

Answers  
to  
Your  
Questions  
About  
Retirement

**Seventh-day Adventist  
Retirement Plan of the  
North American Division**

Revised March, 2013

# Answers to your Questions about Retirement

This summary of the Seventh-day Adventist Retirement Plan of the North American Division, a defined benefit retirement plan, has been prepared to answer frequently asked questions. It is **NOT** intended to cover all features of the plan. It makes certain assumptions that may or may not be applicable. Additional questions should be referred to the Plan if you are a retiree, or your current or last denominational employer if not yet retired. “Z” or “Y” indicators are applicable policy references.

Service Credit in this Plan was frozen for most employees at the end of 1999. A new defined contribution plan was started on January 1, 2000. Statements in this booklet regarding “Service Credit” refer to qualifying denominational service prior to the freeze of this Plan. The last section in this booklet explains how service after 1999 may impact your benefits in the frozen defined benefit plan.

In this booklet the term, “Participant” refers to an individual who has been employed by a participating employer in the Seventh-day Adventist Church in the North American Division, and is eligible to receive benefits from this Plan.

We have exercised diligence to be sure the information in this booklet is in harmony with various policies. However, should a discrepancy become apparent, the policy is the final authority.

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## Where To Get Help

If you are a denominational employee, your employer's human resources office is the place to get answers to questions. If you are a retiree, the following contacts may be helpful. Times are in the Eastern time zone.

### Healthcare Issues

Healthcare Line: 1-800-447-5002  
e-mail: [SHARP@nad.adventist.org](mailto:SHARP@nad.adventist.org)  
Adventist Risk Management  
PO Box 1928  
Grapevine, TX 76099-1928

### Benefits & Payroll

Adventist Retirement Plans  
12501 Old Columbia Pike  
Silver Spring MD 20904  
Payroll Bulletin Board 1-888-838-8955      Announcement only  
Benefits Distribution (Payroll)  
1-301-680-6244      9-5 M-Th  
General Queries 1-301-680-6249      9-5M-Th  
E-Mail [NADRetirement@nad.adventist.org](mailto:NADRetirement@nad.adventist.org)  
Fax 1-301-680-6190  
Website <http://www.adventistretirement.org>

Also, every retiree should be receiving a copy of the monthly newsletter, *Reflections*. Each month this newsletter provides pertinent information regarding benefits, tax issues, healthcare issues or other specific information. If you are NOT receiving *Reflections*, please email or call the general queries number above to confirm that we have the correct address for you.

## General Information

**Q What is the purpose of the Retirement Plan?**

A The benefits of the Retirement Plan are designed to provide retirement income based on service credit earned prior to January 1, 2000.

**Q Who administers the Plan?**

A The Retirement Plan is administered by the Retirement Plan office located in the North American Division of the General Conference of Seventh-day Adventist, Silver Spring, Maryland, and employees are admitted to the Plan by action of the Adventist Retirement Board.

**Q What is the source of funding? (Z 10 25)**

A The Retirement Plan is funded by contributions from participating denominational organizations in Bermuda and the United States. Employees do not contribute personal funds to the Retirement Plan.

**Q Do the questions in the booklet also apply to service credit in the SDA Hospital Retirement Plan?**

A Not in every case. Service credit was frozen in the SDA Hospital Retirement Plan as of December 31, 1991 and a defined contribution retirement plan was initiated in its place. Thus hospital service after that date is not covered in this booklet.

## Service Credit

**Q How does an employee qualify for service credit? (Z 15 05)**

A General eligibility requirements are:

1. 20 years of age (18 for service before 1981) or older
2. Employment by a participating denominational organization
3. Required number of hours (usually 1000) or months (usually 6 full time) during the year

4. Benefits are based on a maximum of 40 years of service credit

Other more specific requirements and exceptions apply in certain situations.

**Q Is there some service that does not qualify for service credit? (Z 15)**

A Yes. Service of less than 1,000 hours or less than the equivalent of six months on a full-time salary basis during a particular calendar year is not recognized for service credit. Part-time service prior to January 1, 1981 does not count toward service credit. Service after December 31, 1999 does not count except in special circumstances.

**Q What is a break-in-service? (Z 15 05 6)**

A A break-in-service occurs when an employee is not paid for more than 500 hours (or 3 months on a full-time salary basis) during a calendar year.

**Q Does this mean that an employee can work part-time without receiving service credit and yet not have a break-in-service? (Z 10 5 28 & Z 15 05 5)**

A Yes. An employee who works less than 1,000 hours (or six months on a full-time salary basis) during a calendar year receives no service credit. However, as long as he/she is paid for more than one-quarter time (500+ hours or 3 months on a full-time salary basis) during the year, he/she will not incur a break-in-service for that particular year. Nevertheless, with only a few exceptions related to study leave, first year of employment or year of retirement, such a period of service (1-999 hours) will not count toward total service credit.

**Q How does a break-in-service affect an employee's eligibility? (Z 15 05 6)**

A If an employee who has less than 10 years of Service Credit has a break-in-service that exceeds his/her previous accrued

service credit, previous service will be lost. Exceptions to this rule include:

1. If the employee has accumulated 15 years of service credit before January 1, 1981, there is no break-in-service loss.
2. If the employee was in full time service on October 1, 1979 and completes 15 years of service credit by the time he/she is admitted to the Retirement Plan there is no break-in-service loss.
3. If the employee accrues a total of at least 25 years of service credit, including the years lost due to breaks-in-service, the lost years are recovered.
4. Physicians, dentists and optometrists who have served at least three years as interdivision employees may add subsequent service credit without any penalty for breaks in service.

**Q How is service recorded? (Z 15 10)**

**A** Service records are maintained for all denominational Employees. The current or most recent employer can provide a copy to employees on request. Each entry on the service record of an employee must be verified by an officer or the human resources director of the employing organization. This signature does not guarantee that such service will count toward eligibility for retirement benefits. It only verifies that the employee was employed during the period indicated. The service must also meet the criteria of the Retirement Plan policies. Final service credit validation is made by the Plan.

**Q Is service credit sometimes calculated differently for employees of educational institutions? (Z 15 15)**

**A** Yes. A full-time educational employee may be paid for the school year only with no work assignment for the summer months. In such a case, a full year of service credit is granted for each full school year worked. A half year is granted for each full semester worked.

**Q What requirements do literature evangelists have to meet in order to earn service credit? (Z 15 25)**

A Regular literature evangelists are granted a full year of service credit for each calendar year that their records show a minimum of 1,680 hours (1,200 hours prior to 1981) and they submit the required weekly reports. If a literature evangelist completes 900 hours of service he/she is credited with 50% of a year of service credit, plus proportionate credit for hours between 900 and 1,680. Students who earn scholarships are not eligible for service credit.

**Q Is it possible for self-employed commission salespersons to earn service credit? (Z 15 65)**

A Salespersons working on a self-employment commission basis are not eligible for service credit.

**Q Does service credit for hospital employees count in the SDA Retirement Plan of the NAD? (Z 15 05 18)**

A Prior to January 1, 1992, service credit in the SDA Hospital Retirement Plan counted toward vesting and minimum service requirements in this Plan.

**Q Does service credit for employees participating in the SDA Retirement Plan for Canadian employees count in the SDA Retirement Plan of the NAD? (Z 15 05 18, Z 20 05 1)**

A Service through December 31, 2014 in the Canadian plan counts for vesting and minimum service requirements in this Plan, but the benefits for such service are paid by the Canadian Plan.

**Q Does Graduate Study Leave count towards retirement benefits? Z 15 60**

A Yes, if the following criteria are met:

1. The degree is an MDiv, BD or doctoral.
2. Return to or begin denominational employment within one year of degree award.
3. The degree must actually be earned.

4. The study leave is pre-2000. Graduate Study Leave does NOT count towards vesting. An MDiv. counts for one year of service credit. A doctoral degree counts for up to two years of service credit.

### **Eligibility**

**Q What are the requirements for eligibility for retirement benefits? (Z 20 05)**

**A** In order to be eligible for retirement benefits an employee must earn 10 full years of service credit. An employee who thus qualifies is vested. However, there are different rules for different retirement windows:

1. An employee who retired from active service between January 1, 1981 and December 31, 1987 must have begun denominational service before attaining age 55 and must earn 10 full years of service credit before attaining the normal retirement age.
2. Employees who terminated denominational service prior to January 1, 1981, must have 15 full years of service credit
3. Employees who began denominational service after attaining age 55 do not receive service credit prior to January 1, 1988.
4. Employees who were out of denominational service on January 1, 1981 and who had at least 10 years but less than 15 years of service credit must earn at least two additional years of service credit or the difference between actual service credit and 15 years, whichever is less, in order to be eligible for benefits.
5. North American Division based interdivision employees who were interdivision employees on or after December 31, 1991 and have earned a minimum of 6 years of service credit as interdivision employees are considered vested. Pre-

embarkation, furlough, and permanent return are all counted as interdivision service.

**Q What is the age requirement for eligibility? (Z 20 05)**

**A** An employee's Normal Retirement Age (NRA) is based on a sliding scale depending on the year of birth. These are not intended to be mandatory retirement ages irrespective of

<u>Year of Birth</u>	<u>Normal Ret Age</u>
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943 - 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 +	67

health, ability, and opportunity for service, but should be understood as merely setting a minimum limit when age alone may be considered a determining factor. Those who are vested and terminated must begin receiving their retirement benefits by April 1 of the calendar year following the year they reach age 70 ½.

**Q Is it possible to retire prior to my Normal Retirement Age?**

**A** Yes. As long as you meet vesting requirements, you may retire as early as age 59 ½. However, due to the Early Retirement Reduction policy, benefits will be reduced by .5% for each month an employee's age is less than the normal retirement age, or for each month service credit is less than 40 years, whichever yields the greatest monthly benefit. (Prior to 2005, early retirement required at least 35 years of service credit and age 62.)

**Q Is there a maximum age for beginning employment? (Z 15 05)**

**A** Not after December 31, 1987. However, those who began service after attaining age 55 will not receive service credit

before January 1, 1988.

**Q If I withdraw from denominational employment prior to retirement, will I become eligible for retirement benefits? (Z 20 05)**

A Yes, if you meet vesting requirements. You will be eligible for benefits when you reach your normal retirement age, if you have 15 full years of service credit for service terminated prior to January 1, 1981, or 10 years of service credit for those who discontinue employment after 1980. It is also possible to retire early. (See Q on early retirement on previous page.)

### **Independent Transfers**

**Q If an employee transfers independently (without an official call via the General Conference) to the North American Division, how can he/she become eligible for retirement benefits from this plan? (Z 25)**

A A transferee who was employed in the North American Division before January 1, 1978 may be eligible for retirement benefits from the North American Division, based on the total service in all divisions provided they earn 10 full years service credit in the NAD and if they did not have more than 30 years service credit at the time they transferred to the North American Division.

A transferee who was employed in the NAD between January 1, 1978 and December 31, 1987 and who entered denominational employment in North America after their fifty-fifth birthday is not eligible to earn North American Division service credit prior to January 1, 1988 even though he/she served in another division. The North American Division will pay benefits on North American Division service credit only.

A transferee who was employed in the NAD after December 31, 1991 is only eligible for NAD vested service credit actually earned as an employee of a NAD participating employer. Upon Retirement, benefits will be paid by each plan in which the employee was vested.

Effective January 1, 2005, independently transferred employees will be eligible for full NAD service credit for service earned prior to the transfer if they meet the following eligibility:

1. The employee has worked for at least ten full years for an NAD participating employer and is vested in this plan by December 31, 2014.
2. The independent transfer occurred after Dec 31, 1977 and prior to 1/1/2000.
3. The employee was an employee of a participating organization on 12/31/1999.

### **Applications**

**Q How does an employee apply for retirement benefits? (Z 30 05)**

A Application forms are available from the administrative offices of participating employers. In a Union or Conference ask the executive secretary. In an institution, go to your human resources office.

**Q When should an application be made for retirement benefits?**

A Applications for retirement benefits should be initiated at least six months before benefits are to begin. A late application may result in late benefits.

**Q Where should vested non-employees apply for retirement benefits? (Z 30 05)**

A Qualified non-employees should apply with their last denominational employing organization.

## **Benefits**

**Q What is the basis of granting benefits? (Z 35)**

A The main factors that determine benefits amounts are the number of years of service credit, level of earnings and marital status.

**Q Where can a denominational employee get information regarding the monthly benefit rates which are currently in effect?**

A From the administrative or human resources office of his/her latest denominational employer.

**Q On what date do retirement benefits begin? (Z 35 05)**

A Retirement benefits may begin on the first day of the month in which the vested participant becomes age eligible, if full-time denominational employment has been discontinued.

**Q Are all participants of the Retirement Plan granted the same benefits? (Z 35 05)**

A No. The benefits differ depending on years of service credit earned, the level of earnings during the years of service, and whether the participant is eligible for a spouse allowance.

**Q How are monthly benefits calculated? (Z 35 05)**

A The following formula is used to calculate benefits:  
*Years of Service Credit x Benefit Rate Factor x Pension Factor = Single Life Benefit.*

The average of the 10 years during which the employee's Yearly Rate Factors were the highest will yield a Benefit Rate Factor of between .80% and 1.60%. This factor multiplied by the years of service credit (maximum of 40)

determines the percentage of the current denominational pension factor that will be paid for a Single Life Annuity. Yearly Rate Factors from the Yearly Rate Factor Table following the examples below are recorded on the service record.

*Example: Juan Escobar has been a pastor for the Adventist Church. His ten highest years of pay were at 150% of the remuneration factor, yielding a Benefit Rate Factor of 1.30%. In his year of retirement, the Pension Factor was \$2,316. The example gives benefits for a range of service credit under this Plan.*

<b>Years of Service Credit</b>	<b>Single Life Annuity</b>	<b>Spouse Allowance</b>	<b>SLA + SA</b>	<b>J&amp;S + SA</b>
5	\$0.00	\$0.00	\$0.00	\$0.00
10	\$301.80	\$0.00	\$301.80	\$270.97
15	\$451.52	\$0.00	\$451.52	\$406.37
20	\$602.16	\$150.54	\$752.70	\$692.48
30	\$903.24	\$338.72	\$1,241.96	\$1,151.64
40	\$1,204.32	\$602.16	\$1,806.48	\$1,686.05

*Example Notes:*

*Single Life Annuity: Years x Benefit Rate Factor x Pension Factor = Single Life Annuity, or Years x .013 x \$2316 = SLA. Requires 10 years to vest. This is the benefit provided to a single retiree or a married retiree who waives the Joint & Survivor benefit.*

*Spouse Allowance: Years x SLA x .0125. Requires a minimum of 20 years for eligibility. Also requires marriage to spouse for at least one year prior to retirement. Any employer provided retirement benefits (other than SS) are*

*subtracted from the Spouse Allowance. May be proportionalized for employees retiring after plan freeze in 1999.*

*SLA + SA*

*Single Life plus Spouse Allowance. This is the monthly benefit provided for an employee who waives the Joint & Survivor benefit, providing no survivor, healthcare or death benefits to his/her spouse, and is eligible for a Spouse Allowance.*

*J&S + SA*

*Single Life x 90% plus Spouse Allowance. (Assumes spouse is within five years of age of retiree.) This is the monthly benefit provided for an employee who accepts the Joint & Survivor benefit and is eligible for Spouse Allowance.*

*Note:*

*Although the example shows service through 40 years of service, only pre-2000 years of employment qualify for these benefits.*

<b>Yearly Rate Factor Table</b>			
<b>Remuneration Percentage</b>	<b>Yearly Rate Factors</b>	<b>Remuneration Percentage</b>	<b>Yearly Rate Factors</b>
165% +	1.60%	123	1.12
164	1.58	122, 121	1.11
163	1.56	120	1.10
162	1.54	119, 118	1.09
161	1.52	117	1.08
160	1.50	116, 115	1.07
159	1.48	114	1.06
158	1.46	113, 112	1.05
157	1.44	111	1.04
156	1.42	110, 109	1.03
155	1.40	108	1.02
154	1.38	107, 106	1.01
153	1.36	105	1.00
152	1.34	104, 103	.99
151	1.32	102	.98
150	1.30	101, 100	.97
149, 148	1.29	99	.96
147	1.28	98, 97	.95
146, 145	1.27	96	.94
144	1.26	95, 94	.93
143, 142	1.25	93	.92
141	1.24	92, 91	.91
140, 139	1.23	90	.90
138	1.22	89, 88	.89
137, 136	1.21	87	.88
135	1.20	86, 85	.87
134, 133	1.19	84	.86
132	1.18	83, 82	.85
131, 130	1.17	81	.84
129	1.16	80, 79	.83
128, 127	1.15	78	.82
126	1.14	77, 76	.81
125, 124	1.13	75	.80

**Q Are the benefits taxable?**

**A** Monthly retirement benefits that are received from the Retirement Plan are taxable income. However, retirement benefits are not subject to Social Security tax. The one-time Retirement Allowance granted by this Plan is also subject to income tax but not Social Security tax.

Retirement benefits paid directly by the employer to the employee are fully taxable.

**Q Are retired ministers eligible for housing allowance exclusion or parsonage allowance exclusion for income tax purposes?**

A Yes. Monthly church provided pension income for retired ministers is considered as eligible for housing allowance exclusion. Annual instructions are sent to retired ministers assisting them in supporting this tax status.

**Q Is the spouse of an employee eligible for retirement benefits? (Z 20 25, 35)**

A There are several ways whereby a non-employee spouse may receive benefits from the Retirement Plan, usually upon the death of the participant.

Joint and Survivor Annuity:

When a Joint & Survivor retiree passes away, the spouse will be eligible to receive one-half of the Joint and Survivor Annuity as a survivor benefit, if that spouse was married to the participant for at least one year prior to his/her retirement. If the retiree's spouse dies first, the J&S benefits remain the same.

Spouse Allowance:

Upon the death of a retiree, the spouse is eligible to receive a proportionate share of any spouse allowance being received by the participant based upon the number of the participant's years of service during which they were married, provided they were married during at least 10 years of the participant's service and the spouse is not receiving his/her own employer-funded pension.

Early Survivor Benefits:

If a vested employee or former employee dies prior to commencing retirement benefits, and is survived by a spouse to whom he/she had been married for at least one year immediately preceding his/her death, the surviving spouse is eligible for a surviving spouse early survivor

benefits at the time the deceased employee would have reached age eligibility. This benefit equals the monthly amount which he/she would have received if the employee had been receiving a Joint & Survivor retirement benefit at the time of death, as well as any Spouse Allowance for which he/she might have qualified.

**Q Are Survivor Benefits terminated if the surviving spouse remarries? (Z 20 35 Z 20 60 Z 20 65)**

A No. Survivor Benefits, with the exception of the temporary benefits such as dependent child tuition assistance and healthcare coverage, will continue even though the surviving spouse remarries.

**Q Are employees or retirees eligible for assistance on moving expenses to their retirement home? (Y 23 10)**

A The Retirement Plan does not provide assistance on this expense. In some cases the employing organization does provide assistance. Your human resources office should be able to provide information on policy assisted moves.

**Q What is the Single Life Annuity and how does an employee apply for it? (Z 20 40)**

A The Single Life Annuity provides retirement benefits to the participant only. At least 30 days prior to the retirement benefit starting date an employee may file a written election with the committee to have his/her retirement benefits paid in the form of a Single Life Annuity. The spouse, who must countersign the election form, will receive no survivor benefits, health care expense assistance or other benefits on the basis of the employee's service credit. Without such an election, benefits to a married retiree are processed at the Joint & Survivor rate.

**Q What happens to a Single Life Annuity at the death of the retiree?**

A The monthly benefit ceases immediately. No benefits are transferred to another family member.

**Q What is a Joint and Survivor Annuity? (Z 20 15)**

A A Joint and Survivor Annuity is automatically provided to participants who have been married to their spouses for at least one year prior to admission to the Plan, unless there is a special election made for a Single Life Annuity. The Joint & Survivor benefit is usually 10% less than the Single Life Annuity, depending on the age difference of retiree and spouse. That reduction in benefits pays for healthcare, death benefits and survivor benefits (if eligible) to be applied to the spouse, if the participant passes away before the spouse does.

**Q What happens to the J&S Annuity if the participant passes away before the spouse does?**

A The monthly J&S Annuity is cut in half and becomes a survivor benefit to the eligible spouse.

**Q What happens to the J&S Annuity if the eligible spouse passes away before the participant?**

A The J&S Annuity continues unchanged.

**Q What happens if the eligible spouse passes away, and the participant re-marries, and then the participant passes away? Does the new spouse receive survivor benefits?**

A No. Only the spouse who was married to the retiree for one full year prior to retirement is an eligible spouse. Re-marriage does not impute survivor benefits to a new spouse.

**Q What is the Spouse Allowance? (Z 20 20)**

A The Spouse Allowance is a conditional benefit enhancement designed to give special assistance only to a participant whose spouse has a limited or no personal retirement plan. In order to be eligible for a Spouse Allowance, the participant must:

1. Have at least 20 years of service credit, **and**

2. Be married to a spouse to whom he/she has been married for the past full year

The spouse allowance, as calculated, will be reduced by any employer-provided retirement benefits to the spouse. The Spouse Allowance is NOT the same as the Joint & Survivor benefit. It cannot be “purchased.”

**Q How is the Spouse Allowance calculated? (Z 20 20)**

**A** The Spouse Allowance is calculated using the following initial formula:

*1.25% x Years of Service Credit x Single Life Benefit = Unadjusted Spouse Allowance*

The following adjustments will be applied to the Unadjusted Spouse Allowance:

1. The spouse allowance is reduced by any employer provided retirement benefits received by the spouse from his/her own employment other than Social Security benefits. A lump sum distribution shall be computed on the basis of a monthly annuity payable for life.
2. The spouse allowance is reduced by 1% for each full year above 5 that the participant’s age exceeds the spouse’s age.
3. For employees eligible to retire after 12/31/1999 with service under the defined contribution plan, the allowance is proportionalized by calculating a theoretical full-career allowance and multiplying it by a fraction including total years of service credit as the denominator and pre-2000 service credit as the numerator.

**Q What happens to the Spouse Allowance upon the death of the participant?**

**A** The Spouse Allowance is recalculated upon the death of the participant to reflect the proportion of the years of shared service compared with total years of participant service credit.

*Example: Joe and Jean Green were married for 30 of his 40 years of Service credit. Jean had no benefits of her own. When they retired, Joe received a full, unreduced Spouse Allowance based on his years of Service Credit. Joe passed away before Jean did. Upon Joe's death, the Spouse Allowance was recalculated and multiplied by 30/40 to reflect that they shared 30 of his 40 years of service credit.*

**Q What if an employee retires, and his/her spouse is still employed, and not receiving retirement benefits of his/her own. Is the participant eligible for Spouse Allowance?**

A Perhaps, temporarily. But only until his/her spouse retires or becomes eligible for his/her own benefits. At that time the participant's unadjusted Spouse Allowance will be reduced or discontinued, depending on the amount of the spouse's benefits.

*Example: Charlene retires after 40 years of working for the Denomination. Her husband, Charles has reached his normal retirement age but works for the state educational system and decides to continue to work for another year. Since Charles is not receiving retirement benefits, and is not eligible for those benefits while still employed, Charlene is temporarily eligible for full Spouse Allowance. In another year, Charles retires, and his pension exceeds the total amount of Charlene's Spouse Allowance. The Spouse Allowance is discontinued.*

**Q Is a retiree eligible to continue to receive the Spouse Allowance if his/her spouse dies? (Z 20 20)**

A No. The Spouse Allowance is continued for the month of Death and two months following. It is then discontinued.

**Q Can a Spouse Allowance be reinstated if the participant remarries? (Z 20 20)**

A No. The Spouse Allowance is only provided to a participant who has been married to his/her spouse for at least one full year before being admitted to the Retirement Plan.

**Q What is the ‘Family Plan?’**

A For participants whose benefits began before January 1, 1981, there was no Spouse Allowance. Instead there was a “Family Plan.” Provision for the spouse of a participant was included in Family Plan benefits, but was not called ‘Spouse Allowance.’ While there are similarities in eligibility and benefits calculations, some special rules apply.

**Q Are extra benefits available for children? (Y 46 15) (Y 46 18)**

A Through December 31, 1997, a parallel plan provided tuition assistance for the dependent children of retirees. Only employees who retired or were eligible to retire prior to January 1, 1998 continue to be eligible to receive this benefit for their dependent children.

The following eligibility criteria apply:

1. Retiree went directly from employment into retirement or died in denominational employment.
2. Retiree was eligible for tuition assistance from last employer.
3. Dependent child must be in a denominational educational institution.

The amount of the grant is 35% of tuition and other regular fees for day students and 70% for dormitory students based on 35 years of service credit. This grant is proportionately reduced for retirees with less than 35 years of service credit.

**Q Does a retiring employee receive a lump sum payment in addition to retirement benefits? (Z 40 10 & Y 46 12)**

A Yes. Employees who qualify for regular retirement benefits and who have earned the equivalent of at least half time service credit in each of the two years immediately preceding retirement will receive a Retirement Allowance from the Plan. For 40 years of service credit the allowance is equal to 5 months of basic remuneration. The allowance

is proportionately reduced for service credit of less than 40 years. The Plan is required by the IRS to withhold 20% withholding taxes from payments made directly to the retiree. Up to 100% of the retirement allowance can be rolled over to an IRA or other tax sheltered annuity with no tax withholding. The requirement that employees go directly from active service into retirement in order to be eligible for a retirement allowance payable at the time regular retirement benefits begin may be waived if the following applies:

1. Termination of active employment was no more than 36 months prior to the date retirement benefits became effective, **and**
2. Termination of active employment was at the written recommendation of the last employer, and approved by the Retirement Plan Committee, **or**
3. The termination of active employment was due to the transfer of the spouse to a different location or because of retirement of the spouse, **or**
4. The Retirement Plan Committee, because of exceptional circumstance, approves a request of the employing organization to waive the requirement that an employee go directly from active service into retirement.

The Retirement Allowance based on service after December 31, 1999 is paid by the employer directly to the employee and is not eligible for direct rollover.

*Example: Joe Smith works for the church for 40 years and retires on December 31, 2007. He thus has 8 years after December 31, 1999 and 32 years prior. Joe is eligible to receive five months of basic remuneration upon retirement. 32/40 of that benefit will be paid by the Retirement Plan, and 8/40 by the employer.*

**Q If a participant is divorced from his/her spouse is there any provision for an allocation of benefits? (Z 35 07)**

A Often a divorce settlement will result in the issuance by the court of a Qualified Domestic Relations Order (QDRO). The Plan will follow the instructions of the court in reference to division of benefits. In cases where the courts have not made a determination of the ex-spouse's rights to retirement benefits, the Plan has determined that it will not divide benefits to the previous spouse.

**Q Does the Retirement Plan provide a Death Benefit? (Y 46 17)**

A Yes. Upon the death of a participant who has at least 10 years of service credit in the Church Plan, (and a participant's spouse who was eligible for joint and survivor benefit) a death benefit is paid from a parallel plan to the surviving spouse, or if there is no surviving spouse, to the executor of the estate, or to the person who has undertaken responsibility for the funeral arrangements. The amount of the death benefit for a participant with 40 or more years of service credit is the full pension factor in effect. For those with less than 40 years the allowance is the pension factor multiplied by years of service credit divided by 40.

*Example: Christopher and Christine Martin are both retired. Christine was a school teacher for 32 years. Christopher was not a denominational employee. When Christine retired, she chose the Joint & Survivor benefit. Upon Christopher's death, Christine receives a death benefit. The calculation formula is Service Credit/40 x Pension Factor, or  $32/40 \times \$2225 = \$1,780$  based on the factor in the year 2008. A few months later, Christine also dies. Her estate, or the person who cares for her funeral expenses will also receive a death benefit, using the same calculation and the Pension Factor in effect at the time of death.*

**Q What if a child is caring for the funeral expenses instead of the spouse. Can the benefit be given to the child?**

A If there is a spouse, the Plan must grant the benefit to that spouse.

**Q Does the employee Accidental Death & Dismemberment policy, or life insurance policy continue upon my retirement?**

A Only if you converted those policies yourself upon retirement. These benefits are not provided by the Plan. If you do not arrange for a continuance yourself, these policies will lapse.

**Q Are the benefit rates ever adjusted to compensate for cost of living changes?**

A Yes, Historically benefits have been adjusted annually to compensate for inflation. Notice of such a cost of living adjustment is given in the *Reflections* newsletter.

**Q Are there alternatives to a monthly benefit? Can I receive a one-time cash-out in lieu of benefits?**

A The Hospital plan offers such a one-time cash-out in lieu of monthly benefits. The Church plan does not. However if an employee retires with five years or less in the pre-2000 Church plan, rather than setting up a monthly payroll for a very small amount, the plan provides the retiree with a one-time cash-out.

### **Healthcare Assistance**

**Q Is assistance provided by the Retirement Plan on health care expenses? (Y 46 18)**

A Participants who have at least 15 years of service credit in the Church Plan, their eligible spouses and dependent children, may be granted assistance on healthcare expenses. A separate policy and plan govern this assistance. As of January 1, 2003, a health care earned credit will NOT be provided for new retirees with less than 40 years of qualifying service credit until they meet the age qualification for Medicare, although healthcare assistance may be requested at personal expense. Pre-Medicare coverage is available for an eligible spouse of a Medicare-eligible retiree.

**Q Does eligibility for Social Security affect retirement benefits?**

A No, with one exception, see below. If a retiree is ineligible for Social Security benefits such as monthly benefits or healthcare assistance, the Plan does not replace the benefits. Neither does the plan reduce benefits for those who are eligible for Social Security benefits.

**Q Does the Plan assist a retiree in paying for Medicare Part B premiums?**

A Yes. The Retirement Plan reimburses the participant and eligible spouse (see Joint & Survivor) for a portion of the regular Medicare Part B premium if the participant has 15 or more years of service credit in the Church Plan. A copy of the Medicare Health Insurance card must be submitted to the Retirement Office in order for the reimbursement to be included with the monthly benefits. As with most healthcare reimbursements, the Plan will only make reimbursements retroactive for up to one year.

A retiree who cannot become eligible for Social Security benefits should purchase both Medicare A and B Insurance, although part A premiums will not be reimbursed. Participants who do not enroll for this coverage are eligible for assistance only on health care expenses that would not have been covered by Medicare.

**Q From which organization does the participant receive his/her health care benefits? (Y 46 18)**

A From Adventist Risk Management, PO Box 1928, Grapevine, TX 76099-1928  
The Healthcare Line is 1 800 447 5002.

**Q Do years worked under the new Defined Contribution retirement plan count toward healthcare assistance?**

A Yes. Effective January 1, 2005, all the years including years with the defined contribution plan count towards healthcare assistance.

## **Post-Retirement Service**

**Q Is it possible for an employee to continue in the employment of the Seventh-day Adventist Church after being admitted to the Retirement Plan? (Y 46 35)**

**A** Yes. Retirees may be employed by the church on a part-time basis (up to a maximum of 75% of full time) without the loss of retirement benefits. Employment by a participating employer on a full-time basis renders the participant ineligible to receive benefits from the Plan. Benefits may be reinstated when the employee ceases full-time employment again. Employees who attained age seventy and one-half between January 1, 1988 and December 31, 1997 are eligible to receive retirement benefits, even if they are working full time for a participating employer. Note: The part-time limit is only effective for retirees hired by a participating employer. There is no Plan limit for a retired employee who works for a non-denominational or an overseas Adventist employer. Further, the part-time limit is a time limit, not a dollar limit. An employer who simply pays a retiree less than full-time with a reasonable expectation of full-time employment is in violation of this policy and possibly of state wage and hour laws.

**Q Are ministerial credentials issued to retirees?**

**A** Yes. Retired ministers who wish to receive Emeritus credentials and have their name appear in the Seventh-day Adventist Yearbook should submit their request to the executive secretary of the conference in which they reside and maintain their church membership. Generally, Emeritus credentials are issued by the Union Conference. The Plan does not issue any credentials.

## **Monthly Distributions**

**Q How and when are retirement benefits paid?**

**A** Most retirees receive their monthly benefits by direct deposit into a checking or savings account. A few receive

their benefits by check. Both direct deposits and checks are released on or before the 27<sup>th</sup> of the month. If the 27<sup>th</sup> falls on a Saturday or Sunday, the benefits will usually be issued on the previous Friday. The Plan has a toll-free Payroll Bulletin Board phone line which announces the date of the payroll releases. Call (888) 838 8955. In addition, benefit release dates are published in the monthly newsletter, *Reflections*.

**Q What if I don't receive my benefit payments on time?**

A If you have contacted your bank after the 27<sup>th</sup> and your deposit has not yet arrived, contact the Plan. If you receive a check for your benefits, please wait until the 15<sup>th</sup> of the following month to inform us of a missing check as most checks reach their destination by that time. Call 1 (301) 680-6244.

**Q Does the Plan withhold state and federal taxes from retirement benefits?**

A The Plan does not withhold state taxes. If the benefits exceed certain thresholds in our payroll software, we withhold federal taxes and forward those funds to the IRS. The retiree can adjust a W-4P which instructs us regarding withholding for federal taxes. To request the form W-4P to give us such instructions, call 1 (301) 680-6244, or download from [www.adventistretirement.org](http://www.adventistretirement.org)

**Q Is there provision to deduct tithe and donations from the monthly benefits?**

A No. We do not deduct tithe or donations from the monthly benefits of participants.

**Q Should retired workers notify the Retirement Office when they change their address?**

A Yes, when that change is permanent. Many retirees travel considerably in connection with vacations and visits to relatives. We cannot make temporary address changes. Our direct deposit system will ensure that your check is deposited in your account even in your absence. When you

change the location of your regular residence please inform us in writing or by phone, or use the address change form at our web site by the 10th of the month in which you wish the change to be effective.

**Q How do I sign up for direct deposit?**

A Mail to us a voided check from your account along with a signed note requesting direct deposit to this account. This should be a permanent check with your name and address printed on it. If your monthly benefits are to be deposited in a savings account rather than a checking account, call the Payroll office at (301) 680-6244 and we will send to you an ACH Authorization Agreement, or download the direct deposit authorization form at <http://www.adventistretirement.org>. You will need to return the completed form to us. Direct deposit takes 3-4 weeks to become effective once it is posted in the payroll system.

**Q If I am on direct deposit, how am I notified that the money has been sent?**

A You can usually contact your bank and determine when the money has arrived. We do not send monthly notification. However, should your benefit amount change, you should receive a letter explaining the change and the new retirement benefit amounts.

**Q Is it necessary to notify the retirement office if the participant or spouse dies? (Z 20 20 & 45 17)**

A Yes. There are legal requirements that we must fulfill. There is usually a death benefit which can assist with funeral expenses. There may be benefits adjustments. A copy of the death certificate should be faxed to the Plan as soon as possible at (301) 680 6190.

**Q Should the retirement office be notified when there is a change in marital status? (Z 35 07)**

A Yes. We are required to make certain benefits and records adjustments upon the change of marital status.

## Effect of Service After 1999

Service credit in this Plan was frozen for most employees at the end of 1999. A new defined contribution plan was started on January 1, 2000. This section explains how service after 1999 may impact your benefits in the frozen defined benefit plan.

**Q If I do not have enough service credit in the frozen defined benefit plan at the time of the freeze, can I count service after 1999 toward vesting and other qualifying thresholds?**

A Yes. While you do NOT earn additional pension benefits service credit by working after 1999, you can reach certain eligibility thresholds under the frozen retirement plan by post-freeze service. The following thresholds are limited in that only up to ten post-freeze years are counted, and they must be earned by 12/31/2014:

	<b>Requirements</b>
a. Vesting for monthly benefits	10 years
b. Death benefit	10 years
c. Surviving spouse benefits	10-15 years
d. Spouse allowance	20 years

Post-freeze employment after 12/31/2014 (fifteen years after the freeze) will **not** count towards meeting minimal qualifying vesting thresholds under the pre-freeze plan, except for the following:

a. Healthcare Supplement	15 years
b. Recovery of Lost Service Credit due to breaks in service	25 years
c. No Penalty Early Retirement	40 years
d. Early Retirement Healthcare Earned Credit	40 years

**Q Will retirement benefits earned prior to the year 2000 in the defined benefit plan be combined with benefits earned after 1999 in the defined contribution plan?**

A No. They are separate plan types. The frozen Plan described in this booklet is a pension plan which provides a flow of funds until death of the retiree and eligible spouse. The new defined contribution plan described elsewhere

accumulates a lump sum which can be converted to an annuity, cashed out or invested at the option of the retiree.

**Q Does anyone continue to earn service credit in the defined benefit plan after the freeze date of December 31, 1999? (Z 15 6)**

A Yes. A few employees qualified for and chose to apply for the Career Completion Option. This is a plan which enabled employees to continue to earn up to a maximum of **five additional years of service credit under the frozen plan.** The window of opportunity for such an application closed on 12/31/99. The Career Completion Option window closed on 12/31/2004. After that, a CCO employee who continues to work is immediately eligible to participate in the Defined Contribution retirement plan for employer and employee contributions.

**Q Is there a ‘safety net’ to assist those who may be disadvantaged by the freeze of this Plan?**

A Yes. For those eligible to receive benefits from this plan, upon retirement the Plan will calculate the monthly benefit of the frozen single life annuity, plus an estimate of what the employer-contributed account balance in the new plan would be if invested in the plan designated ‘default’ strategy, converted to a single-life annuity. This ‘combined annuity’ will then be compared with what the single life annuity would have been had the plan not been frozen. If the ‘combined annuity’ is less than the ‘no-freeze annuity,’ the Plan will top-up the single life annuity by the amount of the shortfall.

This Transitional Enhancement is designed to protect employees from possible reductions in the single life annuity benefits. It is not designed to replace the elimination of the spouse allowance for post-freeze service.

*Example: Joe Bozinski retires at age 66, single, after 34 years of service with the church. Twenty-two of those years were under the frozen defined benefit era, and twelve years were after the freeze, under the defined contribution plan.*

<b>Transitional Enhancement Example</b>	<b>Split Benefits 22DB &amp; 12DC Yrs</b>	<b>No Freeze 34 DB Yrs</b>
<b>DB Single Life Benefit</b>	<b>\$662.38</b>	<b>\$1,023.68</b>
<b>Estimated DC Annuity*</b>	<b>\$244.00</b>	
<b>Total Est. Single Life Benefits</b>	<b>\$906.38</b>	<b>\$1,023.68</b>
<b>Transitional Enhancement</b>	<b>\$117.30</b>	
<b>Total Single Life Benefit</b>	<b>\$1,023.68</b>	<b>\$1,023.68</b>

\*Estimated monthly annuity available from a lump sum of \$44,000.

*Regardless of where Joe actually invested his defined contribution employer contributions, the plan estimates that employer contributions, including the Basic and the Match, if invested in the Moderate, Socially Screened model, would equal say \$44,000. The following table shows how a Transitional Enhancement is calculated:*

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