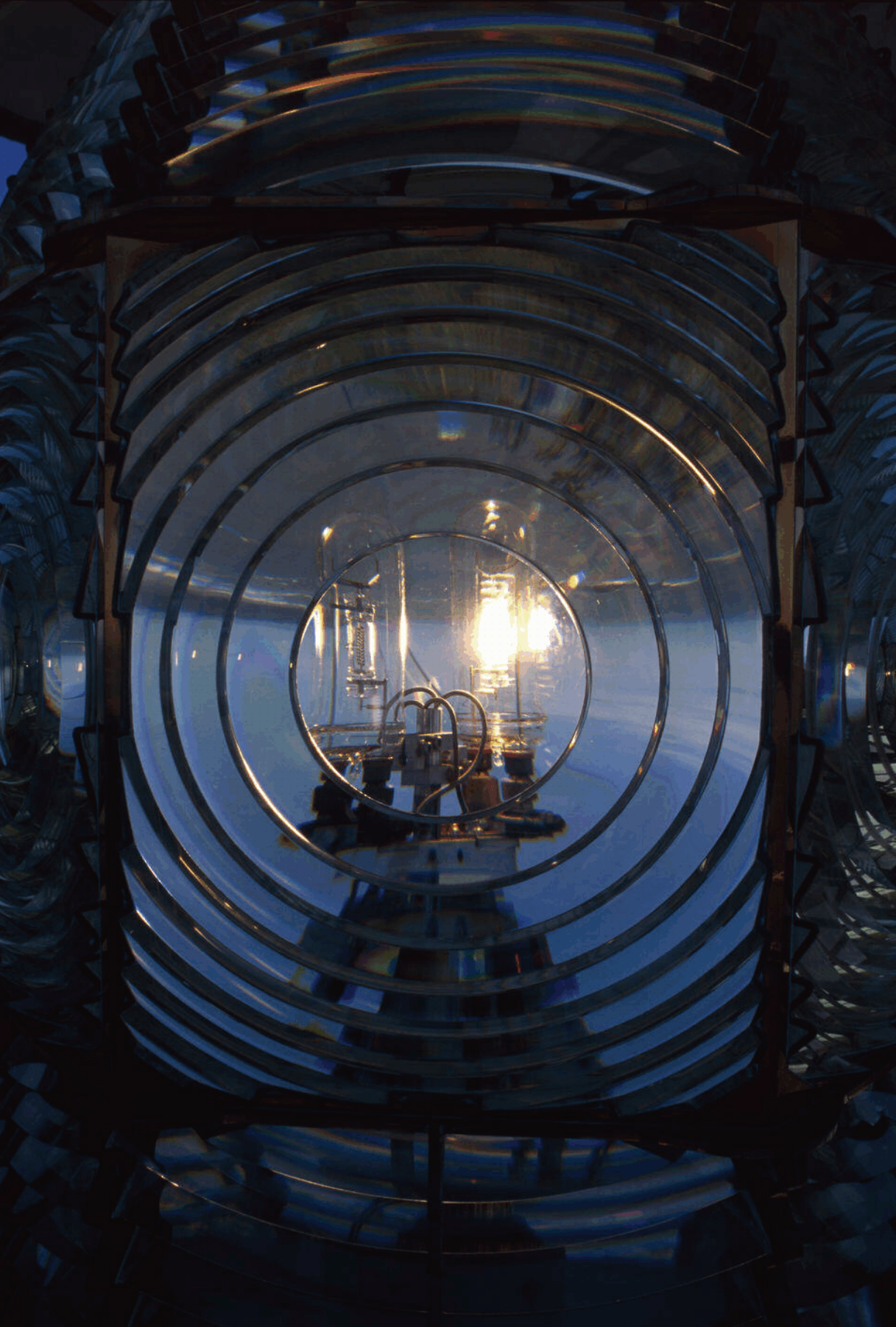


# The Pension Plan - Questions & Answers



**"The Pension Fund - A beacon of stability & financial support for those we serve and for the Church."**



*Questions and Answers  
on the  
Pension Plan of the Christian Church  
(Disciples of Christ)*

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## Basic Plan Questions

### 1. Why a Church Pension Plan?

Church pension programs were created out of concern for the well being of clergy and their families at critical life events (death in active service, disability and retirement). Boards of ministerial pensions and relief were organized quite early in the United States and are the forerunners of commercial life insurance.

### 2. Why the Pension Plan of the Christian Church

For over 100 years, visionary church leaders have witnessed to their conviction that the Christian Church must care for its own. The maintenance of the Pension Plan for all ministers and employees of the Church is a natural outgrowth of the redemptive and caring nature of the Church.



### 3. Who is eligible?

All ministers and other paid employees of the Christian Church (Disciples of Christ), Christian Churches, Churches of Christ (whether full or part-time) and church related institutions are eligible. This includes secretaries, custodians, organists, choir directors and others.

### 4. Why should all churches participate?

The Pension Plan is the best way for the Church to provide adequate retirement and survivor income for clergy and lay employees. Every eligible person needs to be covered.

### 5. How much are Pension Plan dues?

Full dues are 14% of the monthly compensation (including housing allowance for those ordained). Normally the church pays the 14% dues. However, there are times when the church will pay 11% dues and the member pay 3%. Dues and benefits increase proportionately when salary increases.

# The Pension Plan

## 1. What is the Pension Plan?

- \* A Defined Benefit Church Plan - specified benefits for specified dues.
- \* A Contributory Plan.
- \* A Fully Reserved or Funded Plan based on the group's actuarial experience.

## 2. What actuarial guidance does the Pension Fund use?

An actuarial firm with wide experience in retirement plans and life insurance, the Hay Group in Philadelphia, guides the Pension Fund. A complete actuarial study is made of the Pension Plan on an annual basis. The life experience of Pension Plan members has run well within the actuarial calculations.

## 3. What is a defined benefit plan?

Dues paid are converted into pension credits, which become a lifetime annuity benefit at retirement. The annual pension benefit represents approximately 1/70 of aggregate lifetime compensation on which dues are paid.



## 4. What are reserves?

The plan is funded by market value assets that have been earmarked for future pensions. These are the reserves that pre-fund benefits. They grow each year by the addition of dues payments and returns on investments of those funds.

The reserves now accumulated (after over 70 years' experience) fully cover actuarial projections for current and future pensions. It is different from an assessment system which calls for huge contributions at maturity and leaves benefits which are often largely unfunded.

## 5. What are Annual Pension Credits?

The Pension Plan reports benefits as Annual Pension Credits, which represents the annual pension payable at age 65. The pension is a joint (and survivor) life annuity with a minimum of 50% continuing to the surviving spouse at the death of the member.

Accumulated Annual Pension Credits represent the amount already accumulated to be paid every year beginning at age 65. The Accumulated Annual Pension Credits increase in two ways:

1. Through the payment of dues and
2. Through Special Apportionments

## 6. How are investments managed?

The Board of Directors of the Pension Fund assumes the primary fiduciary obligation for the Pension Plan and all other programs of the Fund. The Board is composed of gifted persons in the fields of business, investment banking and ministry. They are assisted by a capable staff, investment management firms and financial institutions. Investments are measured not only in terms of productivity, but also in light of the Church's social responsibility.



## How The Pension Plan Benefits The Church

### 1. How does the Pension Plan help the church if the minister of staff member dies?

It immediately pays the surviving spouse death benefits which may be used for hospital and doctor bills, funeral expenses, moving expenses or the provision of a home. The Pension Plan also pays the spouse and minor children monthly pensions. Further, children are provided funds that can be used toward college expenses. The church is relieved of these important obligations.

### 2. How does the Pension Plan membership help the church if the minister or staff member becomes totally disabled?

The Pension Plan provides a disability pension which begins on the 61<sup>st</sup> day after qualifying for disability. This pension relieves the church of further obligation so that it can call a new minister or staff member and carry on the work of the church. During the 60 day waiting period it is expected that salary and dues are continued by the church. When disability is approved, dues from the date of disability are refunded to the church.

### 3. How does Pension Plan participation help the church when its minister or staff member retires?

The church may move toward calling another pastor or staff person, knowing that it has helped to provide the pension that the beneficiary receives.

### 4. What other benefits accrue to the church?

The church practices social justice in cooperation with other churches. When its ministers and other participating employees retire, become disabled or die, the church knows it has provided comfort and some degree of economic security for its employees and their families.

# Member Benefits - What is covered?

## 1. What life events does the Pension Plan cover?

- \* Death in active service
- \* Total & permanent disability
- \* Retirement

## 2. When are benefits payable?

Salary continuation death benefits, the spouse pension and children's benefits are payable immediately upon the member's death. The disability benefit is payable on the 61<sup>st</sup> day of disability if the person has been a Pension Plan participant at least twelve months. The retirement pension is payable upon retirement after age 65, or on a reduced basis as early as age 60.



## 3. What is the immediate cash benefit payable to a spouse if the member dies while in active service?

A salary continuation benefit three times the annual compensation on which dues are paid (maximum benefit \$50,000) for up to age 60, and two times the annual compensation (maximum benefit \$30,000) for ages 60 and over. The usual procedure is to pay \$5,000 and put the balance to work in an interest bearing account, paying it out to the family like salary, along with their pensions.

## 4. What pensions will the children receive?

Each minor child is eligible to receive \$3,600 per year to age 21. In addition, each child may receive \$3,000 a year for the first four years of education beyond high school.

## 5. What pension will the spouse receive in addition to the death benefits?

A surviving spouse will receive a pension of one-half the member's pension credits (see question 12 on page 7), but at least \$3,600 annually. In the case of a single member, a dependent parent pension may be payable.



#### **6. What if both mother and father die leaving children?**

All unpaid cash death benefits are paid to the estate. The amount of the spouse pension is added to the minor child pensions as a full orphan pension, plus the surviving child educational benefits.

#### **7. How much pension will a Pension Plan member receive who becomes totally and permanently disabled?**

Sixty percent of salary, but not more than \$2,500 a month. Dues must have been paid for a year on a monthly salary of \$125 or more. It begins on the 61<sup>st</sup> day of disability.

Beginning with the second year of disability, the benefit is 40% of the salary base with a maximum benefit of \$1,666.67 a month. All dues are waived during disability and pension credits continue to accrue. Disability benefits may be increased by cost of living adjustments beginning with the 25<sup>th</sup> month of disability.

#### **8. If the member dies in disability, will the spouse and children receive pensions and cash benefits?**

Yes, all of the same benefits as in the case of death in active service apply (see pages 5).

#### **9. At what age may a Pension Plan member retire?**

A full retirement pension may be taken upon retirement after the sixty-fifth birthday, or upon retirement between ages 60 and 65, one may take a reduced pension. In either case, termination of church related employment must occur. The pension continues to grow with each year of active service.

#### **10. What will a Pension Plan member's retirement pension be?**

The retirement pension grows through pension credit accumulation at the rate of 1.4966% (.014966) of compensation for each year of membership when full dues are paid. Also, Special Apportionments are added periodically when earnings allow. Special Apportionments have provided increases to pensions and pension credits since 1973.

## 11. Does the surviving spouse of a retired member receive a pension?

The surviving spouse receives one-half of the member's pension, if the marriage took place at least 12 months prior to the pensioner's death.

## 12. Can a surviving spouse receive a larger pension?

The member may elect a 75% or 100% spouse option through a reduction of the annual pension when retiring at or after age 65. These options are not available for those who select the early retirement option.

## 13. Is there a death benefit in retirement under the Pension Plan?

A Pensioner Death Benefit equivalent to the annual pension up to a maximum death benefit of \$5,000 is carried by an active member into retirement.

## 14. What are Special Apportionments?

Special Apportionments are extra retirement credits which have been added by the Pension Fund Board since 1973. The source of funds for Special Apportionments is the Pension Fund's investment experience above reserve requirements. The increase to retirement and spouse pension checks and to the accumulations of participating members, when added to previous Special Apportionments has been substantial. Past performance provides no prediction for the future. Special Apportionments generally have averaged well above the rate of inflation as measured by the Consumer Price Index.

For many years we have used the following illustration to reflect the impact of Special Apportionments. A person retiring in 1998 with a monthly pension of \$1,000 has realized substantial growth. For such a retiree, the impact of Special Apportionments means that they would now receive a monthly pension of \$1,702 ( 1.7 times the original amount). Even counting the years in which no Special Apportionment was approved, the average annual increase in pension and pension credits over the past 10 years has been approximately 5.55% .



## **15. What happens if the Pension Plan member leaves the ministry or terminates church employment?**

Ministerial members are immediately vested in the Pension Plan and may continue as active or inactive participants, depending upon the nature of employment income.



Lay employees are vested after two years participation. Upon termination of church related employment, vested members may continue Pension Plan participation through a 501(c)3 not-for-profit employer for up to five years. If new employment is with a for-profit company, the member's account will become Inactive but the member retains future retirement benefits. Vested members no longer employed by a church may opt for a refund. In this case, there is often a vested pension payable based on the employer portion of dues. In all cases only the 3% member dues can be refunded to the member.

If a lay member is not vested, the only option is to close the membership and receive the members direct contribution, but no less than the 3% refundable dues with interest.

## **16. Are refunds allowed during active employment?**

The Pension Plan is the Church's commitment for future life events of its ministers and lay employees. It is not a pool of resources for individual needs. Refunds during active service are not permitted.

# **Church Participation - What Happens?**

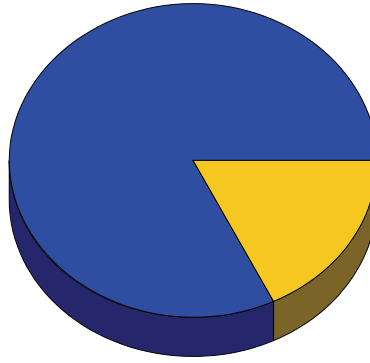
## **1. How much are church dues?**

The church is encouraged to pay the full 14% dues, but must pay the minimum equivalent of 11% dues on the average monthly compensation base.

## 2. Can the church pay more?

A church wanting to pay more than 14% of salary toward retirement may do so through a Tax Deferred Retirement Account. Contributions to a TDRA have limits based upon a renegotiated salary reduction or over and above employer payment. If interested, please contact the Pension Fund for details.

## Pension Plan Dues Are 14% of Base



■ Church 11%    ■ Member 3%

## 3. How is monthly compensation determined?

Compensation is defined as total annual salary plus (for ordained or licensed ministers) any housing allowance or the fair rental value (at least 25% of salary) if a church-owned parsonage is provided. This amount divided by 12 equals the monthly compensation. Pension Plan dues should be calculated using the same salary (plus housing for ministers) on which Social Security is paid.

## 4. When are church dues paid?

Dues are payable on the first of the month. The grace period is 90 days without penalty. Annual prepayment of dues brings a 2½% discount.

## 5. Where does the church get the money to pay the church portion of dues?

Even though church dues are based on an employee's compensation, Pension Plan dues are considered a church expense and not part of the employee's compensation.

## Pension Plan - When To Begin?

### 1. When should a minister or church employee begin membership in the Pension Plan?

At any time, but as soon as possible. Both ministers and lay employees may begin Pension Plan participation whenever they become compensated church employees.

**2. Does it pay for a minister or church staff member to join on a low salary?**

Yes. The availability of death and disability benefits during active service make participation valuable regardless of salary. Benefits for retirement grow best over a long period of time. Early enrollment is important.

**3. Why is it important for a Pension Plan member and church to pay dues promptly every month?**

Making payment promptly is good business. If there is a failure to make payments during the 90 day grace period, the death and disability benefits are jeopardized.

**4. Should ministers or church employees enroll if their churches do not participate?**

Many churches participate when they know their minister is already a member. If a congregation is unable or unwilling to participate in the Pension Plan by remitting dues in addition to salary, both lay and ordained church employees may participate through salary reduction. Ministers may remit dues personally based on their ministerial compensation.

**5. Should the minister ask the church to pay the 14% dues before accepting a call, or afterwards?**

Before accepting the call, then it is clearly understood by all.

