Issue 2 — October 2005

SEVENTH-DAY ADVENTIST CHURCH

PLANNING FOR Retirement

You Continue to Receive...

- A pension benefit based on a formula
- A pension paid:
  – For your lifetime, or
  – For your lifetime, plus a continuing pension for your spouse's lifetime

PLUS, You'll Now Receive...

- Earlier unreduced retirement
- No limit on Credited Service
- Indexing with 20 years Service Credit
- A greater percentage of your pension, continued to your surviving spouse
- A restoration of your originally-calculated pension, including any indexation, if your spouse dies first

Take Note – If You Retire Before Age 65

The pension formula calculates the benefit you will receive when you retire at age 65. If you retire sooner, your pension is reduced by 6% for each year you retire before age 65 – to cover the cost of providing your pension for a longer period of time – unless you qualify for an unreduced pension. So, if you do qualify, you are receiving an extra benefit. There is one caveat though: if during your early retirement years – that is up to age 65 – you earn an income above the Year's Maximum Pensionable Earnings, or YMPE, set by the government (which is roughly $41,100 in 2005), you will not receive this extra benefit in full. The Church expects most, if not all, unreduced early retirees will receive this full extra benefit.

This newsletter series summarizes changes to the Pension and Post-Retirement Benefits Program for the Seventh-day Adventist Church in Canada. Though it is a useful information source, if there are any discrepancies between this information and the official plan documents, the plan documents will be considered correct and will govern in all cases.

Learn More About the *NEW* Pension Features

Over the past few years, the Church has spent a lot of time reviewing our pension plan to ensure it continues to provide:

- Equitable benefits for all Church employees,
- Secure benefits for future Church employees, and
- Value to today's generation and future generations of retirees.

In the first issue of Planning for Retirement, we introduced the complete Pension and Post-Retirement Benefits Program. In this issue, we'll focus specifically on the changes to the Pension Plan, and the value they'll provide when you retire.

Beginning January 1, 2006, the Pension Plan will include a mix of current valued features plus new features that will provide improved flexibility for Church employees.

You Continue to Earn a Pension Based on a Formula

When you reach age 65 and retire from the Church, you receive a monthly pension — fully funded by the Church — based on this formula:

The Pension Factor — Set and reviewed periodically by the Church. Currently, it is $2,132

X

Your Benefit Rate Factor — The average of your ten highest yearly rate factors, which are based on your remuneration from the Church

X

Your Credited Service — Total amount of eligible time you worked for the Church in Canada

NEW! 40 year Credited Service cap removed

Once you become a plan member and have participated for two full years, you earn a pension benefit.

NEW!

Retire Earlier With an Unreduced Pension

Beginning in 2006, you'll be eligible to retire with an unreduced pension anytime after age 60, if your age plus Service Credit equal 95. For example

Age	Service Credit	Unreduced Pension?
64	31	✓
62	33	✓
60	35	✓
60	34	✗
58	38	✗

NEW!

More Value From the Joint & Survivor Payment Option

If you are single when you retire, you receive a pension benefit paid for your lifetime. If you are married when you retire, and you select the joint & survivor option, your pension is reduced by roughly 10% so your spouse will receive 66⅔% — instead of 60% — of your pension for their lifetime if you die first. And, if your spouse dies before you, you'll now receive a restoration of your original pension, plus any applicable indexation, to remove the 10% reduction you originally took for choosing the joint & survivor option.

NEW!

An Indexed Pension Can Protect Against Inflation

If you retire from the Church with at least 20 years Service Credit, you'll receive guaranteed increases to your pension each year to help keep pace with inflation. The amount you receive is based on changes in the Consumer Price Index — which is why it's called indexation — capped at 2.5%. This means your pension will no longer be subject to the ad hoc increases that are at the Church's discretion — like the increases that apply to current retirees. Prior ad hoc increases were applied based on what the Church could afford, and were not always predictable.

You Asked Us...

Why must employees have 20 years of Service Credit when they retire to receive the new indexation feature?

One of the criteria for potentially qualifying for the Spouse Allowance was that an employee needed at least 20 years Service Credit when they retired from the Church. Indexation is one of the new features added to the pension plan as a replacement for phasing out the Spouse Allowance. So, this criterion also applies to the new indexation feature.

You will receive a personalized statement later this year that provides more detail about your personal retirement situation.

More About the Minimum Value Guarantee

If you qualify as an employee close to retirement, the Retirement Department will apply these four tests when you retire.

Step 1 — Confirm if you meet the old Spouse Allowance criteria (e.g., minimum 1 year married, etc.). If yes, you may receive a minimum value guarantee.

Step 2 — Determine how much your pension is worth under the new rules. If you retire within 5 years this includes all new features except indexation. If you retire later, this includes indexation up to 2.5%.

Step 3 — Determine how much your pension plus any Spouse Allowance you qualify for is worth under the old rules. No new features added.

Step 4 — Subtract the new from the old to identify any minimum value guarantee.

Any minimum value guarantee you receive is paid from outside the regular pension plan, just like the current Spouse Allowance.

More Issues Coming Soon!

You've now received two issues of the Planning for Retirement newsletter series. In November, watch for:

Issue 3 — A closer look at the new Health Allowance

SEVENTH-DAY ADVENTIST CHURCH

PLANNING FOR Retirement

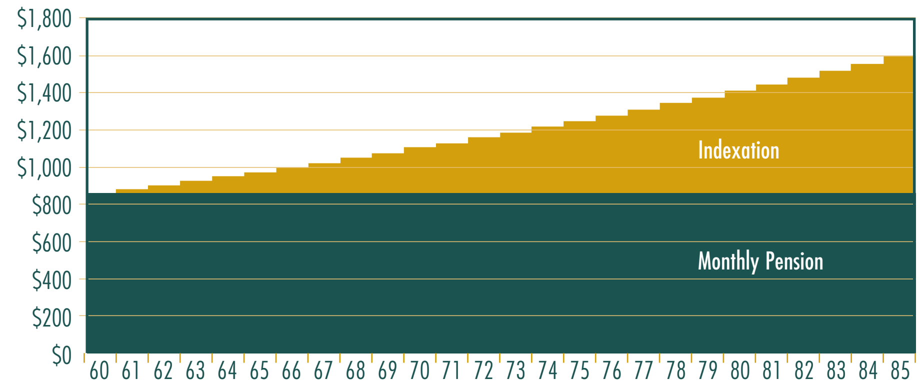
EXAMPLE – An Unreduced Early Retirement

Pat is age 60, has worked for the Church in Canada for 35 years, and now qualifies for an unreduced early retirement, based on the new Program features. Pat is married, and will select the joint & survivor pension option. Assuming Pat's Benefit Rate Factor is 1.28%, the Pension Factor is $2,132, and the joint & survivor (J&S) option lowers Pat's pension by 10%, Pat's unreduced pension at retirement would be calculated as:

The Pension Factor		Pat's Benefit Rate Factor		Pat's Credited Service		J&S
$2,132	X	1.28%	X	35	minus	10%

Pat's monthly pension benefit is $860. The table and graph below show how the pension increases assuming that Pat lives to at least age 85 and that Pat's pension is indexed at the maximum (2.5%) each year.

Age	Indexed Pension
60	$ 860
65	$ 973
70	$1,100
75	$1,245
80	$1,409
85	$1,595



If Pat should die first, Pat's spouse will receive 66⅔% of that amount, or $573, plus applicable indexation. And, if Pat's spouse should die first, Pat's pension benefit will increase to $955 plus applicable indexation, to restore Pat's original pension benefit.

Employees Close to Retirement

The Church understands that ***employees close to retirement*** may be less comfortable with an entirely new Program, as they will have less time to consider how it works with their personal retirement plans. Therefore, the Church will phase in changes.

To qualify, your age plus Service Credit must add up to 70 on January 1, 2006. In this case, when you retire you will receive the current retiree health and dental benefits, funeral allowance and retirement allowance. This means you follow all existing rules for eligibility of these plans (see the existing summary booklet and the next issue for more details). Then, you receive a pension based on the new rules, except if you qualified for the phased-out Spouse Allowance when you actually retire. In this case, a ***minimum value guarantee*** will be applied to the treatment of your pension and the phased-out Spouse Allowance.

Employees with 20 years of Service Credit on January 1, 2006 may also qualify for this ***minimum value guarantee***.

With the ***minimum value guarantee*** — the pension income you receive from the Church will be worth the same as if you qualified for and received a pension plus the Spouse Allowance, under the current Program rules. How you actually receive this minimum value guarantee, will depend on when you choose to retire.

Retire Within the Next Five Years

If you retire between January 1, 2006 and January 1, 2011 – ***and*** you meet all the criteria to receive the phased-out Spouse Allowance – you will receive a pension calculated using the new plan rules, with the exception of indexing, though you may receive periodic ad hoc increases throughout your retirement. In lieu of indexing (which would have provided you with a larger pension in the future), you receive an additional flat amount – called your minimum value guarantee. Therefore, your pension income when you retire will be no less than the total amount you would have received from the old pension rules and phased-out Spouse Allowance combined.

If you do not qualify for the phased-out Spouse Allowance when you retire, you receive a pension based on all of the new pension rules, including indexing. In this case, your retirement pension will be guaranteed to regularly increase over time.

Retire After Five Years

If you retire after January 1, 2011, then you receive a pension calculated based on all of the new plan rules. So, if you retire with at least 20 years Service Credit, you also receive indexing.

If you also meet all the criteria to receive the phased-out Spouse Allowance, you may receive an additional flat monthly minimum value guarantee (though it will be smaller than for those retiring within the next five years), to account for any additional worth the phased-out Spouse Allowance would have provided.

EXAMPLE – Minimum Value Guarantee

Here are two married employees. Sam retires at age 65 within the next five years, and Bobby retires at age 65 after five years. Assuming each has 35 years of service, and an annual pension of $12,000, or $1,000 per month (i.e., $13,333 reduced by 10% to reflect J&S form), and they both qualified to receive a Spouse Allowance when they retire, here's what they receive with the minimum value guarantee. Note that both Sam's and Bobby's pensions are worth the same amount.

	Sam retires within next 5 years					Bobby retires after 5 years				
AGE	Monthly Pension	+	Minimum Value Guarantee	=	Total Monthly Pension Income	Monthly Pension	+	Minimum Value Guarantee	=	Total Monthly Pension Income
65	$1,000	+	$483	=	$1,483	$1,000	+	$192	=	$1,192
66						$1,025				$1,217
67						$1,051				$1,243
80	$1,000	+	$483	=	$1,483	$1,448	+	$192	=	$1,640

No indexation applies and ad hoc increases may apply

Pension is indexed for your and your surviving spouse's life, assuming a 2.5% annual maximum increase