

PLANNING FOR

Retirement

A Summary of
the Seventh-day
Adventist Church
Retirement Plan for
Canadian Employees



Some Important Terms

The terms below have specific meanings when it comes to describing your pension plan. You will see them throughout this booklet.

Annuity	A monthly pension purchased from a life insurance company.
Beneficiary	The person you designate to receive any benefits payable in the event of your death.
Benefit Rate Factor	The average of your ten highest yearly rate factors (or all yearly rate factors if you have less than ten years continuous service).
Continuous Service	Your uninterrupted employment with the Seventh-day Adventist Church, or a church-related participating employer. If you leave church employment and you are later re-hired, the prior period may be included (see page 7).
Credited Service	Your years and months of continuous service as a full-time employee. If you are a part-time employee, credited service is adjusted to reflect your part-time status. If you leave church employment and you are later rehired, your prior credited service may be included (see page 7).
Joint and Survivor Pension	Form of pension payment that provides an eligible spouse with a pension, should the plan member die first.
Pension Factor	A basic amount used to calculate all monthly pension benefits. This amount increases from time to time.
Registered Retirement Savings Plan (RRSP)	A personal savings vehicle generally used to accumulate retirement savings and to defer paying taxes until future years.
Vested	Your right to receive your earned pension if you retire or terminate. You are vested once you have completed two years of plan membership.
Yearly Rate Factor	A percentage from 0.80% to 1.60% directly related to your remuneration factor.
Years Maximum Pensionable Earnings (YMPE)	Earnings on which contributions to the Canada/Quebec Pension Plan (C/QPP) are based.

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This booklet is intended to provide an overview of the Seventh-day Adventist Church Retirement Plan for Canadian Employees. Full details are located in the official plan document. If there is a discrepancy between this booklet and the plan document, the latter will prevail.



Planning for retirement

When the time comes to retire, you'll want to be sure that you have enough income to maintain your quality of life. Whether you see yourself traveling or simply enjoying the freedom of day-to-day living, understanding your potential retirement income sources will help you in planning your retirement.

The Seventh-day Adventist Church provides you with a defined benefit (DB) pension plan, along with several important supplementary retirement benefits that form the foundation for your personal retirement plan. Together with government benefits and your own personal savings, your pension plan will provide you with income so you may enjoy your retirement days.

This booklet describes your church pension plan and includes a number of terms that have specific meaning. A glossary is included on the front inside cover to assist you.

Beneficiary Designation Form

Provincial law requires that your spouse be your beneficiary unless you have both waived this option in writing. Please complete this form to ensure that any pension to which you are entitled is distributed appropriately, in the event of your death.

How does my pension plan work?

Your pension plan provides you with a portion of your retirement income through guaranteed monthly payments, starting when you retire. It is based on a set formula that takes into account both your credited service and your highest ten years of remuneration factors.

The plan is registered with and regulated by provincial pension legislation and the Income Tax Act.

Who is eligible to participate in the plan?

If you are a full-time employee or a part-time employee working at least 1,000 hours per year, you are automatically enrolled in the pension plan after one year of continuous service. You must be at least age 18 to participate.

If you are a part-time employee working less than 1,000 hours per year, you qualify for plan membership once you meet certain criteria. Generally, in each of two consecutive calendar years, you must have either worked at least 700 hours or earned at least 35% of the Year's Maximum Pensionable Earnings (YMPE).

The rules for part-time eligibility may differ provincially. Contact the Retirement Plan Office for further details.

Once enrolled, your entitlement to benefits will depend on whether you are vested.

Who contributes to the plan?

The church pays the full cost of the pension plan. It is responsible for the investment and management of the pension fund, so that each plan member will receive the promised pension benefit from the plan.

You do not make any contributions.

When can I retire?

Your normal retirement date is the first day of the month in which you attain age 65. You may choose to take an early or delayed retirement, though your pension may be affected by these choices.

If you choose to retire early...

You are eligible to retire any time at or after age 55. In this case, your pension will be permanently reduced to reflect the fact that it likely will be paid to you for a longer time. The reduction is 0.5% for each month (or 6% for each year) that you retire before age 65.

If you retire at or after age 62 with 35 years or more of credited service, no reduction is applied.

If you choose to delay retirement ...

If you continue working after age 65, you can delay your retirement, but must begin to receive your pension no later than age 69. In this case, your pension is calculated using the benefit rate factor, pension factor and credited service on your delayed retirement date.

Income Tax Act

The Income Tax Act rules require that your pension must start no later than December 1 of the calendar year in which you turn age 69.

How is my pension calculated?

The plan uses a formula that determines the pension you will receive if you retire on your normal retirement date. It begins with a common pension factor as the starting point for the amount of pension each employee may receive. Then, it takes into account your individual remuneration factors with the church through a benefit rate factor, and your credited service. The formula is:


$$\begin{array}{c} \text{The pension factor} \\ \text{times} \\ \text{Your benefit rate factor} \\ \text{times} \\ \text{Your credited service} \end{array}$$

You can earn a pension for up to 40 years of credited service.

In addition to your church pension, you may be entitled to Canada/Quebec Pension Plan (C/QPP) and Old Age Security (OAS) benefits.

The pension factor is reviewed periodically and may be increased from time to time. Your pension is based on the pension factor in effect when you receive payments. In 2004, the pension factor is \$2,100.

Your benefit rate factor is the average of your ten highest yearly rate factors, or the average over all your years of credited service if you have less than ten. Your yearly rate factor is directly related to your remuneration factor and varies from 0.80% to 1.60%.

Determining Yearly Rate Factors

Your remuneration factor determines your yearly rate factor, based on this table. If your remuneration factor is between those shown, your yearly rate factor is calculated on a pro-rated basis.

<i>If your remuneration factor is ...</i>	<i>your yearly rate factor is ...</i>
50% or less	0.80%
100%	1.30%
115% or more	1.60%

Your credited service includes your years and months of continuous service as a full-time employee, including approved leaves of absence in accordance with written church policies. If you are a part-time employee, credited service is adjusted to reflect actual hours worked each year.

Let's look at some examples ...

Mary is 62 years old and ready to retire. She has been employed full time with the Seventh-day Adventist Church for 37 years. If her benefit rate factor is 1.30% and the pension factor is \$2,100, her monthly pension is calculated as:



Pension factor		\$2,100
Times	x	
Benefit rate factor		1.30%
Times	x	
Credited service		37
Mary's monthly pension	=	\$1,010.10

Her pension is not reduced for early retirement because she is age 62 and has more than 35 years of credited service.

Bill is 60 years old and wants to retire early. He has been employed full time with the Seventh-day Adventist Church for 32 years. His benefit rate factor is 1.20% and the pension factor is \$2,100. In this case, Bill will retire 60 months (or 5 years) before age 65. Bill's monthly pension is calculated as:

Pension factor		\$2,100
Times	x	
Benefit rate factor		1.20%
Times	x	
Credited service		32
Bill's unreduced pension	=	\$806.40
Minus	-	
Early retirement reduction (0.5% x 60 months x \$806.40)		\$241.92
Bill's monthly pension	=	\$564.48





How is my pension paid?

No matter when you retire, your pension is paid to you in monthly installments.

If you are single when you retire ...

Your pension is paid for your lifetime only.

If you are married when you retire ...

You receive a joint and survivor pension that will continue 60% or $66\frac{2}{3}\%$ of your pension payments to your spouse, should you die first. In this case, your pension is typically reduced by 10% to cover the cost of continuing a 60% pension following your death. The reduction is greater if you choose to continue $66\frac{2}{3}\%$ of your pension payments to your spouse. The reduction is also greater if your spouse is more than five years younger than you.

For example, if Bill was married and chose a 60% joint and survivor pension, his monthly pension would be \$508.03 (or 90% of his calculated pension of \$564.48, shown above) and at his death his spouse would receive \$304.82.

If you do not want this form of payment, both you and your spouse must sign a waiver form at the time you choose your retirement options.

You may also receive supplemental retirement benefits for your spouse (see page 10 for more details.)

What happens if I ...

Transfer to the U.S.?

If you transfer to the U.S. you will stop earning credited service in the Canadian plan and will be eligible to join the U.S. defined contribution (DC) plan. To receive Canadian and U.S. pension benefits, you must meet each plan's rules to be fully entitled, or vested. In general, you will be fully vested under both plans if you have three years of continuous service with the church, Canadian and U.S. service combined.

Transfer from a foreign division?

If you transfer from a foreign division to the North American Division, your eligibility for certain benefit entitlements depends on whether you were vested in your previous division's plan. If you were not vested, you are treated as a new hire under the Canadian plan for all benefit entitlements. If you were vested, you must still meet Canadian plan eligibility and vesting criteria to be entitled to a Canadian benefit based on your Canadian credited service. In this case, your total service is used to determine your eligibility for the spouse allowance and early retirement.

Go on missionary service?

If you are a Canadian citizen and are called to missionary service, you continue to participate in this pension plan and earn credited service.

Take a maternity or parental leave?

You will continue to earn credited service during your leave as long as benefits are being paid by Employment Insurance.

Become disabled?

If you are receiving full disability benefits from the church's LTD plan, you will continue to earn credited service based on your earnings at the time your disability began until either your disability ends or you retire.



Once vested, you are entitled to benefits from the pension plan. In general, this happens once you have been a plan member for two years.



Once you are vested, your earned pension is also “locked-in” so it can only be used to provide you with income in your retirement years. You cannot take locked-in pensions as cash.

Leave church employment before retirement?

The benefits you receive depend on whether or not you are vested when you leave.

If you are vested...

You may leave your pension in the plan and start receiving it at age 65 (or age 55 on a reduced basis). Or if termination occurs at age 54 or less, you may transfer the lump sum value of your pension to another locked-in retirement plan, such as a personal registered retirement savings plan (RRSP) or another employer's pension plan. You may also use this lump sum to purchase a deferred annuity from an insurance company.

If you are not vested...

You do not receive pension benefits. Upon termination you will receive a Pension Adjustment Reversal (PAR) which will increase your RRSP contribution room.

Leave church employment and am later re-hired?

If you were previously vested and you elected to leave your pension in the plan, then the two periods of service will be combined and you will continue to earn pension benefits.

If you were previously vested and you elected to transfer the value of your pension out of the plan, the period of your previous employment will be reinstated for eligibility purposes only (i.e. eligibility for membership, vesting, maximum service and unreduced early retirement.) Since you already received the value of your pension, credited service will not be reinstated.

If you were not previously vested, you will be treated as a new hire and your prior service will not be reinstated.

Die before retirement?

If you are vested and you have a spouse, he or she will receive either the lump sum value of your pension or a lifetime pension. If you do not have a spouse, your designated beneficiary may receive a lump sum cash payment of the value of any vested pension.

Divorce from my spouse?

Pension benefits earned during marriage are considered to be family assets and should be included when family assets are being divided on divorce. Your lawyer may request documents such as this employee booklet and your personal annual statement to assist with the valuation of your pension benefits. If further information is required, contact the Retirement Plan Office. Note that if a portion of your pension benefit is to be paid to your former spouse, you must provide the appropriate legal documents to the Retirement Plan Office.

What other retirement *income sources* are available?

Along with your church pension plan, certain government benefits plus your own personal savings work together to provide you with retirement income.

Government benefits

Here's a description of current government benefit plans. Please note that the federal government can change these plans in the future.

Canada/Quebec Pension Plan (C/QPP)

The C/QPP currently provides a lifetime monthly pension based on the number of years you contribute, your employment earnings during each of those years and your age when your pension begins. You and the church make equal contributions to the C/QPP, based on your earnings up to the Year's Maximum Pensionable Earnings (YMPE). The YMPE is \$40,500 in 2004.

You typically apply to start receiving a pension once you reach age 65. You may start your pension as early as age 60, though it will be reduced by 0.5% for each month payments begin before age 65. You can also postpone applying until your 70th birthday. In this case, your pension will increase by 0.5% for each month payments start after your 65th birthday.

Once C/QPP payments begin, they are adjusted every January to reflect the increases in the Consumers Price Index.

Old Age Security (OAS)

OAS currently provides a monthly pension to you and your spouse for your lifetime, starting at age 65. You do not make contributions to this plan though you must meet certain Canadian residency requirements to be eligible.

If your income is above a certain level, this pension is clawed back so you may only receive a reduced pension or no pension at all. Once you start receiving OAS payments, they are adjusted quarterly to reflect increases in the Consumers Price Index.



You must apply to start receiving government benefits. Go to www.hrdc.gc.ca for more information, or see the blue pages of your telephone book.



Personal savings and RRSPs

Your own personal savings and investments can play an important role in providing you with retirement income. These include cash and other investments, property and personal registered retirement savings plans (RRSPs).

RRSPs can be an important part of your overall retirement plan. They are also a great way to reduce your current taxable income because your contributions are tax-deductible up to certain limits. Each year, you are allowed new contribution room up to a personal RRSP deduction limit equal to:

18% of your previous year's earned income (to a maximum)

minus

your pension adjustment (PA) for the previous year

Any unused contribution room since 1991 can be carried forward and used up to age 69.

Each year, the church reports a pension adjustment (PA) on your T4 slip which reduces your RRSP deduction limit. The PA is the value placed on the pension you earned in the previous year. If you leave church employment and transfer the lump sum value of your pension out of the plan, you may be eligible for a pension adjustment reversal (PAR). A PAR is equal to the sum of your PAs, less the lump sum value of your pension. A PAR will restore lost RRSP contribution room. You can use this additional room to make tax-deductible RRSP contributions until age 69.

What other retirement *benefits* are available?

The Seventh-day Adventist Church offers supplemental retirement benefits for you and your dependents, providing additional security for your retirement years. Eligibility for each of these benefits is different. If you qualify, you receive these once you retire from the church.

If you are married, your spouse may also be eligible for supplemental retirement benefits following your death.

Spouse allowance

The spouse allowance is an additional pension paid to all eligible married employees. To be eligible, you must have at least 20 years of credited service, plus you must have been married at least one year before you retire. This monthly spouse allowance is:

1.25%
times
Your monthly pension
times
Your credited service

The following conditions apply to receiving the spouse allowance:

- The allowance will be reduced if your spouse is more than five years younger than you.
- The allowance will be reduced by any retirement pension your spouse receives from any former employer (not including government benefits).
- If your spouse dies before you, you will continue to receive this allowance for two months following the death, after which the payments will cease.
- If you die first, your spouse may continue to receive a portion of this allowance, providing you were married for at least ten years before your retirement.



The federal budget has set the maximum RRSP deduction limit for the next four years. For 2004 the limit is \$15,500. It is scheduled to increase to \$16,500 in 2005 and \$18,000 in 2006.



Let's look at an example ...

Sam retired with 37 years of credited service and a monthly pension of \$1,010. He and his wife are the same age and have been married for 30 years. She does not receive a pension from any other employer. In this case, the spouse allowance is calculated as:

1.25%		0.0125
Times	x	
Sam's monthly pension		\$1,010.10
Times	x	
Credited service		37
Monthly spouse allowance	=	\$467.17

Retirement allowance

The Retirement allowance is a one-time lump sum taxable cash payment in addition to your monthly benefit. It is available to any employee who goes directly from active service into retirement if he or she has earned ten years of credited service and earned 1,000 hours of credited service during each of the two years immediately preceding retirement. In general, you can transfer your retirement allowance into an RRSP in order to defer taxes.

Retiree health and dental benefits

The Retirees' Health Care Assistance Plan provides both you and your family with medical, dental and optical coverage if you are eligible, when you retire. You are eligible if you have at least 15 years of credited service. Your spouse is eligible if you have chosen a joint and survivor pension. Your child is eligible if he or she is an unmarried dependent under the age of 24.

In-patient and out-patient coverage is based on your years of credited service with the church. If you have at least 35 years of credited service, you will receive maximum coverage: 75% for out-patient expenses and 90% for in-patient expenses. The minimum coverage is 25% for out-patient expenses and 40% for in-patient expenses. For further details, see your Retirees' Health Care Assistance Plan booklet.

Funeral allowance

If you have at least ten years of credited service when you retire, your surviving spouse or estate will receive an allowance to help cover the funeral expenses. You also receive this allowance for your spouse, provided you have a joint and survivor pension.

The amount of funeral allowance depends on your total credited service. If you have at least 40 years with the church, you receive the maximum amount, which is the pension factor in place when you or your spouse dies. The pension factor in 2004 is \$2,100. Otherwise, you receive an amount pro-rated to your total church service.

Final thoughts

The Seventh-day Adventist Church in Canada defined benefit pension plan is registered under registration number 1001908. While the church intends to offer this pension plan indefinitely, if circumstances require the plan to wind-up, all pension benefits will first be paid to plan members and any surplus funds will be returned to the church.

Your pension plan is provided at no cost to you. This plan will provide the foundation for your retirement planning. Consider it in conjunction with government benefits and your own personal savings in planning your desired retirement income. Each year after membership is earned and while in active employment on December 31, you will receive a pension statement that shows the benefits you have accumulated under the pension plan.

If, after reviewing this booklet you still have unanswered questions about how your pension plan works, you can contact Marilyn Pazitka, Director, Canadian Retirement Plans, Seventh-day Adventist Church in Canada, 1148 King Street East, Oshawa, Ontario, L1H 1H8 or phone (905) 433-0011 ext 122 or e-mail mpazitka@sdacc.org.



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