Plan

The following description of the Archdiocesan Pension Plan for Lay Employees (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

General

The Plan is an employee noncontributory defined contribution plan covering substantially all lay employees of the Corporation of the Catholic Archbishop of Seattle (the Archdiocese). Persons ordained to the Priesthood and persons who have taken or are bound by religious vows to the Roman Catholic Church are excluded from the Plan. The following employers are covered by the Plan: employees of the parishes, schools, and central agencies of the Archdiocese; and employees of the following participating employers: St. Elizabeth Ann Seton Catholic High School, the Priory of the Blessed Sacrament, Fulcrum Foundation, Associated Catholic Cemeteries, O’Dea High School, Bishop Blanchet High School, and Pope John Paul II High School (participating employers).

The Plan was originally adopted effective January 1, 1988. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Plan assets are not commingled with the assets of the Archdiocese or the other Plans that the Archdiocese administers.

The Benefits Services Office of the Archdiocese is designated as the Plan administrator.

Eligibility and Contributions

During each year in which a participant is credited with 1,000 or more hours of service, the participating employers will make a contribution of 6% of a participant’s compensation up to the annual limits set by the Internal Revenue Service. Compensation is defined as all wages, salaries, fees for professional services, and other amounts (whether or not paid in cash) for personal services actually rendered in the course of employment with the participating employers. The definition of compensation also includes, but is not limited to, fringe benefits, reimbursements, and expense allowances to the extent includable in gross income (for income tax purposes).

The number of hours of service that full-time, salaried, non-teaching employees and full-time teachers are credited is 173.33 hours of services per month. For part-time, salaried, non-teaching employees and part-time teachers, the number of hours of service they are credited with varies depending on the number of paid hours per week or percentage of full-time employment per contract as defined in the Plan. Coaches for athletic teams are credited with 86.67 hours for each month in which they perform coaching duties. Substitutes and other temporary teachers or school workers are credited with hours of service based on the actual hours worked.

Contributions are made after year-end when the amounts per employee are calculated and funded by the employers listed above.
The Plan may, with the Plan trustees’ consent, accept rollover contributions from other qualified plans.

**Participant Accounts**

Each participant’s account is credited with (a) the participating employer’s contribution, (b) an allocation of Plan earnings in excess of Plan expenses adjusted for any forfeitures used, (c) any rollover contributions for individual participants, and (d) forfeiture allocations proportionate to the participants’ compensation for the Plan year. Allocations are based on participant eligible compensation, participant contributions, or account balances, as defined.

Participants direct the investment of their account balances into various investment options offered by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

**Vesting**

Participants are vested 100% on amounts rolled over from other qualified plans. Participants become vested in participating employer contributions, plus actual earnings thereon, according to the number of years of service in accordance with the following table:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Percentage Vested (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>60</td>
</tr>
<tr>
<td>6</td>
<td>80</td>
</tr>
<tr>
<td>7</td>
<td>100</td>
</tr>
</tbody>
</table>

A participant becomes immediately 100% vested when the participant reaches normal retirement age of 65, dies, or becomes disabled while employed by a participating employer, or upon termination of the Plan.

**Payment of Benefits**

Upon termination of employment, participant accounts will be distributed as follows based on the vested balance in the Plan:

- Less than $1,000 - if the participant does not make an election regarding the distribution, the account balance will be paid directly to the participant by check as soon as administratively possible.
- $1,000 to $5,000 - if the participant does not make an election regarding the distribution, the balance will automatically be rolled over to a traditional IRA as soon as administratively possible.
• Over $5,000 - the participant may elect to receive a lump-sum amount or have funds rolled over into another qualified plan or a traditional IRA.

Participants who are employed after attaining normal retirement age may elect to receive payment of any portion or all of their accrued benefit, subject to the limitation imposed by the Internal Revenue Code.

Forfeitures

Forfeitures of non-vested account balances are first used to restore the forfeited account balances of rehired participants or reduce employer contributions in accordance with the Plan document. Remaining forfeitures are then segregated to satisfy a reasonable amount of the anticipated expenses of Plan administration to the extent such expenses are not charged directly to the participant accounts or the Archdiocese. Finally, any amount remaining in the forfeiture account shall be allocated to the accounts of participants who satisfied the hours of service requirement in proportion to the participants’ compensation for the preceding Plan year. During the years ended December 31, 2020 and 2019, forfeitures of non-vested account balances amounted to $185,419 and $196,275, respectively, and these were transferred to the forfeiture account. During the years ended December 31, 2020 and 2019, $240,000 and $168,138, respectively, were transferred out of the forfeiture account and allocated back to the participants’ accounts. During the years ended December 31, 2020 and 2019, earnings on forfeitures amounted to $2,133 and $2,205, respectively. For the years ended December 31, 2020 and 2019, no forfeiture amounts were used to restore the forfeited account balances of rehired participants or to pay the administrative expenses of the Plan. At December 31, 2020 and 2019, $189,489 and $241,937, respectively, of forfeitures were included with net assets available for benefits to be used to reduce future employer contributions or to pay expenses of the Plan.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the statements of net assets available for benefits.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to volatility and instability in financial markets. Because the values of the Plan’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be
recognize in subsequent periods, if any, and related impact on the Plan’s liquidity cannot be determined at this time.

**CARES Act**

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management has evaluated the relief provisions available to plan participants under the CARES Act and found none to benefit the Plan; therefore the Plan did not implement any of the related provisions.

**2. Summary of Accounting Policies**

**Basis of Accounting**

The financial statements of the Plan are prepared using the accrual method of accounting.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Cash**

The Plan maintains cash balances in a bank. At times, the Plan may have amounts deposited with a financial institution in excess of federally insured limits.

**Investment Valuation and Investment Income Recognition**

Investments are reported at fair value (see below), except for fully benefit-responsive investment contracts, which are stated at contract value. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net appreciation (depreciation) in fair value of investments consists of both the realized gains or losses and unrealized appreciation and depreciation of those investments.

**Fair Value Measurements**

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

**Level 1**: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- inputs other than quoted prices that are observable for the asset or liability.
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

**Mutual Funds** - Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. The fair value of these mutual funds is classified within Level 1 of the fair value hierarchy.

**Common Collective Trust Funds (CCT):** Valued at the NAV of units of a collective trust fund. The NAV, as provided by the trustee of the CCT, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchased and sales) may occur daily. There are generally no restrictions on redemptions or the ability to sell the investments, and redemption notice periods are almost immediate. There are no unfunded commitments related to the investments.

The preceding methods described may produce a fair value calculation which may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.
The following tables represent information about the Plan’s assets that have been measured at fair value on a recurring basis as of December 31, 2020 and 2019, and indicates classification by level of inputs within the fair value hierarchy described above:

<table>
<thead>
<tr>
<th>December 31, 2020</th>
<th>Fair Value Measurements</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1 Inputs</td>
<td>Level 2 Inputs</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$ 54,634,234 $</td>
<td>- $</td>
</tr>
<tr>
<td>Common collective trust funds, measured at NAV as a practical expedient*</td>
<td>87,388,292</td>
<td></td>
</tr>
</tbody>
</table>

**Total Investments, at fair value** $ 142,022,526

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Fair Value Measurements</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1 Inputs</td>
<td>Level 2 Inputs</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$ 45,449,601 $</td>
<td>- $</td>
</tr>
<tr>
<td>Common collective trust funds, measured at NAV as a practical expedient*</td>
<td>74,820,855</td>
<td></td>
</tr>
</tbody>
</table>

**Total Investments, at fair value** $ 120,270,456

*In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items present in the statements of net assets available for benefits.*

### Contributions

Contributions from the participating employers are recorded in the period in which the related employee compensation is earned.

### Payment of Benefits

Benefit payments to participants are recorded when paid.

### Administrative Expenses

Administrative expenses relate to the Plan administration (including legal and consulting expense) and custodianship of investments. All expenses are paid by the Plan as funded by fees paid by participants.
In addition to the Archdiocesan Pension Plan for Lay Employees, the Administrator of the Plan concurrently administers the following benefit plans:

- Archdiocesan 403(b) Savings Plan
- Pre-2009 Accounts 403(b) Plan
- Archdiocesan Health and Welfare Plan for Lay Employees
- Pension Plan and Trust for the Priests of the Archdiocese of Seattle
- Priest Health Plan of the Archdiocese of Seattle
- Frozen Priest Benefit Plan

General expenses not attributable directly to a plan are split proportionately among all plans administered by the Benefits Services Office of the Archdiocese. The Plan’s share of expenses was $118,036 and $116,085 for 2020 and 2019, respectively. These amounts are included in administrative expenses in the statements of changes in net assets available for benefits.

Each participant’s account was charged for Plan administrative expenses. An annual fee of 0.19% and 0.21%, respectively, of the value of each participant’s account was allocated from the participants’ accounts to a separate expense budget account in 2020 and 2019, respectively. The balance of the expense budget account is included in the balance of the insurance company general accounts. Activity in the expense accounts was as follows for the years ending December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$255,116</td>
<td>$182,077</td>
</tr>
<tr>
<td>Fees charged to participants</td>
<td>221,819</td>
<td>203,170</td>
</tr>
<tr>
<td>Amounts used to pay plan expenses</td>
<td>(148,579)</td>
<td>(130,131)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$328,356</td>
<td>$255,116</td>
</tr>
</tbody>
</table>

**Subsequent Events**

The Plan has evaluated subsequent events through the date these financial statements were available to be issued, which was February 18, 2022.

Effective January 1, 2022, the vesting rules have been eliminated and all employees are immediately vested in their employer contributions.

**3. Fully Benefit-Responsive Investment Contracts**

*Guaranteed Investment Fund:* Investment contract issued by Transamerica Life Insurance Company (TLIC) is a fully benefit-responsive investment contract and is reported at contract value. This is a traditional investment contract. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount participants would receive if they were to initiate
permitted transactions under the terms of the Plan. Contract value represents contributions made under each contract, plus earnings, less participant withdrawals and administrative expenses.

TLIC is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the Plan. The contract has a guarantee of principal, a guarantee minimum, and the potential for additional interest if declared by TLIC. The declared interest rate on this contract as of December 31, 2020 was 1.50%. The crediting rate is determined annually for existing assets and new deposits made during a calendar year, which is at least 1%. The Plan’s ability to receive amounts due in accordance with fully benefit-responsive investment contract is dependent on TLIC’s ability to meet its financial obligations. The issuer’s ability to meet its contractual obligations may be affected by future economic and regulatory developments.

Certain events might limit the ability of the Plan to transact at contract value with TLIC, such as premature termination of the contract by the Plan or termination of the Plan. Such events are not considered probable. There are no unfunded commitments and no restrictions on redemptions, except for the following:

- The Plan participants cannot transfer their balances to competing fixed income funds. Balances transferred from this investment to non-competing funds cannot be transferred to competing fixed income funds for 90 days but may be transferred back to this fund at any time.
- Withdrawals due to Plan sponsor-initiated events may be subject to restriction.

Guaranteed Pooled Fund: These investments sponsored by Transamerica Financial Life Insurance Company (TFLIC) are fully benefit-responsive investment contracts and are therefore reported at contract value. They are synthetic investment contracts. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Contract value represents contributions made under each contract, plus earnings, less participant withdrawals and administrative expenses. As of the year ended December 31, 2020, the Plan is no longer invested in the Guaranteed Pooled Fund.

Insurance Company General Accounts: The Plan’s forfeiture and expense budget accounts are invested in these accounts. The insurance company general accounts represent investments in traditional investment contracts with TFLIC. The Plan’s participants are not permitted to invest in these accounts. These are fully benefit-responsive investment contracts and are therefore reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount the Plan would receive if it were to initiate permitted transactions under the terms of the Plan. Contract value represents forfeited amounts from the participants, plus earnings less withdrawals and administrative expenses, if any.

The following terms apply to each of these investment contracts described above:

TFLIC is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the Plan. These contracts have a guarantee of principal, a guarantee minimum, and the potential for additional interest if declared by TFLIC. The crediting interest rate on these contracts averaged 1.50% and 1.75% during 2020 and 2019, respectively. The crediting rate is determined annually for existing assets and new deposits made during a calendar year, which is at
least 1%. TFLIC received an asset charge of 0.68% for both 2020 and 2019. The Plan’s ability to receive amounts due in accordance with fully benefit-responsive investment contracts is dependent on TFLIC’s ability to meet its financial obligations.

The issuer’s ability to meet its contractual obligations may be affected by future economic and regulatory developments.

Certain events might limit the ability of the Plan to transact at contract value with TFLIC, such as premature termination of the contract by the Plan or termination of the Plan. Such events are not considered probable. There are no unfunded commitments and no restrictions on redemptions, except for the following:

**Guaranteed Pooled Fund**

- The Plan participants cannot transfer their balances to competing fixed income funds. Balances transferred from this investment to non-competing funds cannot be transferred to competing fixed income funds for 90 days but may be transferred back to this fund at any time.
- Withdrawals due to Plan sponsor-initiated events may be subject to restriction and/or a 5% charge.

**Insurance Company General Accounts**

- The Plan cannot transfer the balance to competing fixed income funds except at a segment maturity date.
- Balances transferred from this investment to non-competing funds cannot be transferred to competing fixed income funds or to this investment for three months.
- Balances transferred from this investment at any time during the six-month period preceding contract suspension may be subject to restriction and/or adjustment in accordance with contract provisions.

**4. Tax Status**

The Plan is a non-electing church plan within the meaning of Sections 414(e) and 410(d) of the Internal Revenue Code of 1986 as amended (the Code). The Plan is exempt from all of the provisions of Title I of ERISA. The Plan does not file Form 5500.

The Plan filed for and received a favorable determination letter on March 18, 2009. Although the Plan has been amended since receiving the determination letter, the Plan sponsor believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income tax has been included in the Plan’s financial statements.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no IRS examinations for any tax periods in progress.
5. Party-in-Interest Transactions

Transamerica Retirement Solutions Corporation, the record keeper of the Plan, TFLIC and TLIC, the managers of the fully benefit-responsive investment contracts, are related by common ownership. Therefore, these transactions qualify as exempt party-in-interest transactions.

6. Plan Termination

The Archdiocese expects to continue the Plan indefinitely, but reserves the right to terminate or amend the Plan at any time. However, no such amendment or termination shall deprive any participant of any vested interest in the Plan. Upon termination, the obligation of the participating employers to make contributions to the Plan shall cease and all amounts credited to the participants' accounts shall be fully vested. The participating employers may then direct management of the Plan to either distribute the funds to the participants or continue the trust, with distributions to be made pursuant to the Plan.