PLANNING FOR Retirement

SEVENTH-DAY ADVENTIST CHURCH
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Managing Your Money and Your Future

In this issue of Planning for Retirement, we would like to take the time to discuss the recent market turmoil. We know you may be concerned about the impact recent stock market events could have on your retirement savings or personal investments. Although the Church cannot provide specific investment advice, we'd like to provide you with relevant tips during this time of market volatility.

The current market situation is also the perfect time to highlight the value of your Seventh-day Adventist Church Retirement Plan for Canadian Employees (the Plan), and the unique role it can play in your retirement planning. ***So, be sure to read on!***

Weathering the Financial Storm: *What Can You Do?*

As you may know, the value of your Church pension is not affected by market volatility since the Church is responsible for providing your pension regardless of the pension fund's investment performance. In other words, the Church assumes all the investment risk for your pension, and since your pension is provided for your lifetime, you never have to worry about outliving your money.

However, while your Church pension is safe, you may still be concerned about your personal RRSPs, other investments or savings accounts, and you may be asking yourself: *What should I do?*

Stay calm. It would be unwise to make emotional decisions regarding your investments right now. Markets tend to rebound. The stock market crash of 1987 took less than two years to return to pre-crash levels, and the market downturn post-9/11 took only three months to recover. One of the biggest mistakes investors make is selling while the market is low, which prevents them from recovering those losses when the market rebounds.

A List of *DOs* to Get You Through

Despite government initiatives to counter the present turmoil, stocks are expected to continue fluctuating. In other words, expect erratic highs and lows in the near future. In the meantime, we have compiled a short list of *DOs* (and one *DON'T*) to help you weather the financial storm:

- Make sure you understand the implications of current events on your retirement plans
- Evaluate your retirement needs, modelling different retirement scenarios to keep your options open
- Keep in mind that the market often fluctuates — what goes down, should come back up
- *DON'T* make any rash decisions based on fear or water cooler talk — make rational decisions based on sound financial advice

Stay Informed

Understanding and developing a diversified portfolio with various securities (stocks, bonds, GICs) can help reduce the impact of significant change in any one type of investment. Creating various retirement scenarios to better understand how much money you'll need, and how much money you'll have, will help keep you on track.

Do You Need a Financial Advisor?

Personal financial planning is not only for people who are already wealthy, or for those close to retirement. A financial advisor can help you:

- Assess your current savings strategies
- Plan for your retirement
- Create tax-planning alternatives
- Pay down your debt
- Save for your first home
- Juggle a mortgage while raising a family

How Do I Choose a Financial Advisor?

Interview several advisors. Ask about their education, experience, clientele and communication methods. Feel free to ask for a sample financial plan. Ensure they understand your situation and goals, that they are informed of the latest trends and will make decisions with your best interests in mind. Most of all, you should choose someone you are comfortable with that can communicate complicated financial matters in a way you understand.

Financial planning is about your future, so be prepared to do some work yourself. Be clear about what kind of help you need, and be prepared to provide details on your income, assets and liabilities, and your goals and priorities.

Did You Know?

The origins of the expressions *bull* and *bear* markets are unclear. One popular version of their meaning comes from the way each animal attacks. A bull thrusts its horns up into the air while a bear swipes its paws down. These actions mimic market trends — if the trend is up, it's a bull market, if the trend is down, it's a bear market.

Key Terms

- **Pension Factor** – A basic amount used to calculate monthly pension benefits when a plan member terminates employment, retires from the Church, or dies. This amount increases from time to time.
- **Benefit Rate Factor** – The average of your ten highest Yearly Rate Factors (or all Yearly Rate Factors if you have less than 10 years Service Credit).
- **Credited Service** – The total amount of time you've worked for the Church in Canada only. Credited Service is generally used in calculating the actual value of the benefits you receive.

What is Pension Indexing?

Based on increases in the Consumer Price Index (CPI), adjustments are made annually to your monthly pension to help protect it against inflation. Pension indexing is an important benefit because it protects your buying power over time. For example:

Let's say your monthly pension income is $1,000. You use $750 for housing, heating and food, and $250 for social activities and travel. Assuming inflation is 2% per year, in 10 years, your $750 for fixed expenses will have increased to $914. For social activities, your $250 will have increased to $305.

If your pension was not indexed, your $1,000 monthly pension in 10 years would not be enough to pay your expenses. With pension indexing, as the cost of living goes up, so does your pension.

Your Church Pension: *A Key Component of Your Retirement Planning*

The Church provides you with a defined benefit (DB) pension plan that helps ensure you have enough income to maintain your quality of life in retirement. Your pension is paid from the Plan's pension fund, which is solely funded by contributions from participating employers and related investment returns. Contributions have been made to the pension fund since the Plan was established on January 1, 1993.

When you retire, the Plan provides you with a guaranteed monthly pension. Your pension is calculated using a formula that determines the amount you will receive if you retire on your normal retirement date >>

The Pension Factor
times
Your Benefit Rate Factor
times
Your Credited Service

A Secure Source of Retirement Income

Your Church Plan is quite different from defined contribution (DC) pension plans, which do not protect members from market conditions. Under a DC plan, members receive an account balance instead of a pension promise. Members are responsible for the investments they make, which means they are liable for any losses.

The opposite is true for your Church plan. The Church assumes all the investment risk for your DB pension, which means your Church pension is one of the most secure sources of retirement income in your overall retirement savings portfolio.

Monitoring the Plan: *Going Concern and Solvency Valuations*

The health of our Plan is monitored regularly through actuarial valuations, which also determine the amount of money the Church must contribute to the fund each year. A valuation considers assets and liabilities. Assets represent the value of the fund's investments while liabilities represent the amount of money owed to plan members. Liabilities are calculated in two ways — going concern and solvency.

The going concern valuation assumes the Plan and the Church will keep operating indefinitely, and therefore looks at the Plan's long-term health. The solvency valuation takes a short-term outlook and assumes the plan is terminated on the valuation date.

It's important to note that actuarial valuations represent merely a snapshot of the Plan at a certain point in time. Going concern and solvency ratios (funded status) fluctuate over time depending on a variety of assumptions, including applicable interest rates and investment returns.

As you can see in the table below, the Plan's long-term position (going concern) is fully funded as at January 1, 2008. In addition, the Church is making all necessary contributions to bring the short-term position (solvency) closer to 100%.

Valuation Date	Going Concern	Solvency
January 1, 1993*	0%	0%
January 1, 1996	60%	60%
January 1, 2003	80%	70%
January 1, 2008	100%	77%

**Plan's inception date*

Do Plan Members Contribute to the Plan?

A lot of other plans, such as the Ontario Teachers' Plan, ask members to contribute a large percentage of their earnings. As yet another benefit to being a Plan member, you do not make any contributions to the Plan—the Church pays all the amounts required to provide your promised pension at retirement.

Measuring Up?

The Church strives to remain competitive with its pension plan offerings, while balancing both our employees' best interests and the cost of providing benefits. We start by providing a pension plan that doesn't require any employee contributions, and then we provide benefits that help ease you into retired life. For example:

- **Retiring with an unreduced pension at age 60 with 95 points**. This is considered an extra benefit because the Church must cover the cost of providing your pension earlier and for a longer period of time.
- **Pension indexing**. If you retire on or after January 1, 2011, an adjustment will be made to your monthly pension to help protect it against inflation. Note that you must have at least 20 years of Service Credit when you retire to qualify for pension indexing. For more information, please see *What Is Pension Indexing* in the sidebar to the left.
- **Minimum Value Guarantee**. Employees with 20 years of Service Credit as of January 1, 2006, may qualify for a Minimum Value Guarantee on top of their pension.

Future Issues

Be sure to let us know if there's a topic you'd like us to cover and we'll try our best to include your suggestions in future issues.

Whom to Call

If you need further clarification, have questions, or would like to give feedback, please contact the Retirement Department at **905-433-0011** or write to **retirement@sdacc.org**.