



PLANNING FOR

# Retirement

## Employees Close to Retirement

Employees close to retirement, whose age plus Service Credit total at least 70 points, will retire under the same Post-Retirement Benefit rules as retirees today, including the Retirement Allowance, Funeral Allowance and Retiree Health and Dental Plan. See more details in the next issue, coming this December.

## Church Couples

Do you and your spouse both work for the Church? When it comes time to retire, you'll receive your Health Allowance in a slightly different way. The first spouse to retire will receive a *Retiree Only* Health Allowance, as described in this newsletter. Then, when the second spouse retires, the couple will receive the *Retiree & Spouse* amount, calculated using the retiree with the greatest amount of Service Credit. So, if your spouse has 35 years of Service Credit, and you only have 15 years, you and your spouse together will receive a *Retiree & Spouse* amount based on your spouse's Service Credit. This ensures that you both receive the best benefit possible.

Today, the Retiree Health and Dental Plan covers a percentage of retiree health and dental expenses and they pay a portion out-of-pocket. While the new Health Allowance does not eliminate all out-of-pocket costs, it will reimburse your future retiree expenses dollar for dollar, until you use up your entire balance.

## Introducing your **NEW** Post-Retirement Benefits

In this issue, we will discuss some minor changes to the Retirement Allowance and Funeral Allowance. We'll also introduce an entirely new retiree benefits concept — the Health Allowance — a flexible approach to retiree benefits that lets you minimize the financial costs associated with health and dental care in a way that will also be financially sustainable for the Church.

You now qualify for these Post-Retirement Benefits when you retire from active Canadian service with 15 years of Service Credit. The amount of any Retirement Allowance, Funeral Allowance and Health Allowance you may receive is also based on your Service Credit.

### Retirement Allowance

The Retirement Allowance rewards your service to the Church. With the new Program, you continue to receive a Retirement Allowance when you retire directly from active Canadian Church service. As before, you must earn at least 1,000 hours of Credited Service in each of the two years immediately before you retire to receive this benefit, equal to:

$$12.5\% \times \text{Your Basic Monthly Earnings} \times \text{Your Service Credit}$$

The formula uses your monthly earnings just before retirement, plus all of your Service Credit. Unlike the Program in place for retirees today, which caps service at 40 years, the new Program has no limit — your Retirement Allowance is calculated based on all your years of Service Credit.

The Retirement Allowance can be taken as a lump-sum taxable cash payment, or if you wish to defer taxes, you may be able to transfer it directly to a personal Registered Retirement Savings Plan (RRSP).

### Funeral Allowance

The new Program continues to include a Funeral Allowance to help cover funeral expenses in the event of your death, as well as your spouse's death if you select a joint and survivor pension when you retire. The benefit you receive is equal to:

$$\text{The Pension Factor} \times \text{Your Service Credit} \div 40$$

If you retire with 40 years of Service Credit, you will receive a Funeral Allowance equal to the Pension Factor (currently \$2,132). If you retire with more or less Service Credit, your benefit will be adjusted accordingly.

The Funeral Allowance will be paid to your spouse or estate (or you, if your spouse dies first) as a lump-sum taxable cash payment.

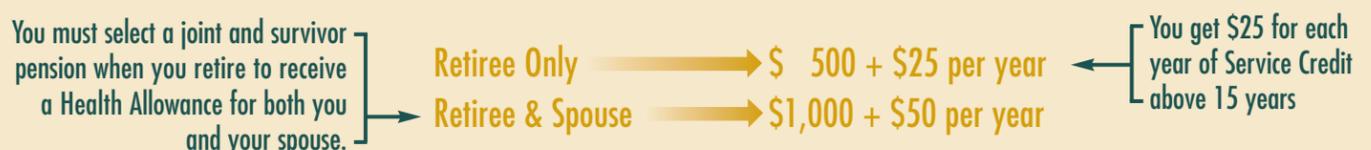
### **NEW!** Health Allowance

The Health Allowance is a completely new approach to retiree benefits. Now, when you retire, you will have more flexibility and control over where the Church spends benefit dollars, on your behalf.

Each year, after you retire from active Canadian service, you will receive a Health Allowance. Part of the Allowance will be used to pay the premium for the Protection Plan, which reimburses you for significant financial medical costs from a serious accident or illness. Then, the balance of your Health Allowance will be deposited into a Health Care Spending Account (HCSA) to help cover a portion of the costs for your day-to-day health and dental expenses.



The Church uses this formula to determine the amount of Health Allowance you'll receive:



The Health Allowance will be reviewed, as part of the Church's regular review policy, and may be increased from time to time. Once you retire, your Health Allowance will be indexed at 2.5% each year to help you keep pace with inflation.

**For a list of HCSA-eligible medical expenses:**

- Access the Canada Revenue Agency Web site at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).
- Click on *Forms and Publications*.
- Click on *All publications listed by publication number*.
- Search for the publication number *IT519R2-CONSOLID Medical Expense and Disability Tax Credits and Attendant Care Expense Deduction*.

We'll look at some examples of how you can use the HCSA to offset your out-of-pocket costs in the next newsletter, coming this December.

**More Issues Coming Soon!**

In December, watch for:

**Issue 4** — A closer look at Health Allowance examples and how to use your Health Care Spending Account

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.

**How the Health Care Spending Account (HCSA) Works**

The most flexible feature within your Health Allowance is the Health Care Spending Account (HCSA). Your HCSA is like a personal benefits bank account that retirees can use to pay for health and dental expenses throughout the year. These include any eligible expenses under the Income Tax Act. The HCSA reimburses 100% of health and dental expenses beginning on the first dollar, rather than just a percentage. Plus, many health expenses paid for by your HCSA will also offset the cost of the Protection Plan deductible.

At the end of each year, any money remaining in the HCSA, will be able to carried over to the next year, though this carried-forward amount must be used up within the second year, or it will be forfeited. Claims may not be carried over from one year to the next. These rules are set by the Income Tax Act.

**How the Protection Plan Works**

The Protection Plan is not meant to provide coverage for day-to-day expenses. It is meant to provide financial protection in case of a major medical emergency, including major drug expenses, lengthy hospital stays and home-care nursing.

When you retire, you will pay an annual Protection Plan premium. For 2006, the premiums are estimated to be:

Retiree Only	→	\$250
Retiree & Spouse	→	\$500

Due to inflation, premiums are expected to increase over time. In the event premiums increase faster than expected, the Church will, as part of its regular review policy, revisit the Protection Plan and Health Allowance, as necessary.

Before expenses may be reimbursed through the Protection Plan, you must first meet the annual deductible — for 2006, it's estimated to be \$1,500 for each covered person. This means you must pay for all Protection Plan eligible claims out-of-pocket, or through your Health Care Spending Account, up to \$1,500 before receiving any reimbursement from the Plan.

Here are the medical expenses eligible for reimbursement from the Protection Plan:

COVERED BENEFIT	REIMBURSEMENT
Prescription Drugs (*maximum \$8 dispensing fee)	100%
Private Duty Nursing	\$10,000/Year
Semi-Private Hospital	\$150/Day
Physiotherapist	\$1,000/Year
Medical Equipment	\$1,000/Year
Hearing Aids	\$1,000/5 Years
Local Ambulance	100%

**A Post-Retirement Benefits Example**

Pat is age 60, has worked for the Church for 35 years, and now qualifies for a Retirement Allowance and Health Allowance, along with a Funeral Allowance when Pat and/or Pat's spouse dies. Assuming a Pension Factor of \$2,132 and basic monthly earnings just before retirement were \$3,000, here are the Post-Retirement Benefits Pat can expect to receive:

**Retirement Allowance**

$$12.5\% \times \text{Pat's Basic Monthly Earnings} \times \text{Years of Service Credit}$$

$$12.5\% \times \$3,000 \times 35 \rightarrow \text{Pat's Retirement Allowance is } \$13,125.$$

**Funeral Allowance (for Pat and Pat's spouse)**

$$\text{The Pension Factor} \times \text{Pat's Service Credit} \div 40$$

$$\$2,132 \times 35 \div 40$$

Pat's Funeral Allowance is \$1,866  
Pat's Spouse's Funeral Allowance is \$1,866.

**Health Allowance**

$$\text{Retiree \& Spouse} \times \text{Years of Service Credit} > 15$$

$$\$1,000 + \$50 \times 20$$

Pat's Health Allowance is \$2,000.

$$\text{Health Allowance} - \text{Protection Plan Premium} = \text{HCSA Balance}$$

$$\$2,000 - \$500 = \$1,500 \rightarrow \text{Pat's HCSA balance for the year is } \$1,500.$$