



Thinking About Retirement?

Pre-Retirement Seminar
For North American Division Employees
2021

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AdventistRetirement

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USING THIS DOCUMENT

Go to Full Screen Mode. (Ctrl in Windows)

There are links throughout this document to ease in navigation. For instance each of the links under contents will take you to the related section.

Throughout this document you will find links that will take you to specific content web sites which you may find to be of value.

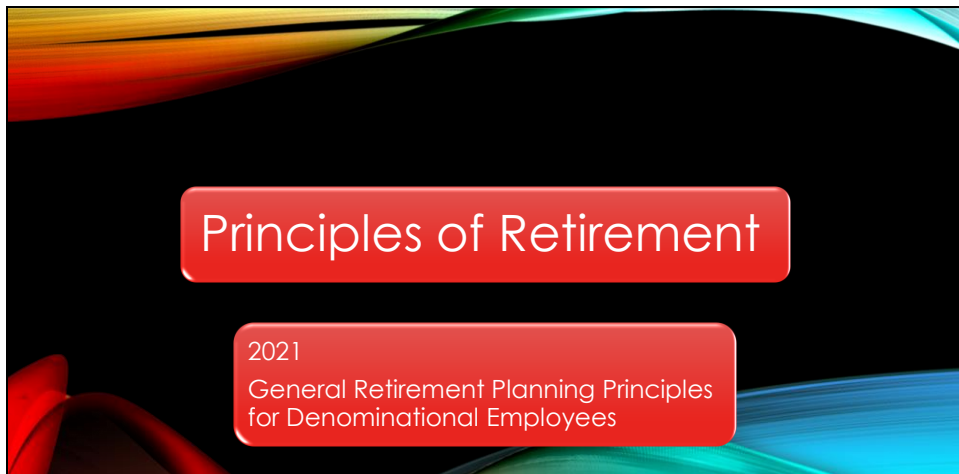
At the end of the pre-retirement section we have included a page with a pre-retirement checklist. Within that checklist there are links back to the related content in the document.

Finally, you will find red rectangles like this:

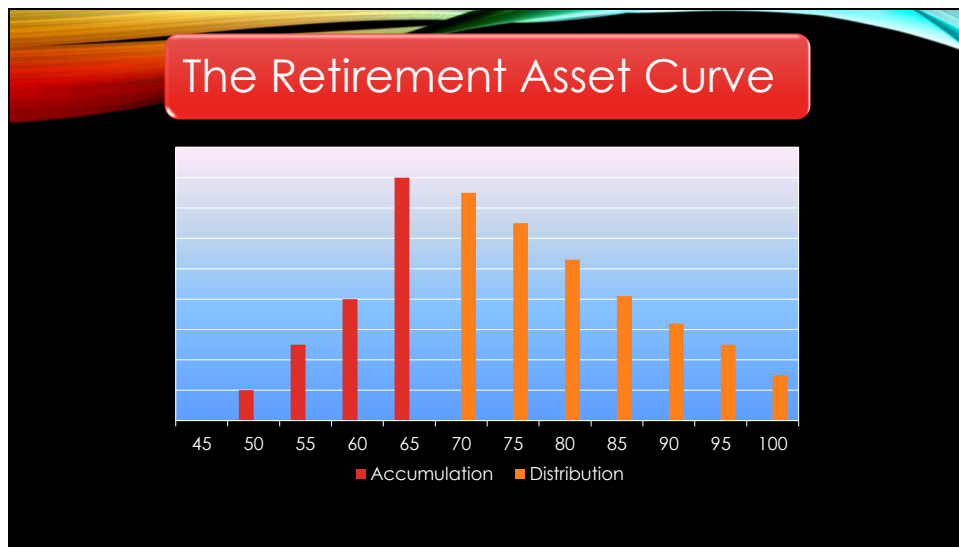
[Go to Checklist](#)

This is a link which will take you back to the checklist.

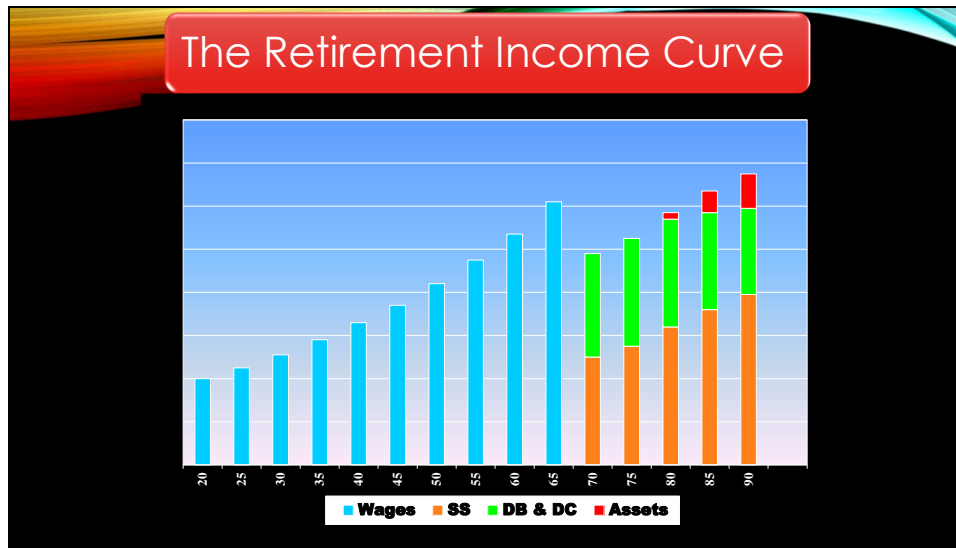
Caveat: Examples in this document make certain assumptions in describing various policies. Those assumptions will not apply to all situations. We believe the descriptions to be accurate for most individuals.



Welcome to Principles of Retirement. This presentation is designed for those approaching retirement age from a career of employment with the Seventh-day Adventist Church in the U.S. and provides general thoughts about retirement planning. Essentially successful retirement planning consists of evaluating two goals: What are you going to do in Retirement, and How are you going to Pay for it?



For many, a major Retirement stressor is financial uncertainty. Many hope that their retirement assets, having grown steadily through the career, will continue to climb, and then hold steady while living off the income. While this is certainly possible, most will dip into the asset in retirement even with a modest lifestyle. Some have looked at this reality with regret, refusing to recognize the ultimate reduction in the asset. But most have not saved enough to be able to live only on the interest income, and they will 'invade the principal' over time.



The reciprocal curve is the Income curve. Upon Retirement, income comes from Social Security and whatever Retirement Plan or plans participated in. Many advisors suggest 70-80% of last pay in order to maintain the standard of living in Retirement. However ultimately most will have to dip into the asset itself to reach that goal. That is not a bad thing. Once a retiree reaches age 72 the IRS will require most to begin to withdraw from the retirement assets even if that money is not needed.



So how much do I need in retirement income? Several factors can impact this.

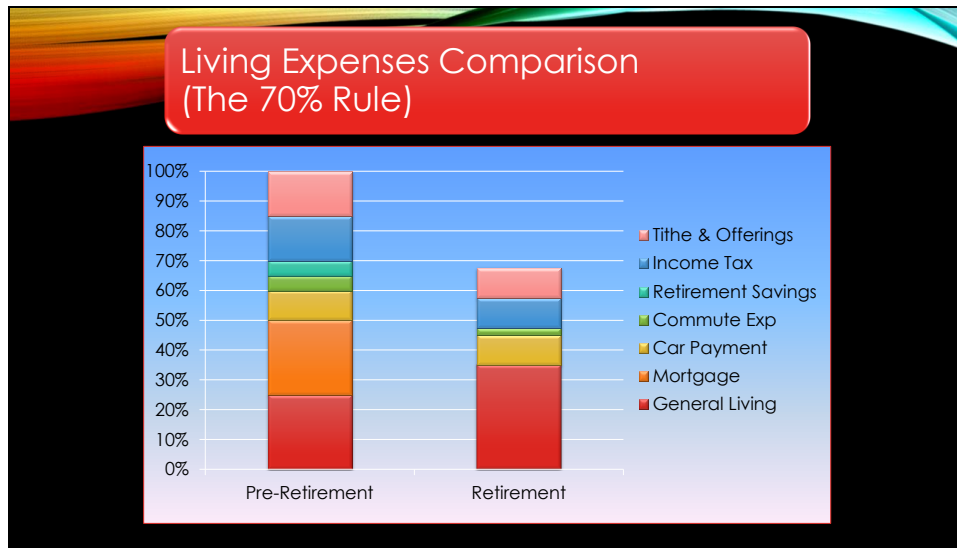
Location: Housing and tax costs can vary significantly. Buying and paying property taxes on a retirement home in Seattle, Washington is going to cost more than the same home in Cleveland, Tennessee.

Longevity: Average life expectancy of approximately age 85 is just that, an average. Today's retirees may well live into their early 90's.

Income Expectations: Surveys suggest that 80% of today's boomers plan to have wage income in retirement. Follow-up studies have indicated not all are able to find meaningful employment. That can have an impact on the retirement budget.

Retirement activities: Cruises and safaris can be expensive.

Timing: Finally, when to Retire? While many factors can determine the retirement age, retirement prior to age 65, will create a serious financial challenge in providing healthcare, until reaching Medicare eligibility at age 65.



The 70% rule is the most recited rule of thumb, for those seeking to maintain their standard of living in Retirement. The rule suggests that if annual retirement income, including Social Security, Pension, and Withdrawals, equals or exceeds 70% of last annual wages, Retirees probably will be ok. The graph shows that this indeed works, but only if housing is free and clear. If still making mortgage payments, maintaining a standard of living at 70% will be challenging.

We believe the 70% rule is too generalized. The Adventist Retirement web site has a downloadable budget template. Retirees can enter personal pre-retirement budgetary income and hard expenses, and then Retirement expectations. Following is an example.

RETIREMENT BUDGET

Income	Pre-Retiree Retiree		
	Monthly Active	BiWeekly Active	Annual Active
Wage Income	\$ 3,200		\$ 83,200
Social Security Income			
Pension/Annuity			
DC Plan Withdrawal			
Total Income	\$ 3,200		\$ 83,200
Income Rep Ratio			
Expenses			
Mortgage	\$ 2,000		\$ 24,000
Auto Payments	\$ 360	\$ -	\$ 4,320
Taxes Withheld/Estimated		\$ 800	\$ 20,800
Ret Savings WH	\$ -	\$ 256	\$ 6,656
Charitable Contributions	15%		\$ 12,480
Property Tax & Insurance			\$ 3,600
Healthcare		\$ 120	\$ 3,120
Hard Expenses			\$ 74,976
Available for Lifestyle Expenses			8,224
Baseline Lifestyle Income			100%

Income and 'hard' expense budget, pre-retiree and retirement.

This example shows how the pre-retirement employee is using money for non-discretionary obligations, and the amount left over for lifestyle expenses, or discretionary outlays. The arrow points to that amount, and this becomes our baseline for comparison with a retirement budget.

RETIREMENT BUDGET

Income	Pre-Retiree Retiree			- no debt Retiree		- debt
	Monthly Active	BiWeekly Active	Annual Active	Monthly Ret	Annual Ret	
Wage Income	\$ 3,200		\$ 83,200	\$ -	\$ -	
Social Security Income				\$ 2,200	\$ 26,400	
Pension/Annuity				\$ 724	\$ 8,688	
DC Plan Withdrawal				\$ 400	\$ 4,800	
Total Income	\$ 3,200		\$ 83,200	\$ 3,324	\$ 31,200	
Income Rep Ratio						38%
Expenses						
Mortgage	\$ 2,000		\$ 24,000	\$ -	\$ -	
Auto Payments	\$ 360	\$ -	\$ 4,320	\$ -	\$ -	
Taxes Withheld/Estimated		\$ 800	\$ 20,800	\$ 499	\$ 5,983	
Ret Savings WH	\$ -	\$ 256	\$ 6,656	\$ -	\$ -	
Charitable Contributions	15%		\$ 12,480	\$ 499	\$ 5,983	
Property Tax & Insurance			\$ 3,600	\$ -	\$ 3,600	
Healthcare		\$ 120	\$ 3,120	\$ 300	\$ 3,600	
Hard Expenses			\$ 74,976	\$ 1,297	\$ 19,166	
Available for Lifestyle Expenses			8,224		12,034	
Baseline Lifestyle Income			100%		146%	

The second section is for a 66-year-old retiree who has eliminated mortgage and vehicle debt. At the bottom of the column, (gray arrow) see the amount in the Retirement Savings account. If the Retiree withdraws 4.5% of that amount for life and has a modest pension from the pre-2000 plan, and Social Security, then the total retirement income (red arrow) is well under 70% of preretirement income. However, because there is no debt, money available for Lifestyle Expenses (green arrow) is actually higher than it was prior to retirement.

The third section shows a Retiree still making mortgage and car payments. Using the same 4.5%

RETIREMENT BUDGET

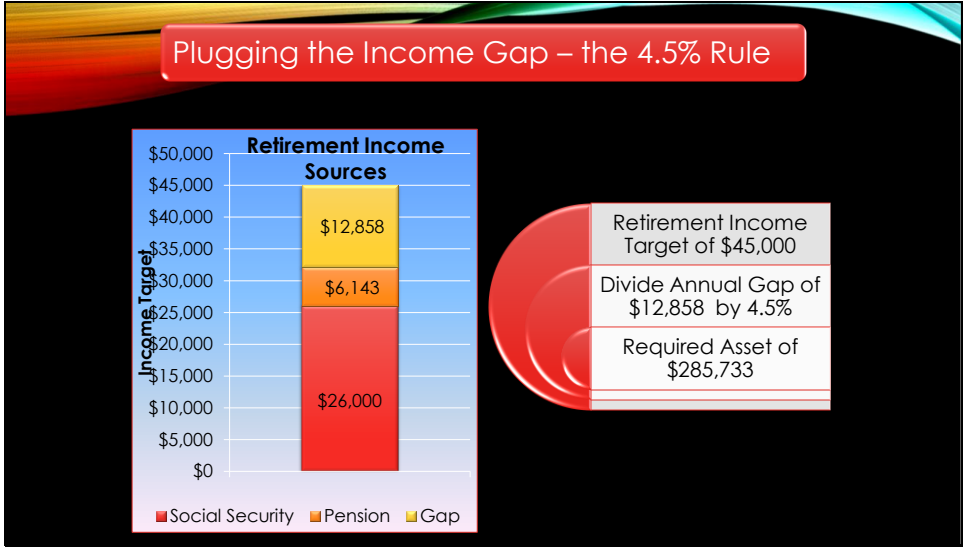
Income	Pre-Retiree			Retiree – no debt		Retiree - debt	
	Monthly Active	BiWeekly Active	Annual Active	Monthly Ret	Annual Ret	Monthly Ret	Annual Ret
Wage Income		\$ 3,200	\$ 83,200				
Social Security Income				\$ 2,200	\$ 26,400	\$ 2,200	\$ 26,400
Pension/Annuity				\$ 724	\$ 8,688	\$ 724	\$ 8,688
DC Plan Withdrawal				\$ 400	\$ 4,800	\$ 3,320	\$ 39,840
Total Income		\$ 3,200	\$ 83,200	\$ 3,324	\$ 31,200	\$ 6,244	\$ 66,240
Income Rep Ratio					38%		80%
Expenses							
Mortgage	\$ 2,000		\$ 24,000	\$ -	\$ -	\$ 2,000	\$ 24,000
Auto Payments	\$ 360	\$ -	\$ 4,320	\$ -	\$ -	\$ 360	\$ 4,320
Taxes Withheld/Estimated		\$ 800	\$ 20,800	\$ 499	\$ 5,983	\$ 937	\$ 11,239
Ret Savings WH	\$ -	\$ 256	\$ 6,656	\$ -	\$ -	\$ -	\$ -
Charitable Contributions	15%		\$ 12,480	\$ 499	\$ 5,983	\$ 937	\$ 11,239
Property Tax & Insurance			\$ 3,600		\$ 3,600		\$ 3,600
Healthcare		\$ 120	\$ 3,120	\$ 300	\$ 3,600	\$ 300	\$ 3,600
Hard Expenses			\$ 74,976	\$ 1,297	\$ 19,166	\$ 4,533	\$ 57,998
Available for Lifestyle Expenses			\$ 8,224	\$	\$ 12,034	\$	\$ 8,242
Baseline Lifestyle Income			100%		146%		100%
					\$ 106,666.67		\$ 885,333.33

Download this Excel budget template [HERE](#)

withdrawal rate, to support those debt payments for life, the Retiree needs almost \$900,000 (blue arrow) in the retirement account. This gives the Retiree about 80% (red arrow) of what pre-retirement income was and maintains the same lifestyle expenses funds (green arrow). This example overstates the required retirement asset if the retiree will shortly pay off the mortgage. However, it is a sobering number.

These are examples only which include various assumptions. For instance, the 4.5% withdrawal rate assumes one type of annuity product, and husband and wife both age 65 or higher. There are other products with different withdrawal rates. Download the spreadsheet and enter personal numbers, to determine if Retirement is affordable.

Go to Checklist



If an employee has calculated a predicted income gap in retirement, how do we fill that gap? There is a useful guide to assist in determining how to fill the Income Gap: We call it the 4.5% conversion guide.

In this example, the pre-retiree has budgeted a Retirement annual income goal of \$45,000. Between Social Security, and a pre-2000 Pension, the pre-retiree estimates an income gap of almost thirteen-thousand-dollars. Divide the annual income gap by 4.5% and the required asset to fill the Income Gap is just under three hundred thousand dollars.

Why 4.5%? There are commercially available options which provide a 4.5%-5% guaranteed withdrawal rate for life.

Plugging the Income Gap

Work Longer	<ul style="list-style-type: none"> Increases DC Plan Increases SS Benefits
Reduce Replacement Ratio	<ul style="list-style-type: none"> By moving to Low-Cost Retirement Area
Increase Retirement Savings	<ul style="list-style-type: none"> Of limited value for those approaching Retirement age.

Other solutions for an Income Gap may include Working Longer. We have many employees working well into their 70's. Working longer increases the value of the defined contribution plan and up to a point increases monthly Social Security benefits.

Careful selection of a retirement location may significantly reduce the cost of living, particularly housing costs including property taxes.

Increasing the savings rate will help, but for those approaching Retirement age there just is not enough time for this to have a significant impact on retirement income.



Preparation for Retirement should include the review and perhaps updating of general estate planning and end of life instructions. Our lawyers tell us that it is best to have a will that is drafted in your Retirement state. Property laws vary, and portions of a will may be declared invalid if not compliant with State law as to the transfer of property.

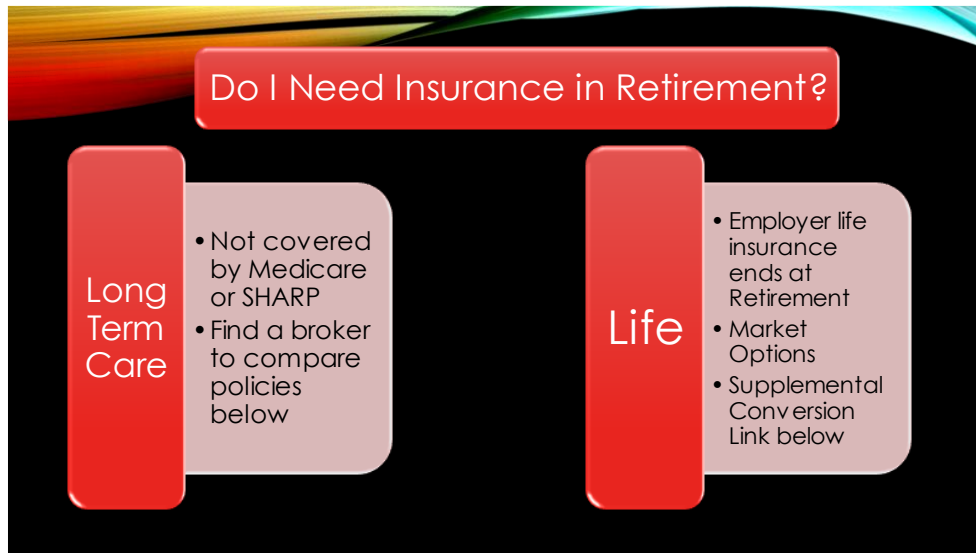
An Advance Directive consists of instructions to care givers if a Retiree is alive but unable to communicate. An Advance Directive usually names an individual, giving authority to make certain specified care decisions. Click [here](#) to find your state's adopted Advance Directive form according to AARP.

Two important points.

- Properly draft, witness, and execute state approved forms.
- Have the talk. Retiree's kids and the agent should understand the instructions and agree to honor them.

Some retirees may need a Power of Attorney, or even a Trust. An estate planning attorney can provide advice. Most Adventist Conferences and some other denominational employers maintain a Trust Services Department to assist in the preparation of these important legal documents.

[Go to Checklist](#)



There are two insurance products Retirees may wish to consider.

Long Term Care: Nursing Home Care is not covered by Medicare or SHARP. There is limited assistance for rehabilitation in a Skilled Nursing Facility under Medicare, but not for custodial care in a nursing home. Click [here](#) to find some possible options.

Life Insurance: During employment, denominational Employers carry life insurance of usually \$100,000 on full-time Employees. Many Employees have chosen to purchase Supplemental Life Insurance through the employer's connection with Adventist Risk Management. At Retirement both coverages are terminated.

Adventist Risk Management has arranged with a vendor to provide Retiree Supplemental Life Insurance. This product is available to employees who, at Retirement, were already carrying Supplemental Life Insurance through their Employer. A Retiring Employee can purchase Life Insurance up to the amount of the Supplemental Life Insurance carried prior to Retirement. Click [here](#) for instructions and an application form.

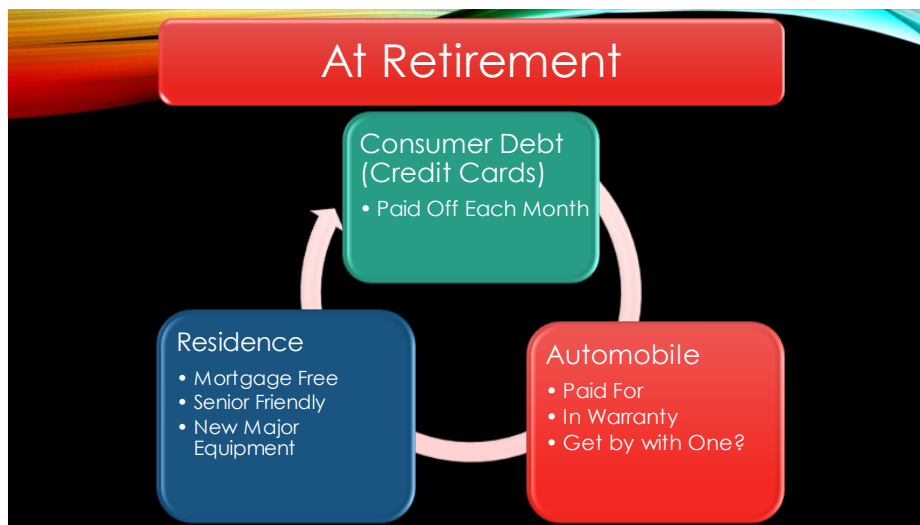
We believe few of our Retirees carry life insurance. However, in cases of a mortgage or a special-needs family member, insurance for Retirees might be useful. There are options available on the open market for Retirees. But for those with pre-existing health conditions, such insurance can become prohibitively expensive or even unavailable.

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Social Security Choices (securitychoices.com) is a company which specializes in helping pre-retirees think through a Social Security timing strategy. They take information provided by the pre-retiree and create optimized strategies for timing Social Security enrollment. This company is not affiliated with or endorsed by the Social Security Administration. The report will cost \$39.99.

Go to Checklist



Retirees tell us that living on denominational Retirement Income works if there is no debt. Paying credit card interest is something Retirees should avoid. Retirees suggest owning a paid-for car that is reliably young. Some traditional two-car families have been able to get by with one car in retirement. The Retirement home should be mortgage free, senior friendly with newer appliances. Some suggestions on a senior-friendly home can be found [Here](#).

The Retirement Move

Eligibility:

- If the Church has paid for a move during the career and
- 30+ years of Qualified Service Credit

The Benefit:

- Within NAD
- Within 5 Years After Retirement
- Reasonable Household Goods & Travel expense
- Taxable to Retiree

Many new retirees move from their last job to be near family or to find a lower cost of living location. Most church employers provide a Retirement Move if the Retiree has been moved by the church at one time or another during the career. The NAD Policy leaves significant discretion to the last employer in how to manage the Retirement Move. The cost of the move is Taxable Income to the Retiree. Questions about how your employer manages the move should be referred to your human Resources office.

Location Considerations?

Family

Climate

Roots

Healthcare

Costs

Activities

Security

Airports

Where do you want to live in retirement? Many folks simply retire in their last working home. Others downsize in the same general area. Some search for their dream retirement location.

Three useful links:

The city-data.com web site provides broad information for cities across America.

The [US News](#) article focuses more on Retiree preferences and general quality of life.

The [Forbes](#) article looks at “Should I Move at Retirement?”

For many, family is going to be most important. Gentlemen, you try to explain to your wife that because of cost issues, you must live in West Virginia, while your grandkids live in Oregon. Think about the future and aging gracefully. If your kids move, will you also move? Do you really want to start completely over with new healthcare providers, church, and friends? Be sure to carefully consider access to good healthcare. The most important cost considerations for a retiree are probably going to be housing and property taxes.

All | Your Goals | Your Money | Your Plans | Your Retirement

Let's talk retirement

MAY 12, 2020 - EMPOWER INSIGHTS

IF YOU ARE MARRIED, [CLICK HERE](#) FOR A FUN EXERCISE IN TEAMWORK.

Married couples: Look at retirement planning as a team effort. Your spouse's expectations may surprise you. Have the talk while making those expectations a reality is still possible. One wife is quoted: I have half the money and twice the husband and it is driving me nuts! Above is a short read from Empower Retirement with some great ideas.

[Go to Checklist](#)

Ready to move to the details?



From time-to-time employees are given a copy of the personal service record. The service record is the denomination’s method of tracking employment history for purposes of retirement benefits calculations. We will briefly explain the record and how to understand it.

North American Division Service Record															
Employee		Employment		Service Summary				Canada Only							
Joseph Bozinski 2777 Clergy Lane Paradise, CA 90074-8636 USA		Hired on: 1976-01-01 Terminated on: SSN: *** - ** - 4444 SIN: Yrs of Service: 39.0 Benefit Rate Factor: 1.3		US: 18.50 Hospital: 0.00 Canada: 0.00 Canada Suppl: 0.00 Foreign: 0.00 Total SCR: 18.50 US > 1999: 20.00 Hospital > 1999: 0.00 Berm & Kett > 1999: 0.00 Regional: 0.00				ServCred: 18.50 Vested? Y			DOR: Adjusted: Plan Entry: Comm Value Pay Date: Comm Value Yrs Paid: PreRetDeath Pay Date: PreRetDeath Yrs Paid: Eligible Credited Service: 0.00				
Phone: Fax: Email: JBozinski1399@yahoo.com ID: 467273		Personal Marital Status: Unstated Gender: M Born on: 1956-06-30													
Begin date	Job Description	Work-Type	Hours	Months	%FT	%Rem	AreaRem	Plan	Service Credit Accumulated						
End Date	Employer	Work Location	Hourly Pay			Work Status			Rec	USA	Hsp	Can	Sup	Res	YRF
1976-01-01	Task Force Worker	N-No SC (Pay/NoPay/Taskf)	0	0	0	0		USDB	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1976-12-31	Cartoonville Conference	Cartoonville Conference	0.00			No Benefits - no SC			Nothing						
1977-01-01	Task Force Worker	I-Reg Salary with %remun	0	0	100	0		USDB	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1977-12-31	Cartoonville Conference	Cartoonville Conference	0.00			No Benefits - no SC			Nothing						
1978-01-01	Task Force Worker	I-Reg Salary with %remun	0	0	100	0		USDB	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1978-12-31	Cartoonville Conference	Cartoonville Conference	0.00			No Benefits - no SC			Nothing						
1979-01-01	Task Force Worker	I-Reg Salary with %remun	0	0	100	0		USDB	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1979-12-31	Cartoonville Conference	Cartoonville Conference	0.00			No Benefits - no SC			Nothing						
1980-01-01	Pastoral intern	I-Reg Salary with %remun	0	6.0	100	0		USDB	0.50	0.50	0.00	0.00	0.00	0.00	0.00
1980-06-30	Cartoonville Conference	Cartoonville Conference	0.00												
1980-07-01	Ordained Pastor	I-Reg Salary with %remun	0	6.0	100	0		USDB	0.50	1.00	0.00	0.00	0.00	0.00	0.00
1980-12-31	Cartoonville Conference	Cartoonville Conference	0.00												
1981-01-01	Ordained Pastor	I-Reg Salary with %remun	0	12.0	100	130		USDB	1.00	2.00	0.00	0.00	0.00	0.00	1.17
1981-12-31	Cartoonville Conference	Cartoonville Conference	0.00												
1982-01-01	Ordained Pastor	I-Reg Salary with %remun	0	12.0	100	135		USDB	1.00	3.00	0.00	0.00	0.00	0.00	1.20
1982-12-31	Cartoonville Conference	Cartoonville Conference	0.00												
1983-01-01	Ordained Pastor	I-Reg Salary with %remun	0	12.0	100	140		USDB	1.00	4.00	0.00	0.00	0.00	0.00	1.23
1983-12-31	Cartoonville Conference	Cartoonville Conference	0.00												
1984-01-01	Ordained Pastor	I-Reg Salary with %remun	0	12.0	100	140		USDB	1.00	5.00	0.00	0.00	0.00	0.00	1.23
1984-12-31	Cartoonville Conference	Cartoonville Conference	0.00												
1985-01-01	Ordained Pastor	I-Reg Salary with %remun	0	6.0	100	145		USDB	0.50	5.50	0.00	0.00	0.00	0.00	0.00
1985-06-30	Cartoonville Conference	Cartoonville Conference	0.00												
1985-07-01	Seminarian	O-Leave:study,military,etc	0	0.0	0	0		USDB	0.00	5.50	0.00	0.00	0.00	0.00	0.00
1985-12-31	Cartoonville Conference	Cartoonville Conference	0.00			Graduate Study - no SC			Nothing						
1986-01-01	Seminarian	O-Leave:study,military,etc	0	0.0	0	0		USDB	0.00	5.50	0.00	0.00	0.00	0.00	0.00
1986-12-31	Cartoonville Conference	Cartoonville Conference	0.00			Graduate Study - no SC			Nothing						

Joe Bozinski is an imaginary employee who worked for a fictitious conference for his full career. His career straddled the pre-2000 Defined Benefit Plan and post-1999 Defined Contribution Plan. This is an image of page 1 of the digital record maintained by the employer and hosted on the NAD’s Service Record server.

Key Data Summary

North American Division Service Record

Employee	Employment	Service Summary																																	
Joseph Bozinski 2777 Clergy Lane Paradise, CA 90074-8636 USA Phone: Fax: Email: JBozinski1399@yahoo.com ID: 467273	Hired on: 1976-01-01 Terminated on: SSN: *** - ** - 4444 SIN: Yrs of Service: 39.0 Benefit Rate Factor: 1.3 Personal Marital Status: Unstated Gender: M Born on: 1956-06-30	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">ServCred*</td> <td style="text-align: center;">Vested?</td> </tr> <tr> <td>US:</td> <td style="text-align: right;">18.50</td> <td style="text-align: center;">Y ←</td> </tr> <tr> <td>Hospital:</td> <td style="text-align: right;">0.00</td> <td style="text-align: center;">N</td> </tr> <tr> <td>Canada:</td> <td style="text-align: right;">0.00</td> <td style="text-align: center;">N</td> </tr> <tr> <td>Canada Suppl:</td> <td style="text-align: right;">0.00</td> <td></td> </tr> <tr> <td>Foreign:</td> <td style="text-align: right;">0.00</td> <td></td> </tr> <tr> <td>Total SCr:</td> <td style="text-align: right;">18.50</td> <td></td> </tr> <tr> <td>US > 1999:</td> <td style="text-align: right;">20.00</td> <td style="text-align: center;">←</td> </tr> <tr> <td>Hospital > 1991:</td> <td style="text-align: right;">0.00</td> <td></td> </tr> <tr> <td>Berm & Kett > 1999:</td> <td style="text-align: right;">0.00</td> <td></td> </tr> <tr> <td>Regional:</td> <td style="text-align: right;">0.00</td> <td></td> </tr> </table>		ServCred*	Vested?	US:	18.50	Y ←	Hospital:	0.00	N	Canada:	0.00	N	Canada Suppl:	0.00		Foreign:	0.00		Total SCr:	18.50		US > 1999:	20.00	←	Hospital > 1991:	0.00		Berm & Kett > 1999:	0.00		Regional:	0.00	
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Berm & Kett > 1999:	0.00																																		
Regional:	0.00																																		

The Service Record maintains documentation of employment within several distinct NAD Plans, each of which has its own Vesting and service rules.

- The pre-2000 Defined Benefit Plan
- The Defined Contribution Plan
- The pre-1992 Hospital Plan
- The Regional Conference Retirement Plan
- The Retirement Plan for Canadian Employees

The software calculates a Service Summary and Vesting Record. In the right block, service for each Plan is summarized.

For instance, Joe has 18.50 years of Pre-2000 Service Credit under the Defined Benefit Retirement Plan. He is Vested in that plan. (Red arrow.) He has no years of Hospital Service Credit. He has no Canada service. However, he worked for 20 years under the NAD post-1999 defined contribution plan. (Blue arrow.)

Year by Year Documentation

Begin date End Date	Job Description Employer	WorkType Work Location	Hours Hourly Pay	Months Monthly Pay	%FT Work Status	%Rem Work Status	AreaRem	Plan	Service Credit Accumulated						
									Rec	USA	Hsp	Can	Sup	Reg	YRF
1976-01-01 1976-12-31	Pastoral Intern Cartoonville Conference	I-Reg Salary with %remun Cartoonville Conference	0 0.00	12.0 0.00	100	0	0	USDB	1.00	1.00	0.00	0.00	0.00	0.00	0.00
1977-01-01 1977-12-31	Pastoral Intern Cartoonville Conference	I-Reg Salary with %remun Cartoonville Conference	0 0.00	12.0 0.00	100	0	0	USDB	1.00	2.00	0.00	0.00	0.00	0.00	0.00
1978-01-01 1978-12-31	Pastoral Intern Cartoonville Conference	I-Reg Salary with %remun Cartoonville Conference	0 0.00	12.0 0.00	100	0	0	USDB	1.00	3.00	0.00	0.00	0.00	0.00	0.00
1979-01-01 1979-12-31	Pastoral Intern Cartoonville Conference	I-Reg Salary with %remun Cartoonville Conference	0 0.00	12.0 0.00	100	0	0	USDB	1.00	4.00	0.00	0.00	0.00	0.00	0.00
1980-01-01 1980-06-30	Pastoral Intern Cartoonville Conference	I-Reg Salary with %remun Cartoonville Conference	0 0.00	6.0 0.00	100	0	0	USDB	0.50	4.50	0.00	0.00	0.00	0.00	0.00
1980-07-01 1980-12-31	Ordained Pastor Cartoonville Conference	I-Reg Salary with %remun Cartoonville Conference	0 0.00	6.0 0.00	100	0	0	USDB	0.50	5.00	0.00	0.00	0.00	0.00	0.00

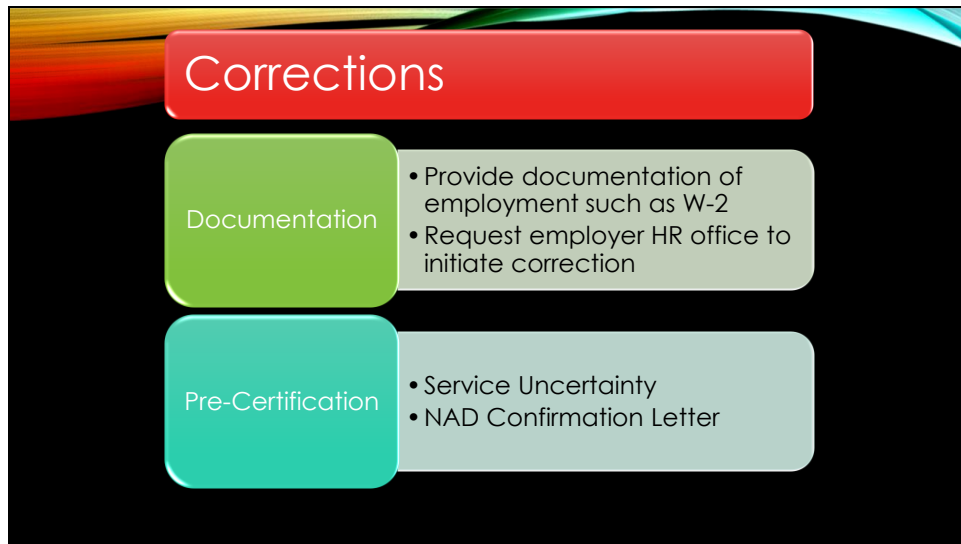
Each year of employment is documented. This record shows that in 1976-1979, Joe worked as a Pastoral Intern for 12 months at 100% of full time. The Rec column shows one year earned for each line. The USA column shows accumulation of service record. At the end of 1979 Joe had accumulated four years of service credit.



There are several issues that sometimes arise regarding Qualified Service Credit:

- 1 If the employee worked less than the equivalent of 1,000 hours in a Calendar year, the proportion that he worked does not count.
- 2 Educators are considered full-time employees with a half year of Qualified Service Credit if they teach a full load for one semester. Some teaches' records may show less than a half year at the end of December when the school year begins in August. The Record should correct this to show that the Teacher worked for a semester and thus earns a half year. If uncorrected, this error understates a teacher's Qualified Service Credit.
- 3 If the employee worked for a non-participating employer, Qualified Service Credit is not earned. For instance, there are academies operated by Adventists but do not belong to the church, and do not contribute to the Retirement Plan. Local Churches and Church Schools are not considered participating employers. Most Church and Church School employees are employees of the local Conference, and therefore their employment does indeed count if it otherwise qualifies.
- 4 There are exceptions to the Participating Employer rule: Graduate Study, Military Service and Chaplaincy. An employee who took graduate study and was employed within one year of completion of the advanced degree will be credited with one year of Qualified Service Credit for an Mdiv degree, or two years for a Doctoral degree. The career maximum is two years of graduate study Qualified Service Credit, even if multiple degrees are earned.
- 5 An employee who served in the Military prior to 2000 and became denominationally employed within a year of Separation from Active Duty may earn up to two years of Qualified Service Credit for that Military service.

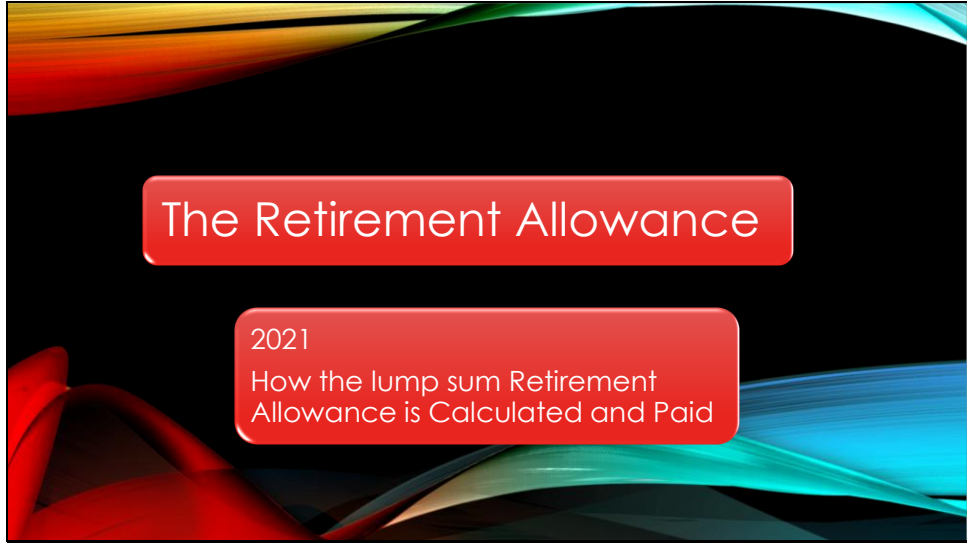
- 6 A military or prison chaplain credentialed by the General Conference office of Chaplaincy may earn Qualified Service Credit even though the employer is not a participating employer.
- 7 The Break in Service policy says if an employee left denominational employment without reaching the 10-year Vesting requirement, and is out longer than in, the un-vested initial service is lost. However, if the employee ends up with 25 or more full-time years of documented employment, the lost years may be recovered.



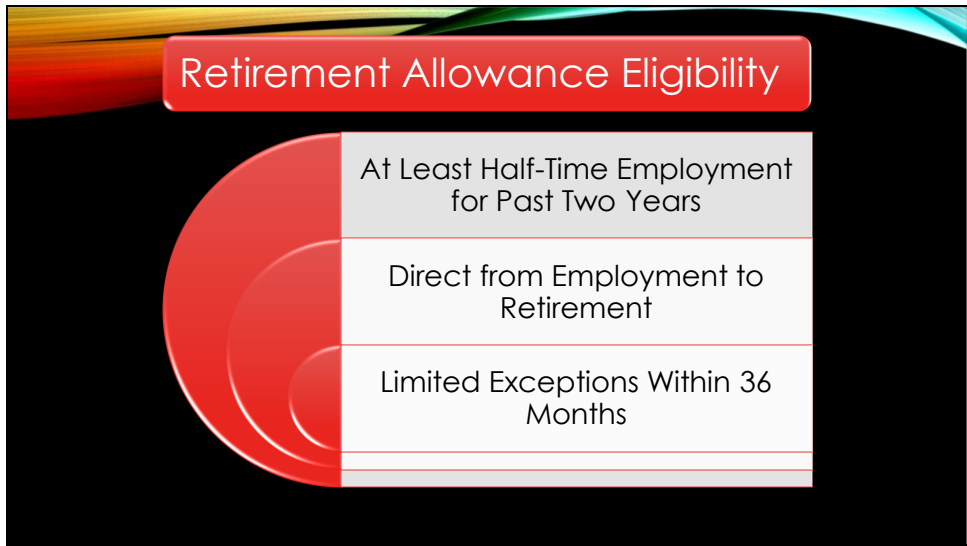
If an employee believes there are errors in the Service Record, it is best to seek correction as soon as possible. Correction can sometimes take months to find proper documentation. Some errors are easy – a teacher whose schoolyear is shown to begin in August rather than July. Others may take recovery of musty payroll records from a prior employer. If the error occurred at a previous employer, either the retiree or the current HR office can initiate contact with that previous employer.

Because of some sad stories, Retirement has developed a pre-certification process and shared that process with Employers. If an Employee is approaching Retirement, but uncertain about the Service Record and exactly how many years will ultimately be awarded, the Employee may ask the Employer for a Pre-certification. Documentation is sent by the employer to Retirement. The Service Record is carefully reviewed, and a letter is issued from the Retirement Office certifying years of Qualified Service Credit through the previous year. This process can give the Employee assurance in planning a Retirement date. Actual Retirement applications take precedent, so this Pre-certification process often takes several months.

Specific questions about the service record can be referred to the HR office of the employer.



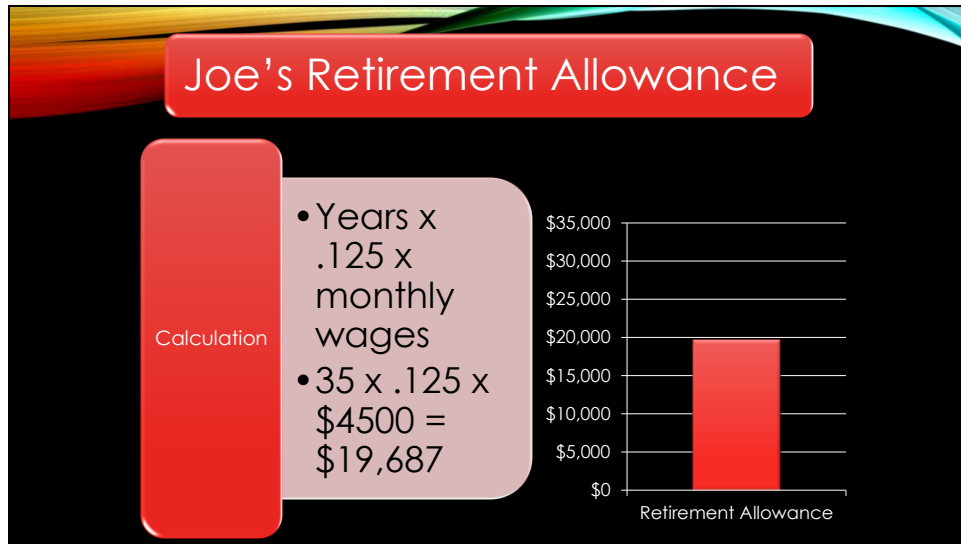
If an employee goes directly from employment into Retirement, a one-time lump sum Retirement Allowance is calculated and paid to the new retiree. This section describes eligibility requirements, the calculation, and how it is paid.



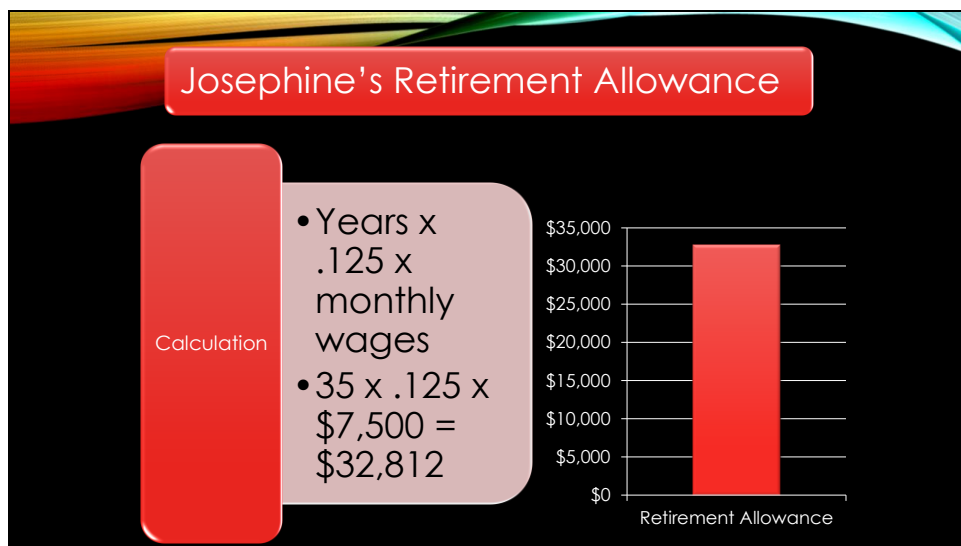
While the allowance will not make anyone wealthy, it is a large enough amount that it should be protected. For instance, terminating prior to retirement will jeopardize the Retirement Allowance.

There are some limited exceptions to the rule of going directly from employment into retirement. The most common is that the Employer requests the Retirement Plan to protect the RA for a period of up to 36 months from termination until Retirement Benefits begin. This request might be made if the termination is involuntary and prior to age 59 ½. The Plan will honor the request of the Employer and will record the protection of a deferred Retirement

Allowance. But the deferral will never be more than 36 months. If Retirement Benefits do not begin within 36 months, the RA is lost.

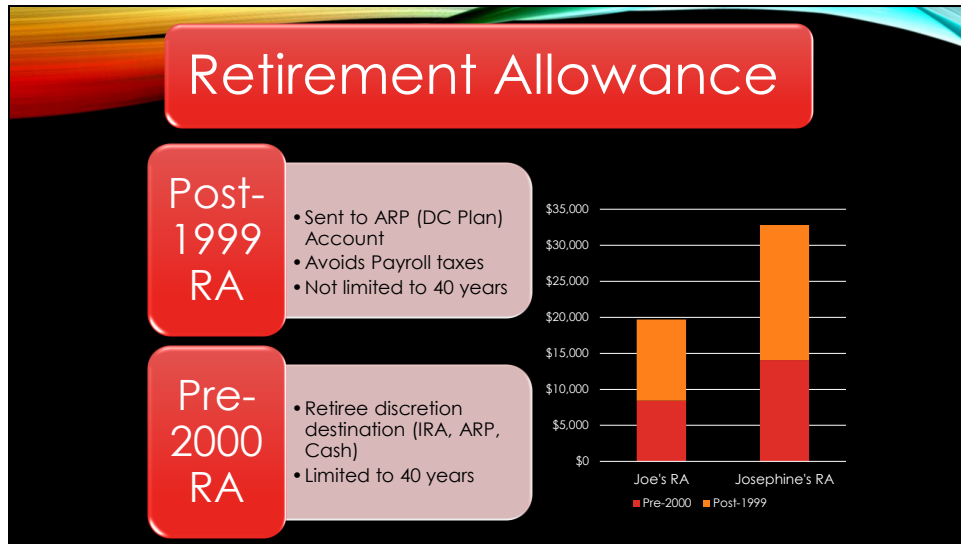


Joe has 35 years of full-time employment and goes directly from full-time employment into Retirement. In this example, Joe's RA is calculated by multiplying his total years of Qualified Service Credit, including both pre-2000 and post-1999 years, by the number .125 and then by his current wages. His monthly wages at Retirement includes the Area Cost of Living Allowance but not benefits or reimbursements such as auto insurance, area travel allowance or tuition assistance. The calculation is shown.



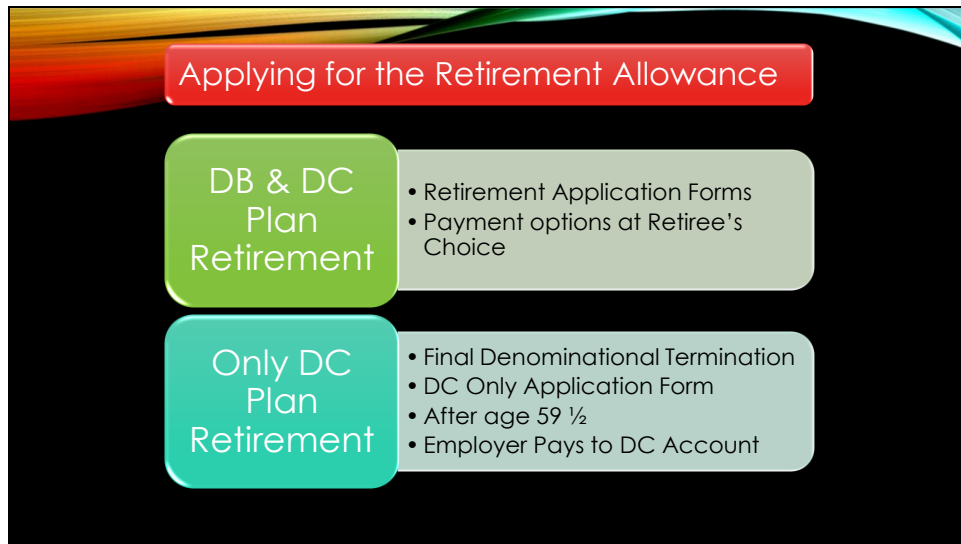
Josephine also has 35 years of full-time employment and goes directly from full-time employment into Retirement, but she lives in a high cost of living area. In this example, her RA is calculated by multiplying total years of Qualified Service Credit, including both pre-2000 and

post-1999 years, by the number .125 and then by her current wages. Her monthly wages at Retirement reflect the higher cost of living in which she lives, and thus her higher RA.



For tax purposes, the RA is divided into two separate sections; the portion earned prior to 2000, and the portion earned after 1999. The pre-2000 RA is considered to be a Retirement Benefit and thus, while taxable, is not subject to payroll taxes such as FICA and Medicare. The Retiree can decide where the payment should be sent. Options include a personal tax-deferred account such as an Individual Retirement Account, (IRA,) or the retiree's ARP account with Empower. Subsequent withdrawals will be taxable. Alternately the retiree can ask for the payment to be sent directly as a taxable benefit upon retirement. In this case, IRS requires a 20% withholding against taxes.

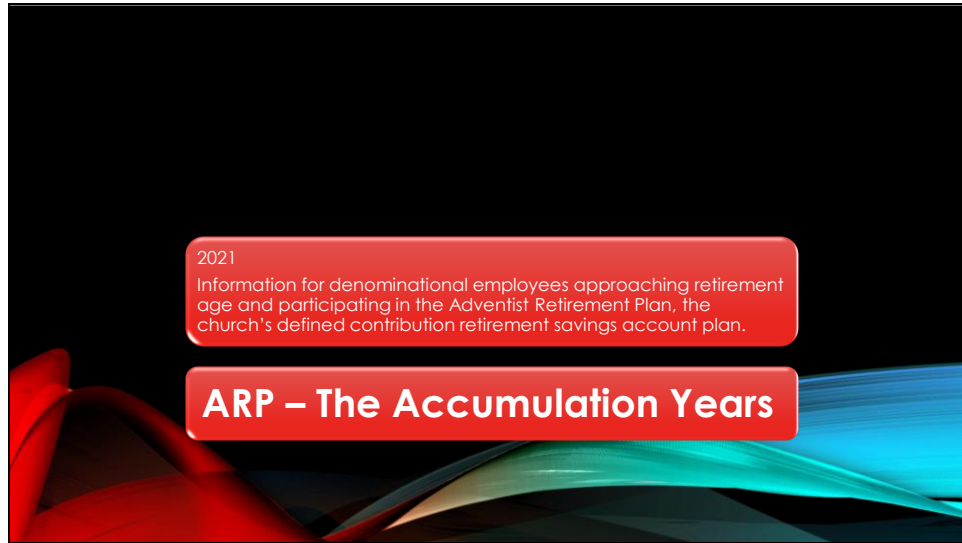
The post-1999 Retirement Allowance is paid directly by the last employer. Normally this would result in the payout being subject to payroll taxes such as FICA and Medicare. However almost all ARP Participating Employers have acted resulting in an alternative called Special Pay, requiring the employer to send the Retirement Allowance as a tax deferred retirement benefit directly to the retiree's DC Plan account at Empower. This avoids having to pay FICA and Medicare taxes. The Retiree can then access that money at any time.



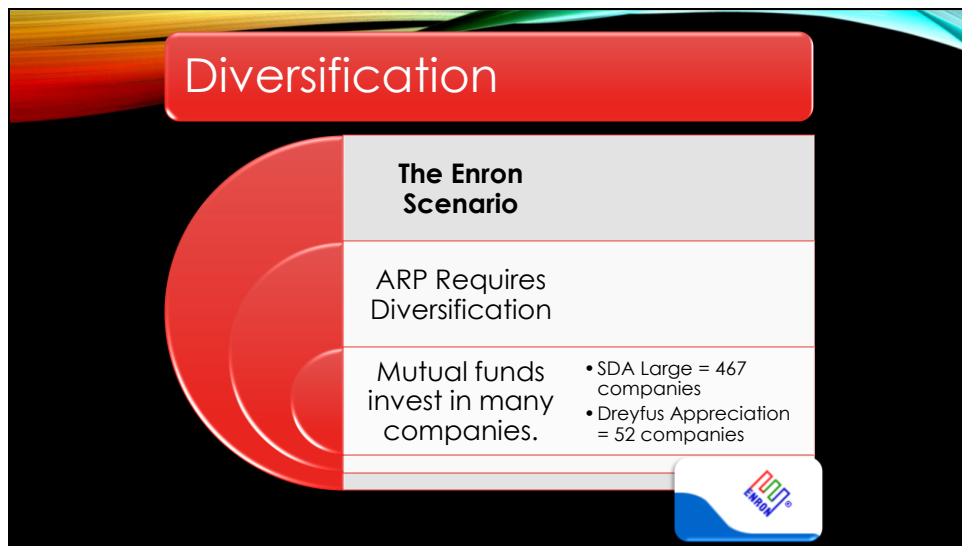
Employees with both pre-2000 and post-1999 Qualified Service Credit, at Retirement, will file for Retirement Benefits through the employer's Human Resources office using the lengthy and tedious Retirement Application forms. This will include instructions and authorizations for both parts of the RA.

If the Employee retires with only post-1999 employment, there is a separate streamlined enrollment process for such Retirees which includes application for Healthcare Assistance and the Retirement Allowance.

[Go to Checklist](#)



Welcome to ARP, the Accumulation Years. We will discuss the importance of long-term consistent contributions to the Defined Contribution Retirement Plan. We will discuss a few investment principles and will touch on tools to assist in meeting Retirement Income goals.



Some employees participating in the Adventist Retirement Plan have asked why they could not invest in individual companies such as General Electric or Ford Motor Company.

ENRON Corporation was an energy, commodities and services company based in Houston, founded in 1985 as a merger. Before its bankruptcy on December 2, 2001, the company claimed revenues of over \$100 billion. However, it was discovered that Enron participated in “institutionalized, systematic and creatively planned accounting fraud.” Approximately 20,000 employees lost their jobs because of the failure.

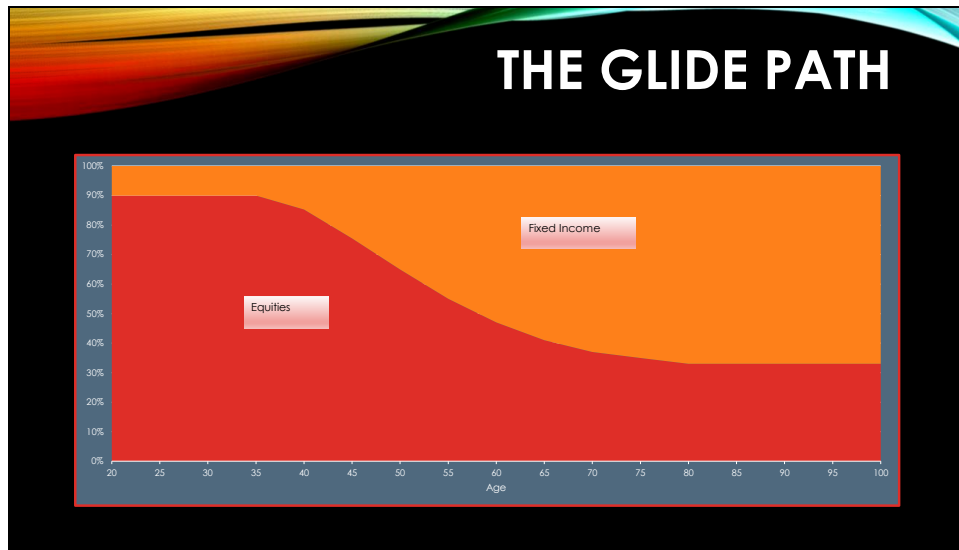
According to one news report, an Enron employee had built up a 401(k) Retirement balance of a little over \$1 million. Unfortunately, it was all invested in Enron. When the company failed, that employee essentially lost the whole retirement plan. As a result of risk associated with narrowly focused investments, most retirement plans require the use of mutual funds or similar vehicles, thus spreading investment risk across hundreds of companies. The Adventist Retirement Plan follows that philosophy.



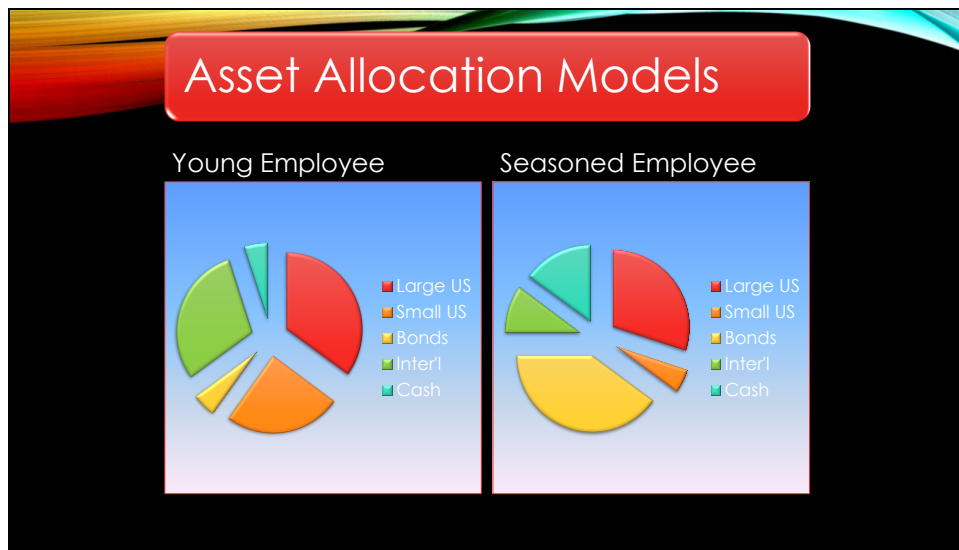
The investments offered by ARP include twenty plus funds. Several are quite aggressive, and several are very conservative. These options change from time to time. The pyramid shows the risk curve of investments. Most investment advisors recognize that the low-risk options at the bottom of the pyramid will certainly reduce the ups and downs of the market, but over the long haul will probably not meet the growth needs of the participants.

History says that the most aggressive investments reward the participant, but the roller-coaster ride will be intense. Thus, advisors will usually encourage participants to spread across the range of investments with funds in each of the categories.

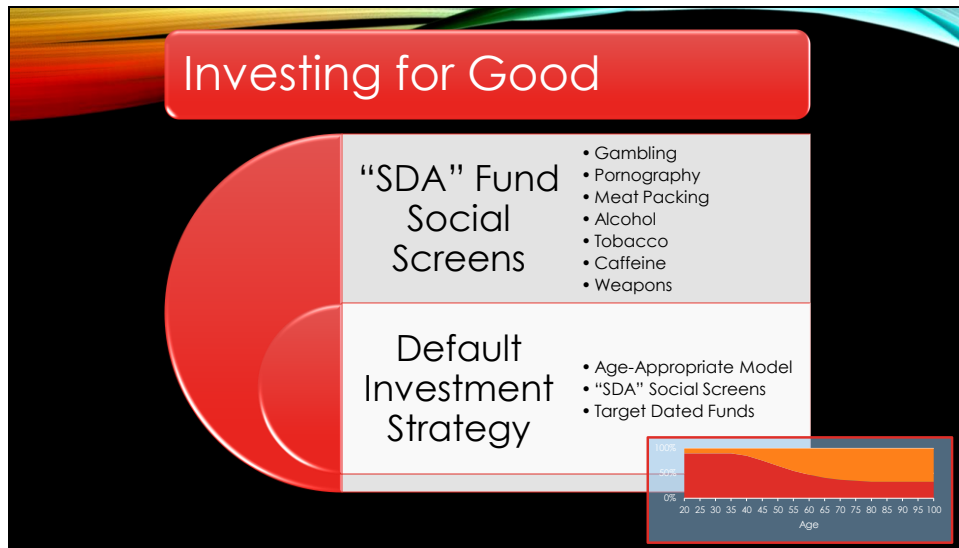
Younger employees will generally wish to position the 'center of gravity' of their investments towards the top, while those approaching retirement will generally want to move the center of gravity lower. Older employees do not have as much time to ride out a market downturn.



The chart shows a strategy often referred to as the Glide Path. A young employee will have perhaps 90% in equities and only 10% in fixed income, such as bonds. The employee has plenty of time to ride out a market downturn. Around age 40, the percentages shift incrementally towards fixed income with a 65-year-old retiree's equities making up around 40% of assets.



This is an example of two different asset allocation models. A young employee would be more into equities (red, orange, and green), while the older employee would have more in bonds (yellow) and cash (blue).



Some participants would like to have their own personal values reflected in their investments. This would mean not investing in corporations which produce or distribute objectionable products, such as those listed in the slide. Of the 20 plus funds available, those with the “SDA” prefix avoid investments in such objectionable companies. Other investments, though listed in the Adventist Retirement Plan do not. The choice is the participant’s.

Close to seventy percent of ARP participants are “default employees”, meaning that they have not informed either VALIC or Empower Retirement of an investment strategy. The ARP Board has established a default investment strategy which is age appropriate, uses the SDA Social Screens, and makes use of the Glide Path strategy. This essentially means that the investments move incrementally quarter by quarter as a participant ages, so at normal retirement age, the investments strategy is appropriate for a Retiree.



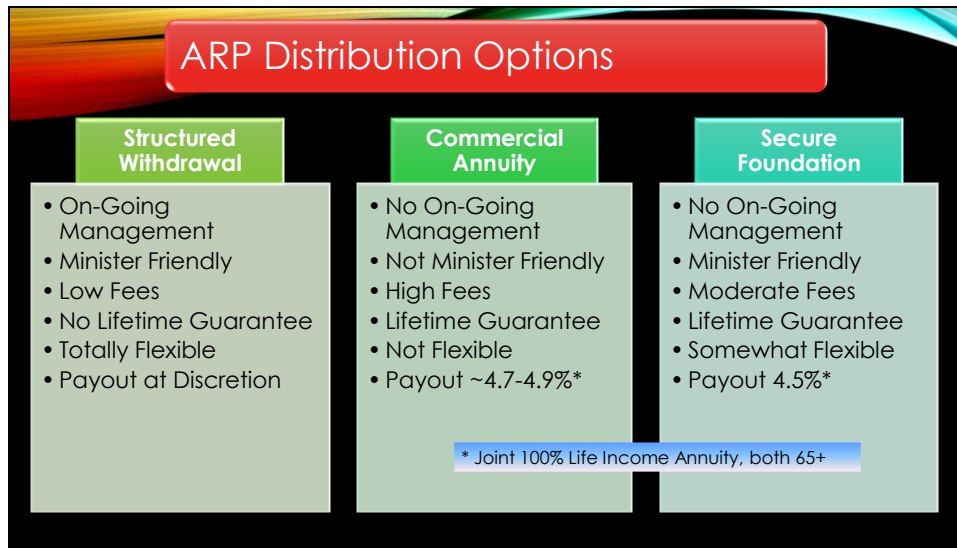
Plan participants come in three uneven groups. The largest number of employees have used a default investment model. Our review of investment success of this group shows that they generally do quite well. Low fees, broad diversification, and passive investing, (not trying to time the market,) generally have provided satisfying results.

The second group seeks to model their own investments, using on-line tools from Empower including modeling, advisors, and Managed Funds.

The third group consider themselves to be knowledgeable investors, using the available brokerage window. This opens hundreds of available investment options to be researched by the participant.

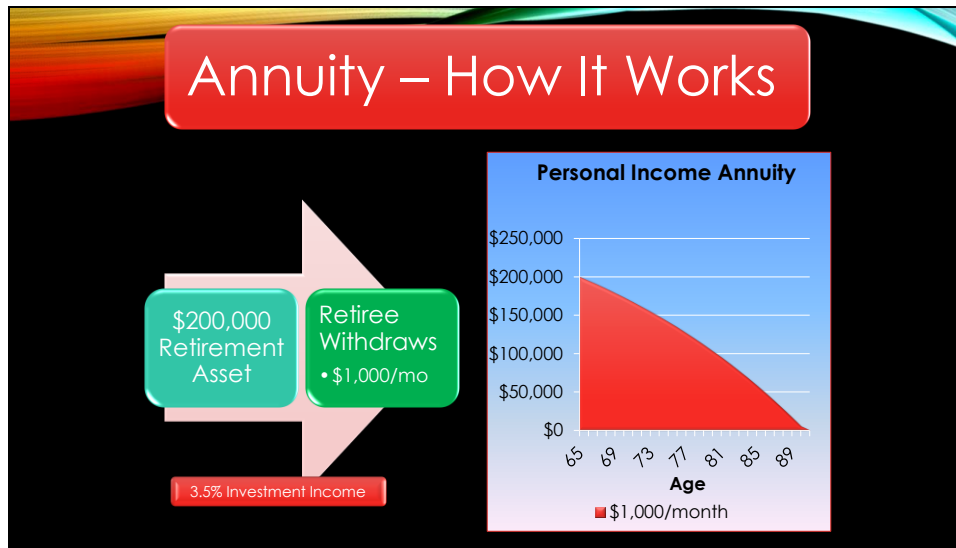
The slide features a dark background with abstract red and blue wave-like patterns at the bottom. A red rounded rectangle contains the text: "2021 Information regarding distribution options for denominational Refirees. We discuss methods of withdrawing from APR." Below this, a larger red rounded rectangle contains the title "ARP – The Distribution Years" in white text.

Welcome to ARP – the Distribution Years. We will consider how to make sure Retirement income lasts for a lifetime, is efficient and makes sense.

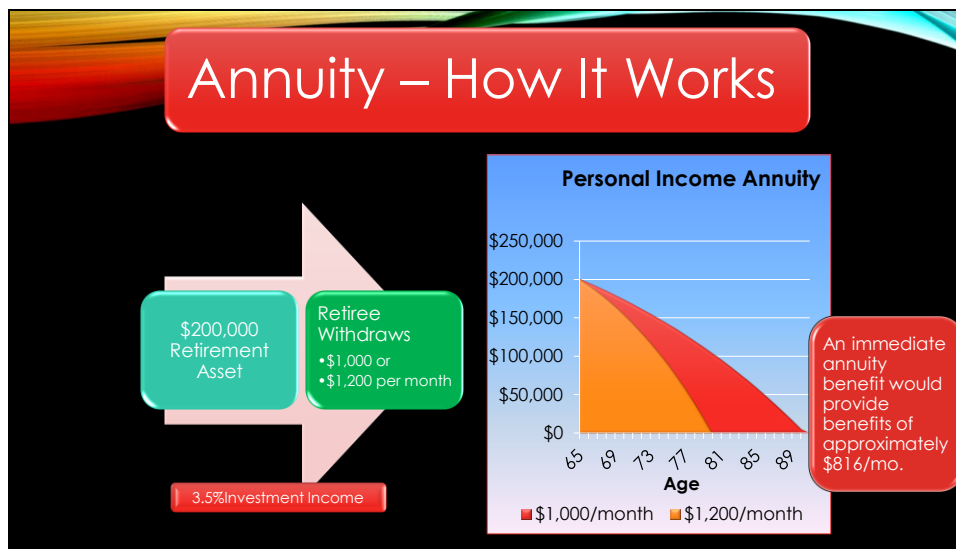


At Retirement, the distribution phase begins, providing monthly income to pay the Retiree’s bills. This can happen in several ways. For Ministers, we have inserted whether each of these options is generally considered to be eligible for the Parsonage Allowance Exclusion by using the term “Minister Friendly.”

- **Structured withdrawal:** The Retiree simply instructs Empower Retirement to send a monthly direct deposit from the Retirement account to a personal bank account. Since the money is coming from a church plan, it is under current law considered to be eligible for Parsonage Allowance Exclusion. Fees are low. Unfortunately, in this option there is no life-time guarantee. Once the funds have been depleted, the monthly deposit ceases. The participant has total flexibility and can change the withdrawal amount at any time until there is no money left.
- **Immediate Commercial Annuity:** This purchased option provides a life-time guarantee, but fees and commissions can be quite high. This option is not minister friendly since monthly benefits come from a non-church source, the insurance company selling the annuity. In most cases, there is no provision for a beneficiary other than a spouse. There is little flexibility once the contract has been signed. The payout as of this writing is approximately 4.7-4.9%.
- **Secure Foundation:** This option is offered by Empower Retirement and is within the Adventist Retirement Plan. We will discuss this in more detail shortly.
- Other options can include transfer of assets to an IRA or another employer plan, cashing out, or other options. Fees, flexibility, and taxes would need to be considered.



An annuity is a strategy by which earnings grow your asset, while withdrawals decrease the asset over the Retirement years. A do-it-yourself annuity sets up a structured withdrawal from your account. In this example, the Retiree has \$200,000 in the retirement account and sets up a structured withdrawal of \$1,000 per month. At average death age, around 85, there is still money in the account. Depending on investment performance, the asset is depleted around age 91. There is no lifetime guarantee in a structured withdrawal, or do-it-yourself annuity.



In the second example the retiree takes \$1,200 per month. The asset will be depleted at around age 80, below the average life expectancy. Good genes and a healthy lifestyle could easily result in outliving the money.

This is 'Longevity Risk', the uncertainty of Life Expectancy. Early death may result in the Retiree leaving money for the offspring. Late death may result in the offspring having to support the retiree.

- The good news: There are companies that would gladly accept Longevity Risk and promise to pay an annuity for life.
- The bad news: Fees can be quite high, and most of these products leave nothing for any beneficiaries. The monthly benefit would likely be less than either option shown. January 2021 best quote for immediate annuity with a \$200,000 premium is only \$816/month.

There are many types of annuities. Retirees may wish to consider one that meets the goal of guaranteeing life-long income with a competitive monthly benefit and a high-quality company. In the most basic type of annuity, the Retiree pays a large single non-refundable premium, and in exchange, the company gives a promise to pay monthly benefits for life, regardless of length of life.

Buy Lifetime Guaranteed Income?

Yes, if you:	No, if you:
<ul style="list-style-type: none"> • Fear assets won't last your life • Are uncomfortable managing investments into your 80's • Need monthly income limits to control spending • Value lifetime income security over flexibility 	<ul style="list-style-type: none"> • Have adequate assets for long life • Are comfortable managing investments into your 80's • Are a disciplined spender • Value flexibility over guaranteed lifetime income

Learn More by clicking [HERE](#).

Should Retires purchase a lifetime guaranteed income such as an immediate annuity? Consider the talking points provided in this slide. The link provides some additional thoughts.

Life-Time Income Guarantee Options

Purchase an Immediate Commercial Annuity

- No Liquidity: No fund balance access in case of emergency or early death
- Compare companies. Rates vary.
- Compare Quality Rating
- Select 100% Joint & Survivor to protect both spouses for life
- Age 65 J&S payouts are currently 4.7-4.9%/year

An interesting article on annuities [HERE](#).

Invest in Great West's Secure Foundation II

- Liquidity: Fund balance access in case of emergency or early death
- Select as an Investment Option from ARP/Empower Retirement
- Understand the Fund Balance/Benefit Base definitions
- Age 65 J&S payouts are currently 4.5%/year

Here are two options for purchasing life-time income guarantees. More information is provided in the following slides.

- First, a retiree can simply purchase a commercial immediate annuity. An exchange takes place. The retiree gives money to the company, and the company gives a promise to the retiree. We suggest using a broker or a consumer website to compare payout rates and company quality. If married, select 100% Joint & Survivor to protect both spouses for life. As of this writing, the payout from a high-quality insurance company is 4.7-4.9%/year. The link provides an interesting article from the Dave Ramsey website on various annuity products.
- Alternately, consider Great West's Secure Foundation. This option provides life-time income guarantee, but also preserves access to the asset in case of emergency or early death. This can be selected from within the Empower web site as an investment option. The payout is 4.5% if the youngest spouse is age 65-69.

Commercial Annuity Website:

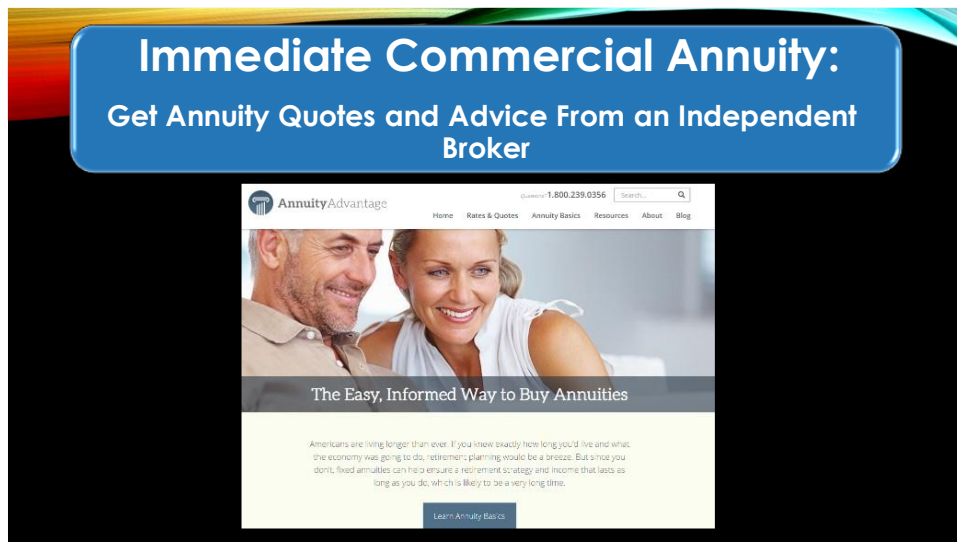
Get Annuity Quotes From a Comparison Website

When you're ready to buy call us at 800-872-6684. We'll make your annuity purchase simple, fast, and reliable.

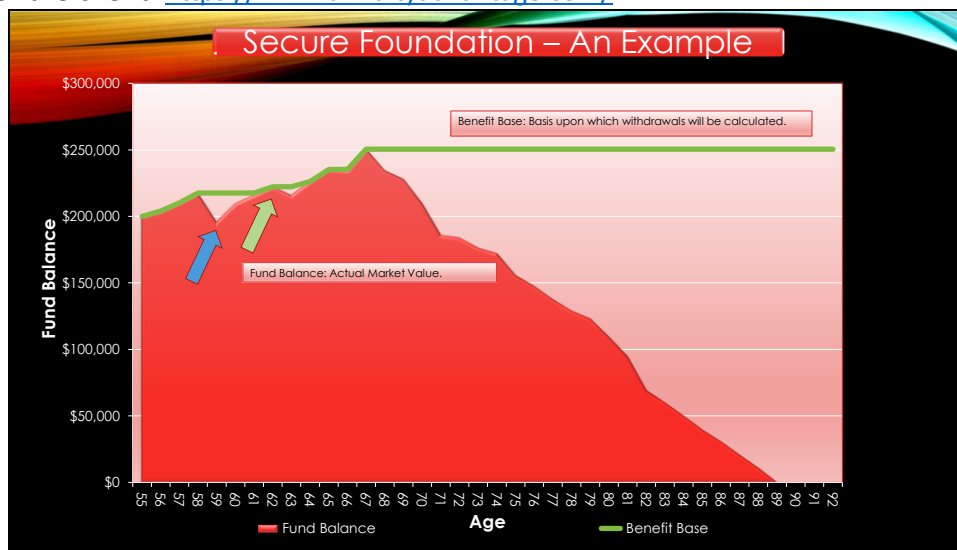
INSURANCE COMPANY NAME (A.M. BEST RATING) <small>Click a company name to learn more</small>	ANNUITY RATE	PAYMENT DATE	MINIMUM INVESTMENT
American National (A)	4.98%	2021-01-18	REAG GROUP \$100,000
Mass Mutual (A++)	4.88%	2021-01-26	TRIPLE PAYOUT \$100,000
Penn Mutual Life (A+)	4.88%	2021-01-26	More Info
Pacific Life (A+)	4.87%	2021-01-26	More Info
Symetra Life (A)	4.84%	2021-01-21	More Info
Amer. General (A)	4.78%	2021-01-26	More Info
New York Life (A++)	4.76%	2021-01-26	More Info
Nationwide Life (A+)	4.72%	2021-01-26	More Info

Here is a great website in which to look at immediate annuity offerings in your state. If a Retiree decides a specific product is right, select the product and then start the purchase process directly with the company offering the annuity. Rates shown will shift from time to time.

<https://www.immediateannuities.com/>



Alternately, here is an independent annuity brokerage web site. An agent provides advice on a range of available options from many annuity companies and then actually places the coverage on behalf of the client. <https://www.annuityadvantage.com/>



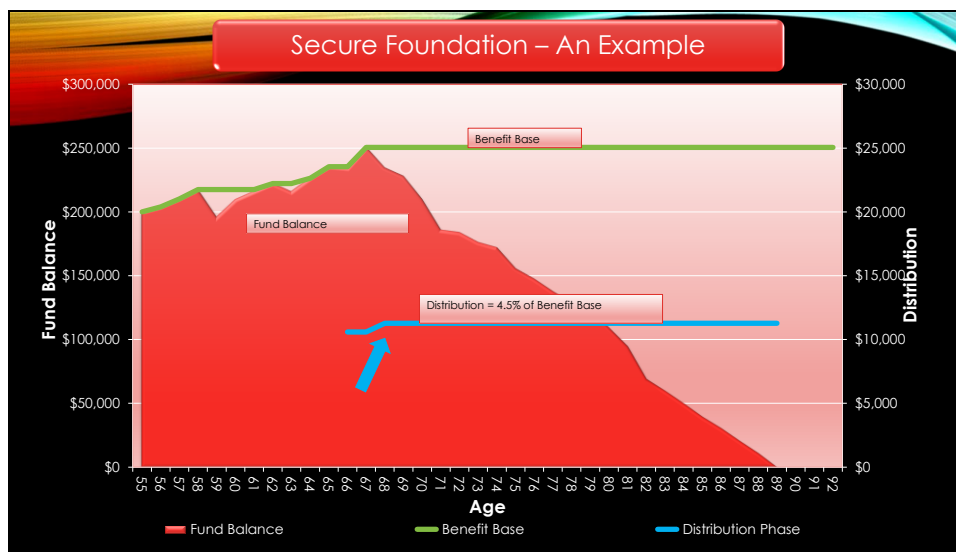
An alternative to an immediate annuity is a range of products such as Secure Foundation, offered by Great West through ARP. In this example an employee moves \$200,000 into the Secure Foundation investment option at age 55.

There are two numbers to follow.

- The Fund Balance (red) is the actual market value of the asset, initially growing because of earnings and because the employee continues to add to it during the last ten years of employment and in this example declining due to market downturns and monthly withdrawals.
- The Benefit Base (green line) is the basis upon which the retirement income withdrawals will be made. The Benefit Base has a unique annual “Ratchet Effect.”

In this example, at age 59 (blue arrow) at an annual review, the Fund Balance has dropped due to market downturns. However, the Benefit Base is not reset at the lower rate. At the age 62 review, (green arrow) the fund value has increased due to market performance, and the Benefit Base is reset at the higher asset level.

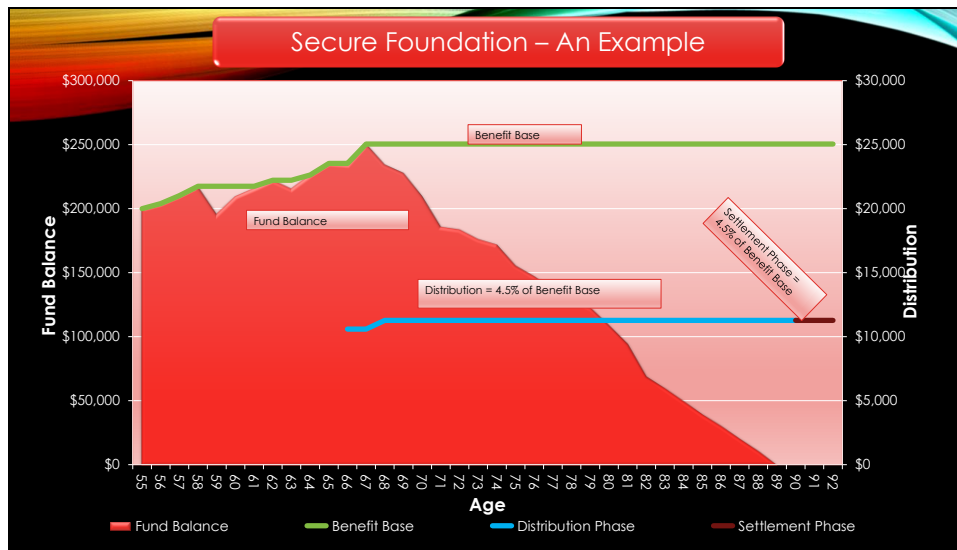
Why is this important? Because the Benefit Base is used to calculate the Guaranteed Annual Withdrawal. This ‘ratchet effect’ essentially provides downside protection and upside opportunity. The Fund Balance can decline and even be depleted, but the Benefit Base remains constant.



The Employee retires at age 66 and the distribution phase begins. The distribution line (blue) shows that the distribution increases at age 67 because the benefit base was reset due to market upturn (the ‘ratchet effect’ in action).

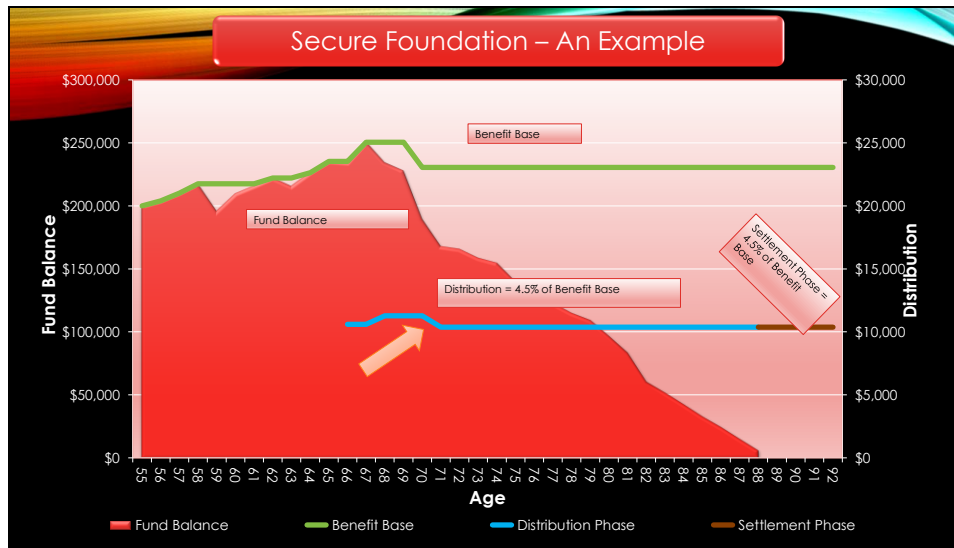
The withdrawal rate is 4.5% of the Benefit Base if the youngest spouse is 65. So, if as in this example the Fund Balance begins to decline due to market downturns, fees and withdrawals, the Benefit Base does not decline, and the distribution remains steady even though the Fund Balance is declining.

Note that the two vertical axes are different. The left axis describes the level of the Fund Balance (red) and Benefit Base (green line). The right axis describes the Distribution amount (blue line).



Withdrawals and fees will continue to put pressure on the Fund Balance, and in this example the Fund Balance declines over time and then depletes at age 89. Let us take a couple of examples.

1. The Retiree dies at age 84. But benefits continue at the full 4.5% of the Benefit Base for the life of the spouse.
2. What if both die at age 84? There is still a balance of ~\$45,000. Unlike most annuities, in this case the remaining \$45,000 would immediately go to specified beneficiaries, such as the children and/or a charity.
3. But what if one or both live beyond age 89? The fund balance has been depleted. Now the insured guarantee kicks in (brown line). This is called the Settlement Phase. The same 4.5% of the Benefit Base continues until the last living spouse passes away.



Let us change the scenario. At age 70 the retiree encounters an emergency and needs to withdraw \$20,000. Secure Foundation provides flexibility to withdraw from the Fund Balance. The result is a reduced fund balance, a reduced benefit base, and thus a reduced withdrawal. The Settlement Phase is still available if one or both spouses live beyond the depletion of the Fund Balance. Finally, if at any time the Retiree decides Secure Foundation is not the right product, the retiree can exit from Secure Foundation and invest money in a commercial annuity or other investment options.

How to Invest in SecureFoundation

- Log In to your Empower Retirement Account
- Go to "View/Manage My Investments"
- Click on "Change My Investments"
- Move money into the Great West SecureFoundation option
- Alternately, call 866 467 7756 and ask for help with SecureFoundation

Now showing all investment options.

INVESTMENT OPTION	PERCENTAGE
Guaranteed Retirement Income Option	%
Great West SecureFoundation Bal Instl	%
Dodge & Cox International Stock	%
American Funds EuroPacific Gr R6	%
T. Rowe Price International Stock Fund	%
SDA International Equity Index B	%
DFA Emerging Markets Social Core Port	%
Comerica SDA Emerging Market	%
Vanguard Real Estate Index Institutional	%
DFA US Small Cap Value I	%

The above steps show how to invest in Secure Foundation. For many, the best way is to call the number provided and ask for help. You may be referred to a Secure Foundation expert. There is some paperwork involved in this insured product.

Secure Foundation is Not for Everyone!

<p>Pro:</p> <ul style="list-style-type: none">• Life-time Income Guarantee• Liquid• Downside protection• Upside opportunity	<p>Con:</p> <ul style="list-style-type: none">• Settlement Phase Fees• Lower payout rate than Commercial Annuity• Non-Compliance with church investment social screens
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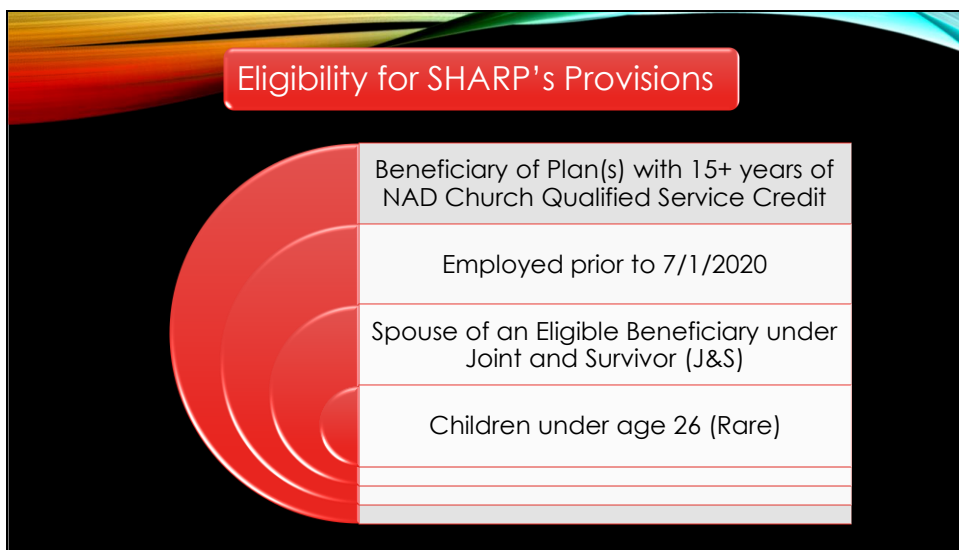
Secure foundation is not right for every employee. The benefits of a life-time guarantee, liquid access to the fund balance, and downside protection with upside investment opportunity are quite remarkable. However, life-time insurance fees amount to just under 1% of the fund balance throughout the life of the investment. The annual payout rate is below that of a commercial annuity, and the Secure Foundation investments do not comply with the church's Social Screens.

This completes the section on The Distribution Years of the Adventist Retirement Plan, the post-1999 defined contribution plan.

[Go to Checklist](#)

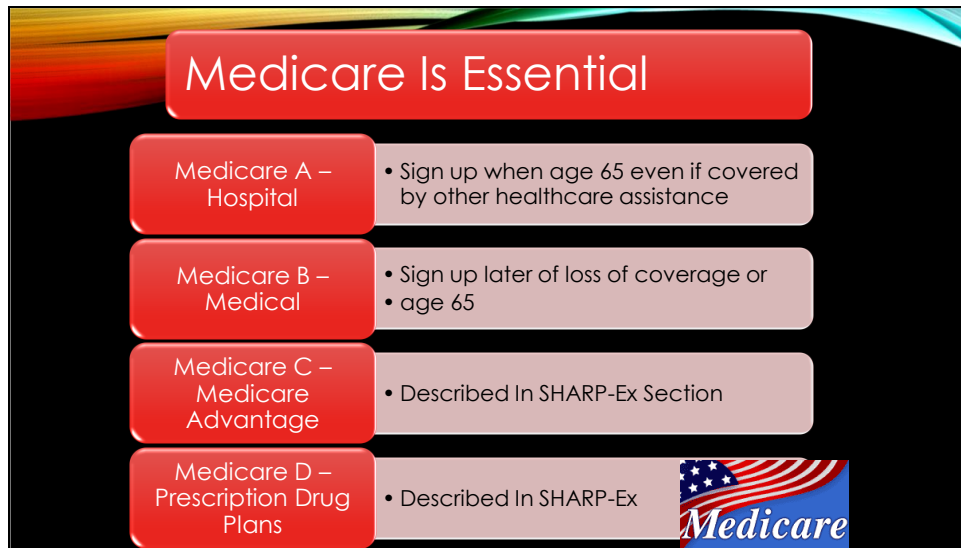


This section describes the Supplemental Healthcare, Adventist Retirement Plan. SHARP provides healthcare supplemental assistance to qualifying retirees. We will get quite detailed, so hang on to your seats.



In order to participate in SHARP, a person must have at least fifteen years of NAD Qualified Service Credit, including both pre-2000 and post-1999 Qualified Service Credit, and must be a NAD Retirement Plan beneficiary. A Retiree who was employed after 6/30/2020 will not be eligible to participate in SHARP.

A qualifying Retiree’s spouse is also eligible to participate as a Joint & Survivor Spouse which requires marriage for at least one year prior to Retirement. In rare cases, children of eligible Retirees under age 26 may be eligible to participate.

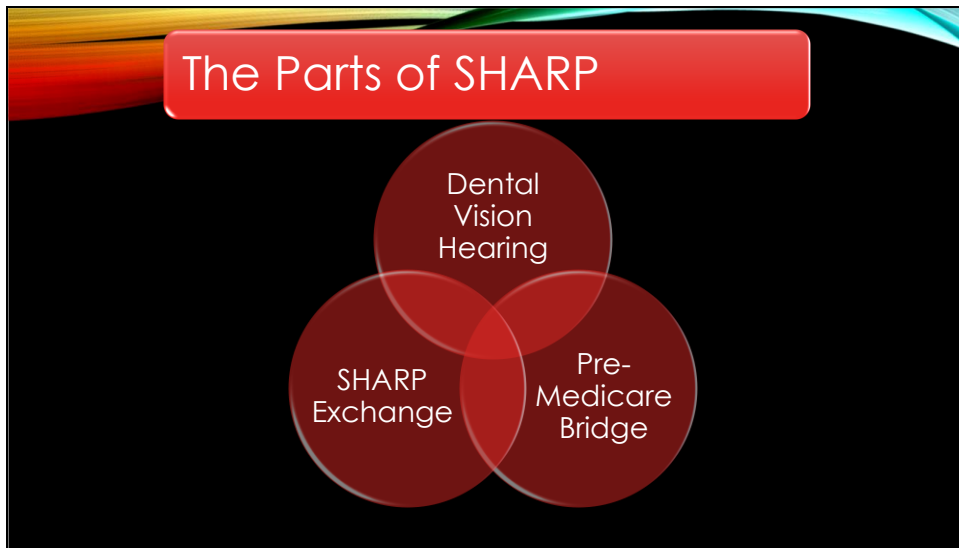


Medicare is the essential foundation upon which Healthcare Assistance is based. The four Medicare models are:

- **Medicare Part A:** this is for hospitalization. Medicare suggests applying for Part A to begin when reaching age 65, even if still employed and covered under an employer’s plan. The Employer’s Healthcare plan will be primary, but Medicare may assist with the personal share if hospitalized. Most people pay no monthly premium for Medicare A.
- **Medicare Part B:** this is for outpatient services such as Dr visits, radiology and lab. Medicare says to apply for Part B at age 65 or at loss of healthcare assistance due to retirement, whichever is LATER. There is a monthly premium Retirees pay for this coverage.
- **Medicare Part C:** also called Medicare Advantage is a special type of Medicare supplement.
- **Medicare Part D:** this provides prescription drug coverage for retirees.

SHARP assumes that Retirees will sign up for Medicare A, B and D. This is Important! SHARP supplements Medicare but does not replace Medicare.

[Go to Checklist](#)




The three basic components of SHARP include the:

- Dental/Vision/Hearing Plan
- SHARP Exchange Plan, which helps Medicare participants purchase supplemental coverages to pay for some of the original Medicare gaps.
- Pre-Medicare Plan, which enables a qualifying beneficiary to have a healthcare assistance plan prior to turning age 65 and becoming eligible for Medicare.

Is Medicare Enough?

Retiree Costs Under Original Medicare

- Outpatient Prescription Drugs
- Dental, Vision, Hearing
- Medicare Co-Pays and Deductibles
 - Inpatient Admission Deductible
 - (2021 = \$1,484)
 - Outpatient annual Deductible and Co-Pay
 - (2021 = \$203, 20%)
 - Daily Co-Pays for lengthy hospitalizations
 - (2021 = days 61-90 \$371)
 - (2021 = day 91+ \$742)



Retirees are responsible for healthcare costs which are not provided by Original Medicare alone.

- Outpatient Prescription Drugs: Almost every year the Plan has ten to fifteen retirees who incur outpatient prescription drug expenses exceeding \$100,000.
- Dental, Vision, Hearing: These expenses are not covered by Medicare.
- Deductibles & Copays: These can be significant amounts to be paid by the retiree particularly in the case of lengthy hospitalization as shown.

The slide features a dark background with a colorful gradient at the top. A red rounded rectangle at the top center contains the title "SHARP Phase-Out for DC Only Employees". To the left, a vertical red rounded rectangle contains the text "Effective July 1, 2020". To the right, a light gray rounded rectangle contains a bulleted list of three items. At the bottom right, a small teal rounded rectangle contains the text "NAD Action, November, 2019".

SHARP Phase-Out for DC Only Employees

Effective
July 1,
2020

- DC Only Employees will Not accrue Service Credit towards SHARP thresholds
- New Employees will Not participate in SHARP
- New Denominational Employers will Not participate in SHARP

NAD Action,
November, 2019

In November of 2019, the North American Division Committee acted to phase SHARP out of existence for employees hired after 12/31/1999.

- Existing retirees are not impacted by this change. SHARP will continue to operate for them.
- Existing employees with qualifying service credit under the pre-2000 defined benefit retirement plan will continue to accrue service credit towards meeting the various thresholds of assistance.
- Existing Employees with only post-1999 service credit will cease to earn additional service credit towards SHARP thresholds. If unvested with less than fifteen years, they would not be able to vest. If vested with at least fifteen years on June 30, 2020, they will be locked in at either 15 or 20 years and not move to the next threshold.
- New Employees hired after June 30, 2020, would NOT participate in SHARP.
- New denominational Employers, such as a new ABC, would not be allowed or required to participate in SHARP for their employees.

Examples of SHARP Termination

Joanna, employed 1985, retires 2025	Bill, employed 2000, retires 2035	Kevin, employed 2010, retires 2030
<ul style="list-style-type: none"> Continues to earn Service Credit towards maximum SHARP thresholds for self and spouse. 	<ul style="list-style-type: none"> Locked in with 20 years SHARP Service Credit for self and spouse. Not eligible for pre-Medicare healthcare assistance even with 40 years 	<ul style="list-style-type: none"> Not vested with 15 years by 6/30/2020 for Self or Spouse. Neither will participate in SHARP.

Here are some examples of how the SHARP phase-out will impact three different employees:

- Joanna was employed in 1985 and has worked continuously for the church. She will be eligible for a pension under the pre-2000 DB Plan and will continue to earn Service Credit towards SHARP Thresholds such as 30, 35 and 40 years. She is not impacted by the NAD action.
- Bill was employed after the freeze of the DB Plan. On June 30 of 2020, he ceased earning additional Service Credit towards SHARP Thresholds. With 20 years, he will qualify for benefits, but will not be able to move to the 25-, 30- or 35-year thresholds. He will not be eligible for a pre-Medicare healthcare plan. At age 65 his Spouse will be eligible for healthcare assistance under Bill's 20 years.
- Kevin was employed in 2010. Since he was not vested with fifteen years by June 30 of 2020, he will not participate in SHARP at Retirement.

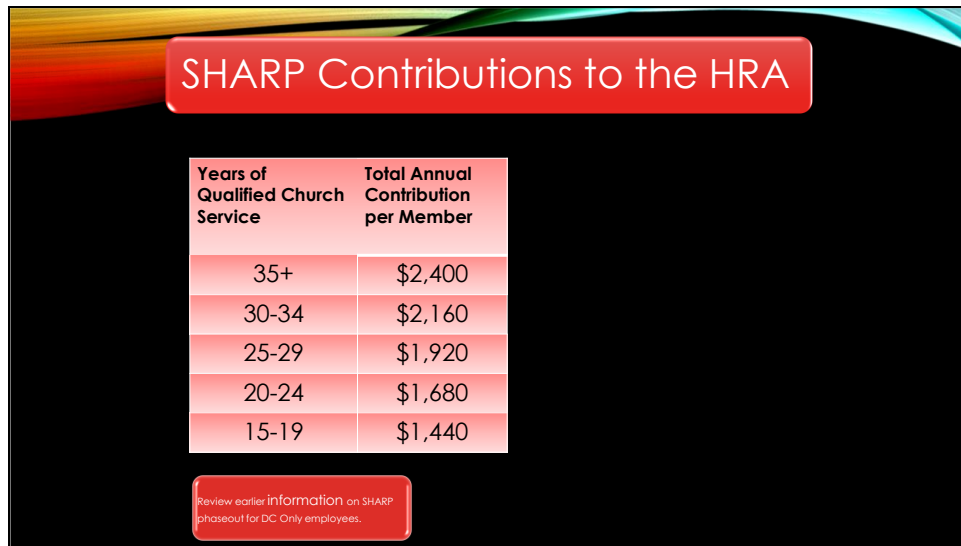
The Health Reimbursement Arrangement for Medicare Participants

- SHARP Contributes Annually to an HRA
- The Amount depends on Qualifying Service Credit
- The HRA Reimburses the Participant for
 - Premiums for Medicare Supplements
 - Medigap
 - Prescription Drug Plan
 - Medicare Advantage
 - Qualified Medical/Dental/Rx Expenses
- Unused Balance can be Rolled Over to the Next Year
- A Joint & Survivor Spouse is also eligible for an HRA Contribution

SHARP contributes to what is called a Health Reimbursement Arrangement at the beginning of each calendar year for age 65 plus retirees and for a Joint & Survivor Spouse. The amount of the

contribution depends on years of qualifying service credit. The purpose of the HRA contribution is to reimburse the participant for qualifying medical expenses including premiums for Medicare Supplements and out of pocket medical/dental/prescription drugs and other qualifying expenses. If there is a balance left at the end of the year, it is rolled over to the following year.

Most retirees set up an auto reimbursement system, so that charges for monthly Medicare Supplement premiums are reimbursed by direct deposit automatically.



A presentation slide titled "SHARP Contributions to the HRA" with a red header. It features a table with two columns: "Years of Qualified Church Service" and "Total Annual Contribution per Member". The table lists five service bands and their corresponding annual contributions. A small red box at the bottom contains a note about reviewing earlier information on SHARP phaseout for DC Only employees.

Years of Qualified Church Service	Total Annual Contribution per Member
35+	\$2,400
30-34	\$2,160
25-29	\$1,920
20-24	\$1,680
15-19	\$1,440

Review earlier information on SHARP phaseout for DC Only employees.

How much will SHARP annually contribute to each HRA? Find the five-year band of service expected at retirement, including pre-2000 and post-1999 NAD years of Church Qualified Service Credit. Shortly we will show how this contribution may be impacted by participation in the Dental/Vision/Hearing plan.



A presentation slide with a red header and a large red box containing the text "2021 Information on how the NAD Retirement Plan manages Dental/Vision/Hearing". Below this is a larger red box with the text "Dental/Vision/Hearing" in white.

2021
Information on how the NAD Retirement Plan manages Dental/Vision/Hearing

Dental/Vision/Hearing

As we get into SHARP's provisions, we will start with DVH. The church provides a plan to assist with Dental, Vision and Hearing expenditures in retirement. This is an important decision at Retirement, and in most cases is a one-time life-long decision.

Eligibility for DVH

Retiree	<ul style="list-style-type: none">• 15+ Years of NAD Church Qualified Service Credit• Age eligible for Retirement = 59 ½ +• Applied for Retirement• Age 65+ or 40 years of NAD Church Qualified Service Credit for subsidy.
Spouse	<ul style="list-style-type: none">• Retiree is eligible for SHARP• Retiree has designated Spouse as Joint & Survivor• Married to Retiree for at least one year at Retirement.

Review earlier information on SHARP phaseout for DC. Only employees.

Retirees may be eligible either with financial subsidy, or at personal cost.

To participate, a Retiree must:

- Have At least 15 years of NAD Church Qualified Service Credit
- Be at least age 59 ½ and
- Have applied for Retirement benefits.

To receive a subsidy, the Retiree must:

- Be at least age 65,
- Or if younger, have 40 or more years of NAD Church Qualified Service Credit.

A spouse must be married to a SHARP eligible Retiree for at least one year prior to Retirement and be designated as a Joint & Survivor Spouse under the pre-2000 defined benefit pension plan.

DVH Enrollment

Open Enrollment

- At Retirement
- At Loss of Coverage if enrollment was Deferred at Retirement
- Can be Permanently Terminated
- All or Nothing

The normal DVH enrollment opportunity is at Retirement. If Retirement is pre-65, there is an open enrollment at Retirement, plus another open enrollment in the month the Retiree and/or Spouse reaches age 65. These are the only opportunities to enroll in DVH. A participant may request that coverage be permanently dropped at year end by notice in writing.

Dental/Vision/Hearing Provisions

Cost-Sharing	<ul style="list-style-type: none"> • Plan: 80% • Participant: 20%
Plan Maximums	<ul style="list-style-type: none"> • Dental Assistance: \$2,200 • Vision Assistance: \$400 • Hearing Assistance: \$2,200*
Monthly Contributions	<ul style="list-style-type: none"> • \$102/participant
Assistance	<ul style="list-style-type: none"> • If age 65 or 40+ years of Service Credit • Earned Credit is available to assist

*Hearing includes a one-year look-back provision

By far the majority of new eligible retirees enroll in DVH. SHARP pays 80% of qualifying costs subject to the calendar year Annual Maximums shown. Note that the Hearing provision includes a one-year lookback. This means that a DVH Participant who did not use the hearing benefit in say 2021 could use both 2021 and 2022 maximums in 2022. This lookback is not available for dental or vision. These maximums are modest and can easily be exceeded in any given year.

The monthly cost of DVH is shown. Assistance is offered against the monthly charge if the Retiree is age 65 plus, or if the pre-65 Retiree has 40 plus years of qualifying service credit.

DVH Assistance

Years of Qualified Church Service	Monthly Assistance	Net Monthly DVH Contribution
35+	\$65	\$37
30-34	\$58	\$44
25-29	\$51	\$51
20-24	\$44	\$58
15-19	\$37	\$65

DVH Costs
 \$102/person/month

This Table shows the monthly assistance qualifying participants will receive to help with the monthly DVH contribution. The right column shows the net monthly charge for DVH. Sounds manageable, right? However, the amount of this assistance is actually deducted from the 65+ Retiree's HRA Contribution, leaving the Retiree with less money for reimbursement for other qualifying medical/dental expenses. So, while the subsidized monthly cost is modest, the actual annual cost of DVH is going to be the full DVH cost. We will explain this in more detail when we pull each of the three provisions together in enrollment form examples.

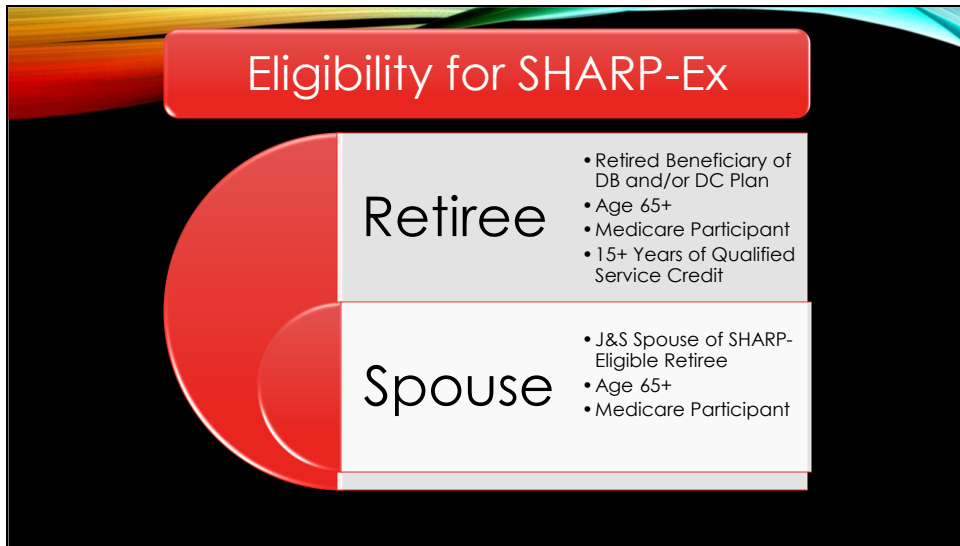
[Go to Checklist](#)

SHARP-Exchange

2021
 Information regarding Retirement Healthcare Assistance for Medicare Eligible denominational employees with at least fifteen years of Qualified Service Credit and age 65+.

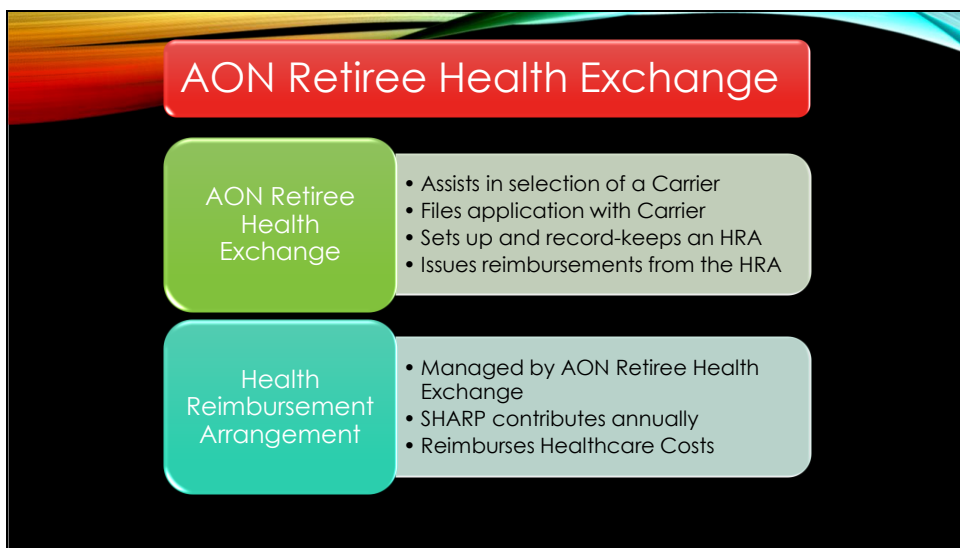
We now move from DVH to the SHARP-Exchange, or SHARP-Ex. This healthcare assistance provision is available for Retirees and J&S Spouses who are age 65+ and participating in Medicare. We will discuss Eligibility, introduce the Plan Broker, AON Retiree Health Exchange, and describe the workings of the Health Reimbursement Arrangement. We will discuss the

three Medicare Supplemental provisions and then describe the Applications process and change options.



A Retiree under the NAD Defined Benefit Retirement Plan and/or the NAD Defined Contribution Retirement Plan is eligible to participate in SHARP-Ex if at least age 65, a Medicare participant and with at least 15 years of church Qualified Service Credit.

A Retiree's Spouse is eligible to participate in SHARP-Ex if designated at Retirement as a Joint & Survivor Spouse, which requires marriage at least one year prior to Retirement. The Spouse must also be at least age 65 and a Medicare participant.

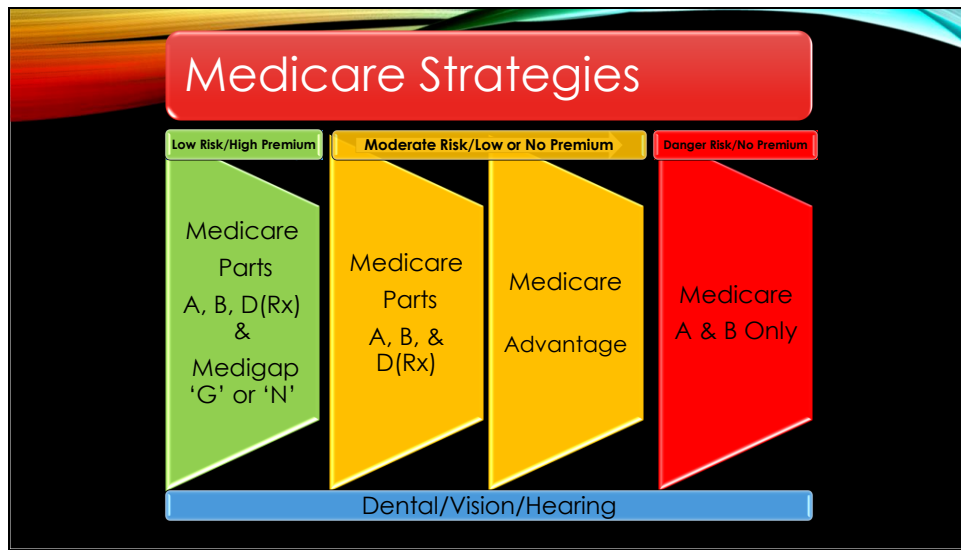


AON Retiree Health Exchange is a brokerage company with contracts with approximately ninety different supplemental carriers (Kaiser, UnitedHealthcare, etc.) nationwide. They record-keep

the retiree's Health Reimbursement Arrangement, provide a Benefits Advisor and file Retiree enrollment applications with a carrier of choice.

AON Retiree Health Exchange is a broker, not a carrier. There are no AON Retiree Health Exchange insurance products in SHARP-Ex. AON Retiree Health Exchange essentially introduces Retirees to the marketplace of Medicare Supplement carriers.

At Retirement, a Health Reimbursement Arrangement account is opened for each qualifying participant. SHARP contributes to that account based on years of Qualified Service Credit. Those funds become available to reimburse Participants for premiums paid and other healthcare costs. To receive a contribution to the HRA, the Retiree must purchase a Medicare D prescription drug plan and/or a Medicare Supplement plan such as a Medigap plan or a Medicare Advantage Plan from the AON Retiree Health Exchange. Retirees who buy from another broker or directly from a carrier jeopardize the HRA contribution.



Before diving into the details, here are four healthcare assistance strategies new 65+ Retirees may consider under SHARP-ex.

- Medicare parts A and B, plus D (Rx) plus a Medigap 'G' or 'N': Medicare pays for hospitalization and outpatient costs, with coinsurance, deductibles and co-pays. The Medicare D (Rx) plan assists with Prescription Drugs. Medigap pays the hospital admissions deductible and some Medicare copays and deductibles. Retirees will usually pay a medical annual deductible and Rx deductible and co-pays. This strategy has the highest monthly premium costs but protects the Retiree from unpleasant major surprise expenditures. This is a low risk/high premium strategy.
- Medicare Parts A, B and D(Rx) only: Medicare pays most hospitalization and doctor visit costs. The Medicare D (Rx) plan assists with Prescription Drugs. Retirees will pay the sizeable hospital admissions deductible and medical deductibles and copays with no supplemental assistance, in addition to the RX copays. This is a moderate risk/low premium strategy.

- Medicare Advantage: Medicare Advantage essentially replaces Original Medicare with a commercial product governed by Medicare mandates. It covers all the Medicare A and B mandated coverages and includes a Prescription Drug Plan and may include limited dental, vision, and hearing provisions. It is network restricted, and in the case of hospitalization, there will probably be a sizeable daily co-pay for up to 5 days. Most have very low premiums, some with no monthly premium. This is a moderate risk/low or no-premium strategy.
- Medicare Only: We Strongly discourage this Danger-Risk strategy. Some prescriptions result in costly specialty drugs. Each year the Plan has over a dozen retirees who spend more than \$100,000 within the calendar year on out-patient prescription drugs. If the new expensive prescription is written in say February, retirees will not usually be allowed to begin a new Rx coverage until the following January. Finally, because no Medicare Supplement is purchased through the Aon Retiree Health Exchange, the Retiree will not receive an HRA Contribution. This is a Danger High Risk option.

In addition to any of the four Medicare strategies, Retirees will decide whether to enroll in the Dental/Vision/Hearing Plan.

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'Gaps' Under Original Medicare	G	N
Hospital Admissions Deductible (2021 = \$1,484)	✓	✓
Medicare Part B Annual Deductible (2021 = \$203)		
Medicare Part B Coinsurance (Generally 20%)	✓	Up to \$20
Medicare Part B Excess Charges	✓	
Long-stay (61+ days) Hospital Coinsurance, Blood (first 3 pints), Skilled Nursing Facility for Rehabilitation & Hospice Copays	✓	✓
Foreign Travel Medical Emergencies (80%/20%)	✓	✓

We begin by looking at Medicare Supplements, often known as ‘Medigap Plans’. This chart is a busy but useful tool in explaining the gaps. At the top of the chart are the Medigap Plans G and N, offered through the Aon Retiree Health Exchange.

The lettered plans have the same core benefits. An “N” Plan from Kaiser will provide the same mandatory coverage as an “N” Plan from United Healthcare. But the monthly premiums will vary, and some Plans provide non-mandatory add-ons.

On the left side are the healthcare costs not covered by Medicare Parts A and B. These are the gaps in coverage that are either paid personally or by a Medigap Plan. A check mark under the Plans means that gap is paid by the Plan. Thus, the term ‘Medigap.’

- The hospital admissions deductible is charged by the Hospital to the patient before Medicare kicks in. This is not an annual deductible. Retirees with multiple admissions in one year may incur multiple deductibles. Both 'G' and 'N' pay for this.
- Medicare Part B Annual Deductible. This is the annual amount for which retirees are responsible for outpatient medical care such as annual Dr. visits. Neither 'G' nor 'N' pay for this.
- Medicare Part B Coinsurance. Once retirees have met the Part B Deductible, they will be responsible for 20% of the Medicare approved charge for outpatient Dr. Visits. 'G' covers this cost. 'N' expects 'up to \$20' copay by the Retiree.
- Medicare Part B Excess Charges: In some cases, doctors can charge the patient up to 15% over what Medicare pays. The Retiree is responsible for the Excess under Original Medicare. 'G' covers this. 'N' does not.
- Long-stay hospitalization (61+ days), blood transfusions, rehab in a skilled nursing facility, and Hospice care may result in significant coinsurance charges. Both plans provide assistance within certain limits.
- Foreign Travel Emergencies: With rare exceptions, Medicare provides no assistance for medical emergencies outside of the US. However, both 'G' and 'N' provide modest assistance for international medical emergencies. Generally, such plans provide a lifetime benefit maximum of \$50,000. The Retiree pays a 20% coinsurance, and a \$250 deductible.

There are some lower cost lower benefit plans which have not been popular with our Retirees which AON Retiree Health Exchange does not offer. Also, for new retirees who were born before 1955, Plans "C" and "F" (not shown) are available. These are richer and generally more expensive plans. These plans are no longer available for retirees born after 1954 due to actions of the federal government.

Example Medigap Plans		
	Blue Shield "G"	Transamerica "N"
Annual Premium*	\$2,100	\$1,578
Part B Excess	✓	
Part B Coinsurance	✓	Up to \$20

*Premium Only. Does not include medical copays or Rx.

Low Risk/High Premium Strategy

Here are two Medigap examples from one zip code, a "G" Plan from Blue Shield and an "N" Plan from Transamerica. The annual premium is shown for each plan.

Both plans cover most Medicare deductibles and co-pays, but no prescription drug plan. The 'G' plan will usually be more expensive than the "N" plan in that it covers the doctor visit copay and excess doctor charges if any. Retirees will use tools and advice to search among options to find the one that best meets budgetary and risk tolerance needs.

Medicare D

Information regarding Medicare's prescription drug plan.

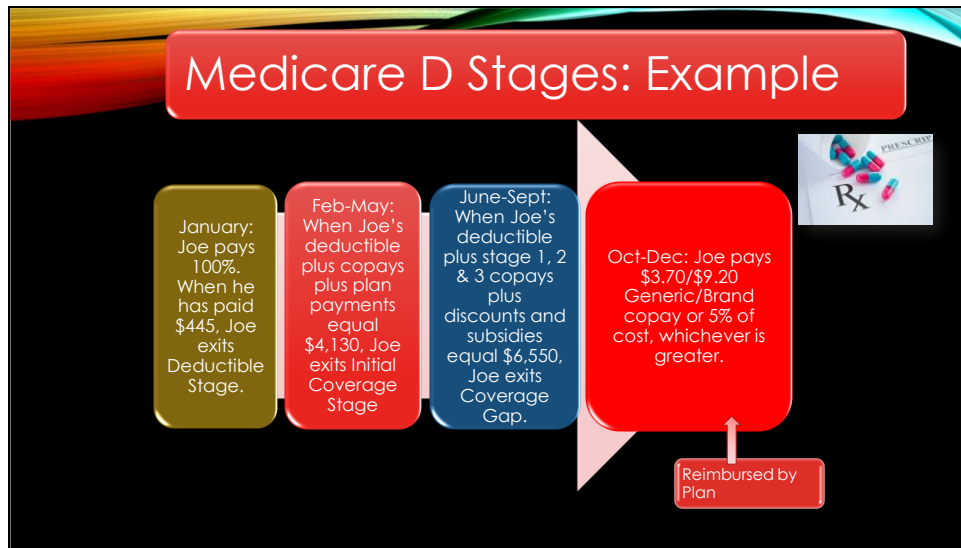
Now we move from Medigap plans to Medicare D, Medicare's optional prescription drug plan. We will explore the prescription drug model and the various stages within that model. We will look at some sample plans.

2021 Medicare D Stages		
Stage	Retiree Pays	Exit Stage When
Annual Deductible	100% (Some Plans reduce deductibles.)	\$445 paid by Retiree.
Initial Coverage	Plan Published Copays	\$4,130 paid by Retiree and Plan including Deductible
Coverage Gap	25%	\$6,550 paid by Retiree and Govt/Manufacturer
Catastrophic	Usually 5%	Calendar Year Ends

Medicare D has four stages.

- The initial stage at the beginning of each Calendar Year is the Annual Deductible. Some plans reduce or eliminate it entirely. Some plans have no deductible for Tier 1 and 2 (low cost) drugs. In many plans the Retiree pays the full cost of the drugs each year until the deductible is met.
- Once the deductible has been met, the Retiree enters the Initial Coverage. The co-pay amount depends on how the plan prices its drug tiers. For instance, a tier one 90-day supply may cost only \$1. A tier two may be \$28. A tier three may be \$73. A tier four drug is probably going to be a specialty drug and the copay will be 25%-33% of the actual drug cost. Some plans charge nothing for tiers one and two, and more for the higher tiers. Government goals are for Retirees to pay on average 25% of the drug costs.
- For a handful of Retirees, the total costs of drugs including the annual deductible, the co-pays and amounts paid by the plan reach the top of the Initial Coverage level, the Retiree exits Initial Coverage and enters the dreaded Coverage Gap. Instead of paying the published co-pay, the Retiree now starts paying 25% of the cost of the drug. Since Medicare’s goal is for Retirees to pay 25% on average, Medicare has declared that the Coverage Gap has been closed. Our experience is that most Retirees who are unfortunate enough to enter the Coverage Gap will find the 25% to be higher than the Initial Coverage copays.
- If the participant’s deductible and copays during the year, plus the manufacturer discounts and government subsidies while in the Coverage Gap exceeds the exit stage threshold, the participant exits the Coverage Gap stage. For the rest of the calendar year participants will pay a small co-pay, usually 5% of the drug cost.

At the end of the Calendar year, the cycle starts over with the participant entering the Annual Deductible stage.



Here is an example. Joe, an imaginary Retiree, uses a lot of drugs. He pays 100% of the cost of the drugs in January and exits the Deductible Stage when he has paid the deductible amount.

From February to May, Joe pays copays, and his plan pays the balance. When the annual deductible plus the copays plus the plan share reaches the exit number shown, Joe exits the Initial Coverage Stage and enters the dreaded Coverage Gap.

From June to September, Joe pays 25%. Sometime in September, Joe's deductible, and copays from Stages 1, 2 and 3, plus discounts and subsidies reaches the exit threshold. Joe now happily exits the donut hole and enters the Catastrophic Stage.

Now instead of paying 25% of the cost of drugs, between now and the end of the Calendar year he will pay either a very low copay or 5% of the cost of the drug, whichever is greater.

Now here is the good news. For those few Retirees who enter the Catastrophic Stage, SHARP-Ex will reimburse them for total copays during that Stage. "Why is this good news?" you ask. "The costs are low." Maybe not. A Retiree who has blasted through the Initial Coverage by the end of May is probably using some very expensive drugs. 5% of a very expensive drug is going to be a lot of money. That reimbursement will be helpful for those few Catastrophic Stage participants.

At the end of the calendar year, Joe exits the Catastrophic Stage and enters the next year's Deductible Stage.

Example Rx Plans

Medicare D Prescription Drug Plans			
	Wellmark Blue	United Healthcare Saver	Humana Walmart
Annual Premium	\$421	\$484	\$ 221

Let us look at some Rx plans in one market. Actual premiums will vary across the country. AON's selection process allows Retirees to enter specific drugs currently being prescribed, and to select from among plans that make the most sense. Some higher cost plans will cover more expensive drugs.

In this example, there are three plans. The annual premium is shown. Specific drug co-pays are not included in these premiums and may be substantial. In this example the Humana Walmart plan charges the smallest premium, but a Retiree would want to review what the deductible and tier structure is and if all current drug needs are covered by the Plan.

Example of Medigap & Rx Plans

Transamerica "N" Plan Premium	\$1,578
United Healthcare Saver Rx Plan Premium	\$484
Total Annual Premiums	\$2,062
Less Plan HRA Contribution (35+ years with DVH)	\$1,620
Net Annual Premium Costs*	\$442
Net Monthly Premium Costs	\$36

*Premium Only. Does not include copays.

Low Risk/High Premium Strategy

Let us combine a Medigap and Rx into a low risk/high premium strategy. This is only an example. Premiums vary across the country.

The Participant selects the "N" Plan from Transamerica and the Rx Plan from United Healthcare.

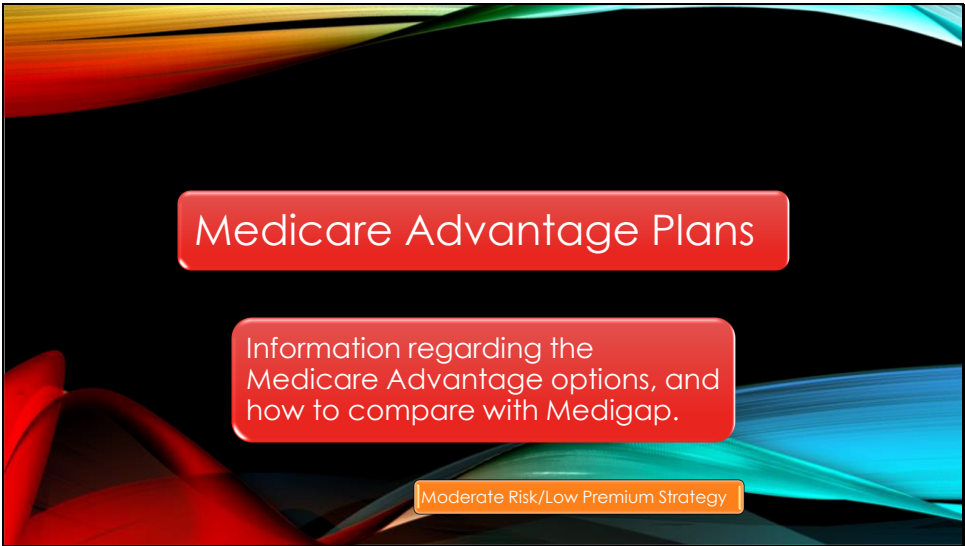
The annual premium is shown for each plan. The Transamerica “N” plan covers hospital admission and other items. Retiree would pay for the Medical annual deductible and up to \$20 for a Dr. Visit, plus prescription drug copays.

From a previous slide, we showed how much the Plan would provide as an HRA Contribution if the Retiree has 35+ qualifying years of service credit. However, we also said that if the Retiree enrolled in the DVH plan, that amount would be reduced by the amount of the DVH subsidy. That reduced contribution is shown here, leaving an annual balance for which the Retiree is responsible. Divided by twelve gives the net monthly charge for the premiums.

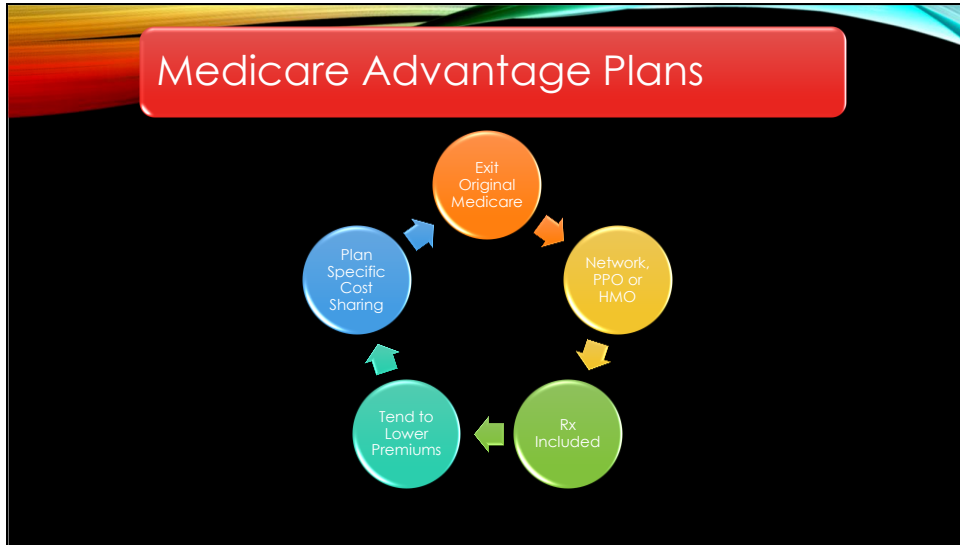
Not all Retirees will have the same HRA Contribution because of varying years of Qualified Service Credit. If this Retiree had not enrolled in Dental/Vision/Hearing, the HRA contribution would have been higher.

Retirees will use tools and advice to search among options to find the ones best meeting the medical, budgetary and risk tolerance needs.

[Go to Checklist](#)



Now let us look at the alternative to the Medigap plus Rx Strategy, the Medicare Advantage Plan. It essentially replaces original Medicare with an all-encompassing plan that is network limited. The participant may have to change doctors.



In this case, the Retiree actually exits Original Medicare, although the Medicare B premium is still paid. A Medicare Advantage Plan must include all the Medicare A and B provisions of Original Medicare. The Plan is based on a network. Unlike the Medigap plans, Medicare Advantage Plans usually include a Prescription Drugs plan. Premiums tend to be lower in these plans than in the Medigap plus Rx combination. Some Plans offer zero-dollar premiums. Cost sharing is specific to the Plan. Some have an admissions deductible; some have a daily charge for hospitalization, and some cover the full cost of hospitalization. Medicare Advantage participants usually pay lower monthly premiums, but hospitalization will cost more.

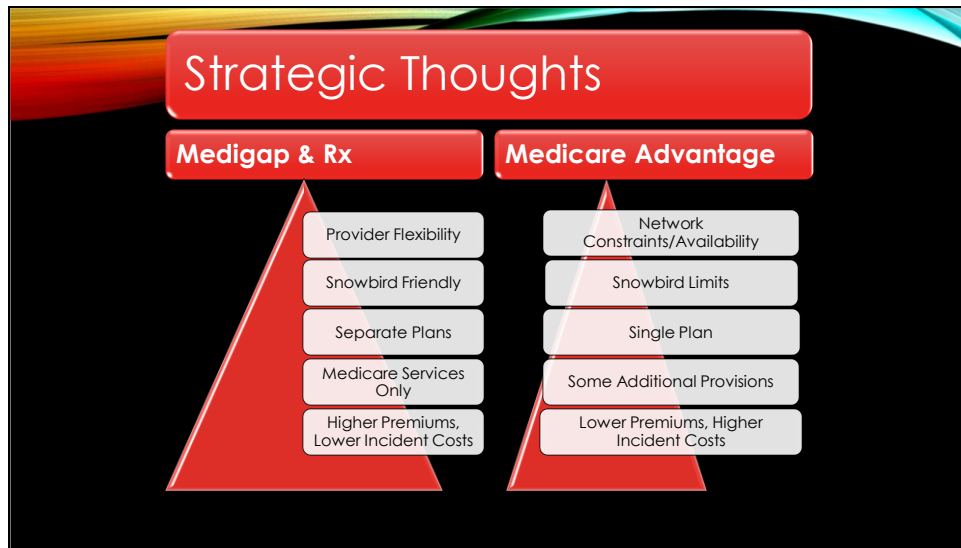
Example: Medicare Advantage Plans			
Retiree Pays:	United Healthcare HMO	Aetna PPO	SCAN HMO
Annual Premium	\$0	\$924	\$288
Hospitalization	\$400/day First 4 days	\$225/day first 5 days	\$300/day first 5 days
Dr. Visit CoPay	\$0	\$10	\$0
Specialist CoPay	\$40	\$40	\$0
Network Type	HMO	PPO	HMO
Dental	\$0 Exam	None provided	\$0 Exam
Vision	\$0 Exam	\$0 Exam	\$35 Exam
Hearing	\$0 Exam	\$0 Exam	\$0 Exam
Rx Deductible	\$0 tier 1&2 \$195 tiers 3,4,5	\$0	\$0
Rx: Preferred Generic	\$3	\$0	\$4
Generic	\$12	\$10	\$14
Preferred Brand	\$47	\$121	\$116
Non-Preferred Brand	\$100	\$300	\$275

OK, this gets a little tedious. Here are three Medicare Advantage Plans in one zip code. The annual premiums vary significantly, as do the hospitalization coinsurance rules.

Let's compare some of the provisions. We'll go down the left side of the slide.

- Hospitalization: United Healthcare has the potential of being the most expensive, while Aetna is least expensive and least network restricted.
- Dr. Visit Co-Pay: Aetna has a modest copay for a Primary Care Physician visit. The others do not.
- Specialist: Only SCAN has no charge for a specialist.
- Network Type: Retirees should be comfortable that the network limit is acceptable. This will vary significantly. Cities will have more options available than more semi-rural areas. A PPO will include more providers in general than an HMO.
- D/V/H: Remember that these visits are basically annual exams.
- Rx: The deductible structure and various tier prices are shown.

So, which is best? Often this will come down to network convenience and availability.

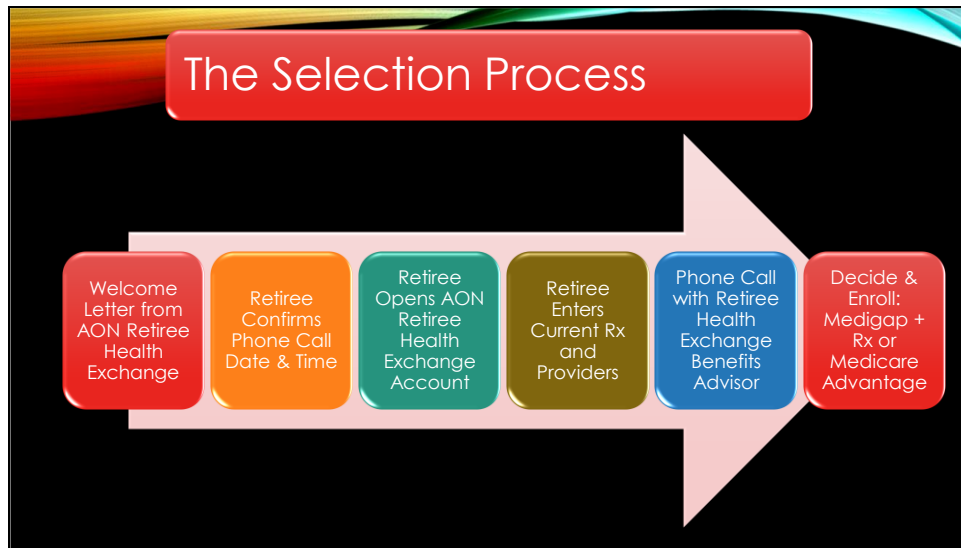


Retirees considering which strategy to follow may wish to review these talking points:

- A Medigap Plan allows you to visit any provider that accepts Medicare. Medicare Advantage requires a network provider for non-emergency care. Semi-rural areas and small towns may have limited Medicare Advantage network access.
- Snowbirds, those with split residency in Retirement will probably find the Medigap strategy to be more convenient because of provider flexibility.
- Retirees who like to deal with one carrier and one plan will find Medicare Advantage most convenient. Medigap requires two vendors, Medigap and Rx.
- Medigap limits itself to Medicare services. Some Medicare Advantage plans include additional provisions, such as gym membership, over the counter drugs and annual dental, vision and hearing exams.

From a risk tolerance perspective, those willing to pay higher premiums to avoid potentially high incident costs for hospitalization might find the Medigap strategy appealing. Those who prefer lower monthly premiums, recognizing that occasionally there will be high incident costs may prefer a Medicare Advantage strategy.

[Go to Checklist](#)



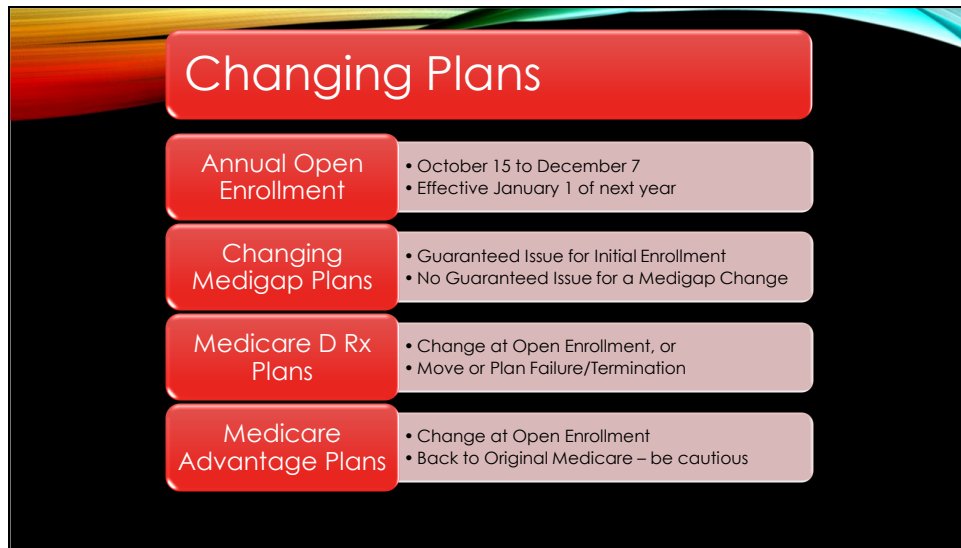
The process for selection of a strategy and specific plans is somewhat tedious. After filing for retirement, the Employee will receive a Welcome Letter from Aon Retiree Health Exchange which includes an account number and date and time for a phone call with a Benefits Advisor. The letter also includes notification of the annual contribution SHARP will send to the HRA Account. The employee must confirm the phone call date and time, or the Benefits Advisor is not allowed to call. The employee may then go online and open an AON Retiree Health Exchange Account using the account number provided. Using that account, the Employee should enter specific prescription drugs and provider information which will provide the system with a needs assessment.

Warning: Please do NOT make any purchases until you have talked to the Benefits Advisor on the phone.

The AON Retiree Health Exchange tools are quite intuitive and allow you to explore various options. By the time the call occurs, Retirees will probably have a good feel for what type of plan or plans make the most sense.

Retirees who are not comfortable with on-line exploration can do this by phone with the Benefits Advisor. With the assistance of the Benefits Advisor, the Retiree will make decisions on strategy and carriers. The first month's premium will be paid, and the reimbursement system will be set up.

[Go to Checklist](#)



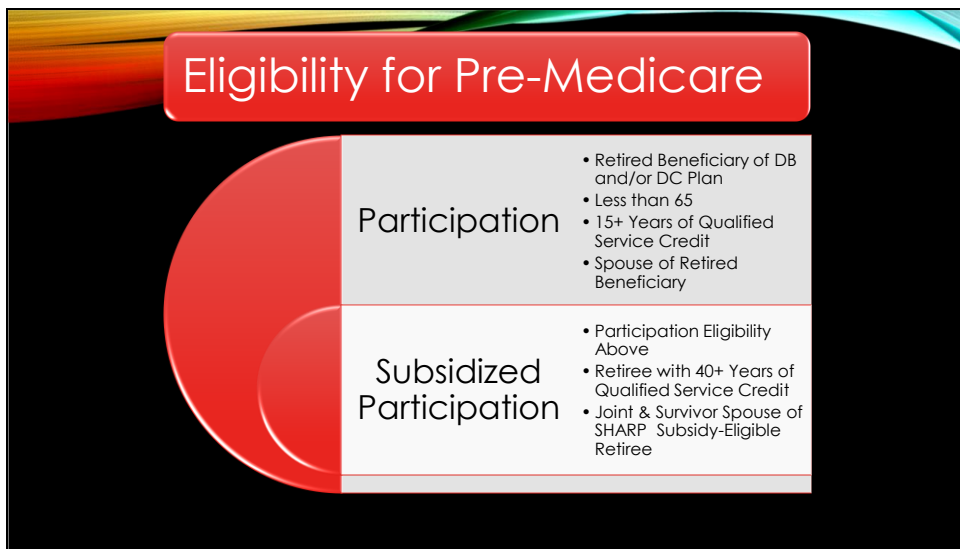
Plan changes should be approached with caution. Every year there is a Medicare Annual Open Enrollment from October 15 to December 7. Changes can be made during this time frame, to become effective January 1 of the subsequent year. Initial enrollment does not subject a Retiree to questions about pre-existing conditions. However, changes from one Medigap Plan to another Medigap Plan may subject the Retiree to such questions, with possible negative results.

Medicare Part D (Rx) Plans can be changed at the annual Open Enrollment. If you move or the Plan fails or terminates you can change outside of the annual open enrollment. The company cannot deny RX coverage for pre-existing conditions.

Medicare Advantage members can change to another Medicare Advantage Plan without pre-existing condition problems at Annual Open Enrollment. They can also change back to Original Medicare. Medicare Parts A and B will readily accept such a shift, however enrolling into a Medigap Plan from a Medicare Advantage Plan will usually require answers to questions about health condition. A Medigap Plan may decline to cover such individuals or charge higher premiums. Switching from any Plan or Plan type requires careful research before taking any action. The Aon Retiree Health Exchange Benefits Advisor can assist in thinking through possible changes.



Now we are going to transition from Medicare-based plans to the Pre-Medicare bridge. We will discuss Eligibility for Pre-Medicare Plan. We will describe briefly the actual Benefits provided, and the Cost Structure. Participants will understand the Temporary “Bridge” nature of the Plan, and finally we will discuss the pitfalls of early retirement. Plan Details can be obtained by downloading the Pre-Medicare SHARP booklet from the Plan website.



Pre-Medicare Plan is designed to bridge the gap between retirement termination and age 65 when the participant becomes eligible for Medicare. Many are eligible to participate, but not all are eligible for financial assistance.

- A Retiree age 59 ½ or above with at least fifteen years of Qualified Service Credit can join the Pre-Medicare Plan.
- A Joint & Survivor Spouse of an eligible Retiree who is less than age 65 can also join the Pre-Medicare Plan.

To receive financial assistance, a Participant must meet other criteria.

- An Employee who Retires with forty or more years of Qualified Service Credit is eligible for assistance. Without the forty years, the Retiree will pay the unsubsidized cost of participation in the pre-Medicare Plan.
- If a Retiree is eligible for assistance, then the Joint & Survivor Souse of that Retiree is eligible for Assistance as well. For instance, a 63-year-old Spouse of a 66-year-old eligible Retiree is eligible for Participation and financial assistance.

The infographic titled "SHARP Pre-Medicare Plans" details the components and costs of the plan. It lists three main components: a Typical Medical Plan, a Dental/Vision/Hearing plan, and a Prescription Drug Plan. Below these, it provides a breakdown of the 2021 monthly costs for each component and the total cost per member per month.

Component	Details
Typical Medical Plan	• Preferred Provider Organization • Retiree Co-Pays
Dental/Vision/Hearing	• Same as 65+ DVH Plan • Co-pays and Maximums
Prescription Drug Plan	• 3-Tier Rx Plan with Co-Pays

Category	Cost
Medical	\$505
DVH	\$102
Rx	\$150
Total	\$757/member/month

The Pre-Medicare Plan is a typical healthcare assistance plan including hospitalization and outpatient. The Dental/Vision/Hearing Plan has been previously described. The Prescription Drug Plan is a 3-tier plan with copays.

The pre-Medicare Retiree and/or Spouse can select from among the three components. Most enrollees select all three. The monthly contribution is quite substantial; however, an Earned Credit is available against this charge if the Retiree meets eligibility requirements.

Earned Credit for Eligible Pre-MC

Years of Qualified Church Service Credit	Monthly Earned Credit per Participant
35+	\$640
30-34	\$565
25-29	\$490
20-24	\$415
15-19	\$340

The Earned Credit partially offsets the actual cost of the pre-Medicare Plan. A pre-Retiree can find his or her row by estimating years of Qualified Service Credit at Retirement. This benefit is not paid to the Retiree but is a non-taxed credit against the actual cost of SHARP Pre-Medicare options selected.

2021 DVH, SHARP Exchange and SHARP Pre-Medicare Examples

Enrollment Forms

SHARP Enrollment Form				
Retiree	Years	Age	Retiree Cost	Spouse Cost
Retiree Tony	35+	Age 65		
J&S Spouse Hannah		Age 63		
65+ Only	Retiree	Spouse	Monthly Cost	Retiree Cost
DVH	✓		\$102	\$102
Less Earned Credit				\$65
Personal DVH Cost				\$37
Pre-Medicare				
Medical	✓		\$505	\$505
Rx	✓		\$150	\$150
DVH	✓		\$102	\$102
Total Pre-Medicare				\$757
Less Earned Credit				\$37
Net Cost Combined Monthly Charge				\$720

SHARP Enrollment Form				
Retiree	Years	Age	Retiree Cost	Spouse Cost
Retiree Tony	39 Years	Age 64		
J&S Spouse Hannah		Age 63		
65+ Only	Retiree	Spouse	Monthly Cost	Retiree Cost
DVH				
Less Earned Credit				
Personal DVH Cost				
Pre-Medicare				
Medical	✓		\$505	\$505
Rx	✓		\$150	\$150
DVH	✓		\$102	\$102
Total Pre-Medicare				\$757
Less Earned Credit				\$37
Net Cost Combined Monthly Charge				\$720

SHARP Enrollment Form				
Retiree	Years	Age	Retiree Cost	Spouse Cost
Retiree Tony	35+	Age 65		
J&S Spouse Hannah		Age 65		
65+ Only	Retiree	Spouse	Monthly Cost	Retiree Cost
DVH	✓		\$102	\$102
Less Earned Credit				\$65
Personal DVH Cost				\$37
Pre-Medicare				
Medical	✓		\$505	\$505
Rx	✓		\$150	\$150
DVH	✓		\$102	\$102
Total Pre-Medicare				\$757
Less Earned Credit				\$37
Net Cost Combined Monthly Charge				\$720

HRA Contribution	\$2,400	\$2,400
Less DVH Earned Credit (65x12)	\$ 780	\$ 780
Net HRA Contribution	\$1,620	\$1,620

We have described SHARP's Dental/Vision/Hearing, Exchange, and Pre-Medicare options. We will now show various example scenarios using enrollment forms. We will demonstrate the imaginary Tony and Hannah with various age and service examples.

SHARP Enrollment Form					
Retiree	Tony	35+ Years	Age 65		
J&S Spouse	Hannah		Age 65		
65+ Only	Retiree	Spouse	Monthly Cost	Retiree Cost	Spouse Cost
DVH	✓	✓	\$102	\$102	\$102
Less Earned Credit				\$65	\$65
Personal DVH Cost				\$37	\$37
Pre-Medicare					
Medical					
Rx					
DVH					
Total Pre-Medicare					
Less Earned Credit					
Net Cost				\$37	\$37
Combined Monthly Charge					\$74

	Retiree	Spouse
Annual HRA Contribution	\$2,400	\$2,400
Less DVH Earned Credit (65x12)	\$ 780	\$ 780
Net Annual HRA Contribution	\$1,620	\$1,620

Here, Tony and Hannah are both age 65 when Tony retires. Both enroll in DVH. They are charged the full cost of the Dental/Vision/Hearing plan, but an earned credit reduces the monthly cost to both.

The HRA table shows that since Tony has over 35 years of Qualified Service Credit, both would normally receive the maximum healthcare assistance contribution to the HRA. However, since they selected DVH, the annual subsidy for DVH will be deducted from the annual HRA contribution. To reiterate, the net DVH cost to Tony and Hannah looks like a great deal, but the actual cost to the Retiree is the full DVH price when the reduction to the HRA is considered.

SHARP Enrollment Form					
Retiree	Tony	35+ Years	Age 65		
J&S Spouse	Hannah		Age 63		
65+ Only	Retiree	Spouse	Monthly Cost	Retiree Cost	Spouse Cost
DVH	✓		\$102	\$102	
Less Earned Credit				\$65	
Personal DVH Cost				\$37	
Pre-Medicare					
Medical		✓	\$505		\$505
Rx		✓	\$150		\$150
DVH		✓	\$102		\$102
Total Pre-Medicare					\$757
Less Earned Credit					\$640
Net Cost				\$37	\$117
Combined Monthly Charge					\$154

Tony's HRA Contribution	\$2,400
Less Tony's DVH Earned Credit (65x12)	\$ 780
Tony's Net HRA	\$1,620

Let us change the example by making Hannah's age 63. She applies for the Pre-Medicare Medical, Rx, and DVH. The monthly charges are shown. But because Tony had 35+ years of Qualified Service Credit, he receives the maximum Earned Credit for Hannah's pre-Medicare

Plan. In addition, he receives an HRA Contribution for himself, reduced by the amount of the DVH earned credit.

SHARP Enrollment Form					
Retiree	Tony		40+ Years	Age 64	
J&S Spouse	Hannah			Age 63	
			Monthly		
65+ Only	Retiree	Spouse	Cost	Retiree Cost	Spouse Cost
DVH					
Less Earned Credit					
Personal DVH Cost					
Pre-Medicare					
Medical	✓	✓	\$505	\$505	\$505
Rx	✓	✓	\$150	\$150	\$150
DVH	✓	✓	\$102	\$102	\$102
Total Pre-Medicare				\$757	\$757
Less Earned Credit				\$640	\$640
Net Cost				\$117	\$117
Combined Monthly Charge					\$234

Let us change Tony’s age to 64 with 40 years of Service Credit. They both enroll in all three provisions of the Pre-Medicare plan. For both Tony and Hannah, the monthly charge is substantial, but because Tony has 40 qualifying years, both will receive an offsetting Earned Credit. The combined monthly charge for a comprehensive healthcare assistance plan is modest. At this point there is no HRA because neither are age eligible for Medicare.

SHARP Enrollment Form					
Retiree	Tony		39 Years	Age 64	
J&S Spouse	Hannah			Age 63	
			Monthly		
65+ Only	Retiree	Spouse	Cost	Retiree Cost	Spouse Cost
DVH					
Less Earned Credit					
Personal DVH Cost					
Pre-Medicare					
Medical	✓	✓	\$505	\$505	\$505
Rx	✓	✓	\$150	\$150	\$150
DVH	✓	✓	\$102	\$102	\$102
Total Pre-Medicare				\$757	\$757
Less Earned Credit					
Net Cost				\$757	\$757
Combined Monthly Charge					\$1,514

Let us change Tony’s years of Qualified Service Credit from 40 to 39. Tony and Hannah can participate in the Pre-Medicare Plan, but they will not receive any Financial Assistance in paying for the cost of participation. For most, this monthly cost would be unaffordable.

SHARP Enrollment Form					
Retiree	Tony	39 Years	Age 65		
J&S Spouse	Hannah		Age 64		
		Monthly			
65+ Only	Retiree	Spouse	Cost	Retiree Cost	Spouse Cost
DVH	✓		\$102	\$102	
Less Earned Credit				\$65	
Personal DVH Cost				\$37	
Pre-Medicare					
Medical		✓	\$505		\$505
Rx		✓	\$150		\$150
DVH		✓	\$102		\$102
Total Pre-Medicare					\$757
Less Earned Credit					\$640
Net Cost					\$117
Combined Monthly Charge					\$154
				Tony's HRA Contribution	\$2,400
				Less Tony's DVH Earned Credit (65x12)	\$ 780
				Tony's Net HRA	\$1,620

Moving forward from the previous costly scenario, when Tony reaches age 65, he is dropped from the Pre-Medicare Plan and becomes eligible for Medicare and an HRA contribution. At that time, his pre-65 Spouse Hannah also becomes eligible for an Earned Credit on her Pre-Medicare Plan. Costs are now manageable.

Sharp Options

- A Dental/Vision/Hearing plan
- HRA Subsidized Medicare Supplement Options
- A Pre-Medicare Bridge Option
- All for qualifying Retiree and Joint & Survivor Spouse
- Healthcare prior to age 65 is, for most, Unaffordable

To download a copy of the Standard or Pre-Medicare SHARP documents, click [HERE](#).

In summary, SHARP provides three primary assistance options for qualifying Retirees and spouses. Dental/vision/hearing, SHARP-Ex and Pre-Medicare. The lesson here is that retiring prior to Medicare will probably be unaffordable unless the Retiree has 40 or more years of qualifying service credit.

Perhaps the most frequent uses of pre-Medicare assistance are a pre-65 spouse of a Medicare eligible Retiree, or a teacher who will reach age 65 in say September and chooses to retire at the end of the contract on June 30, while still 64. While expensive, the Pre-Medicare Plan would exist only for July and August.

Go to Checklist



We now begin the Defined Benefit pension plan section. This is for employees with pre-2000 NAD Service and at least ten years of total full time Qualified Service Credit. We will discuss how a Retiree becomes eligible for a pension based on the pre-2000 employment, how we calculate the benefits, and the difference between the Single Life and Joint & Survivor benefits. We will talk about Survivor Benefits and the Application Process.

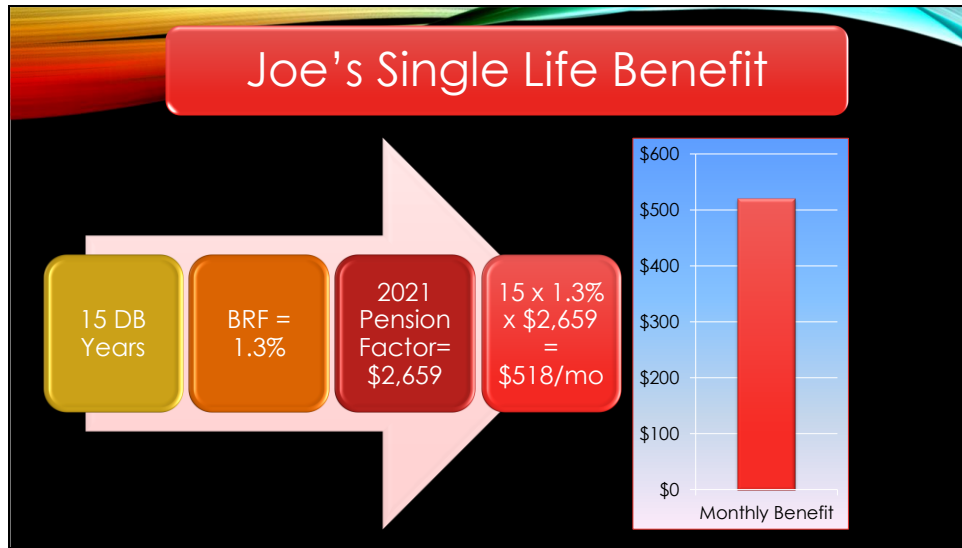
Key Eligibility Factors

Benefits Depend on:

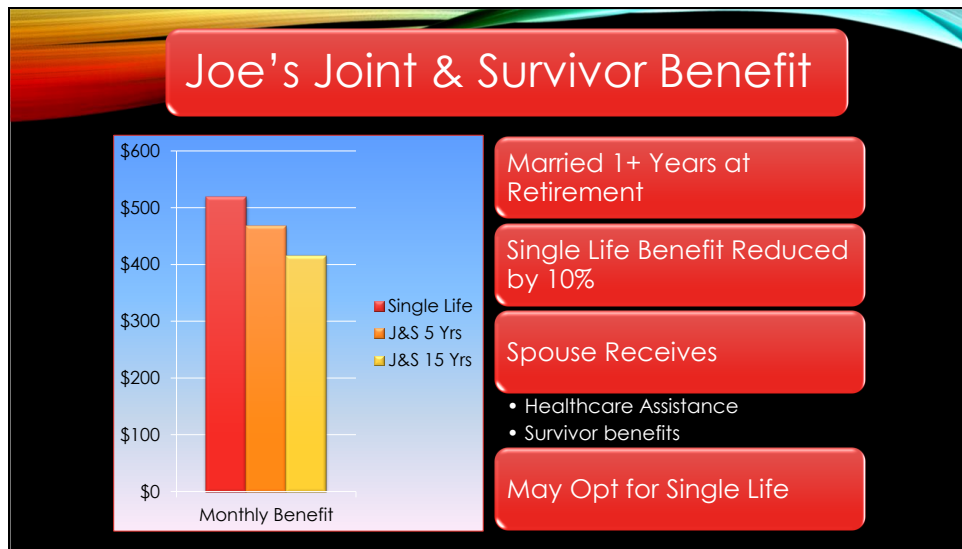
- Vesting with 10 years
- Pre-2000 Qualified Service Credit
- Benefit Rate Factor
- NAD Pension Factor

North American	
Employment	
Hired on:	1998-07-01
Terminated on:	*** - ** - 7023
SSN:	
SIN:	
Yrs of Service:	17.0
Benefit Rate Factor:	1.00
Personal	
Marital Status:	Married
Gender:	M
Born on:	1950-05-01

To receive a pension, certain key employment information must be documented. The Employee must have vested by meeting the service requirement. Retirees must have earned ten full-time equivalent years of Qualified Service Credit. Some of those years may have been earned after the Defined Benefit Plan was frozen in 1999. We look at pre-2000 years of NAD Qualified Service Credit, the Benefit Rate Factor, which is a number derived from the ten highest pre-2000 pay rates, and the NAD Pension Factor, a dollar figure voted each year by the North American Division Committee.



Let us calculate a single life benefit. Joe had 15 years of Qualified Service Credit prior to 2000. We multiply the years times the Benefit Rate Factor times the NAD Voted Pension Factor and calculate Joe's Single Life monthly benefit. Remember, this modest amount represents only Joe's first fifteen years of denominational employment prior to the freeze of the defined benefit retirement plan on 12/31/1999.



Joe is married. The Plan will assume that Joe will select the Joint & Survivor benefit rather than the Single Life Benefit, choosing to provide spousal benefits including Healthcare Assistance and Survivor Benefits. In most cases, this will cost Joe ten percent of his Single Life Benefit calculated in the previous slide. We take ten percent off the Single Life Benefit, (the left bar) for the J&S Benefit (the middle bar.)

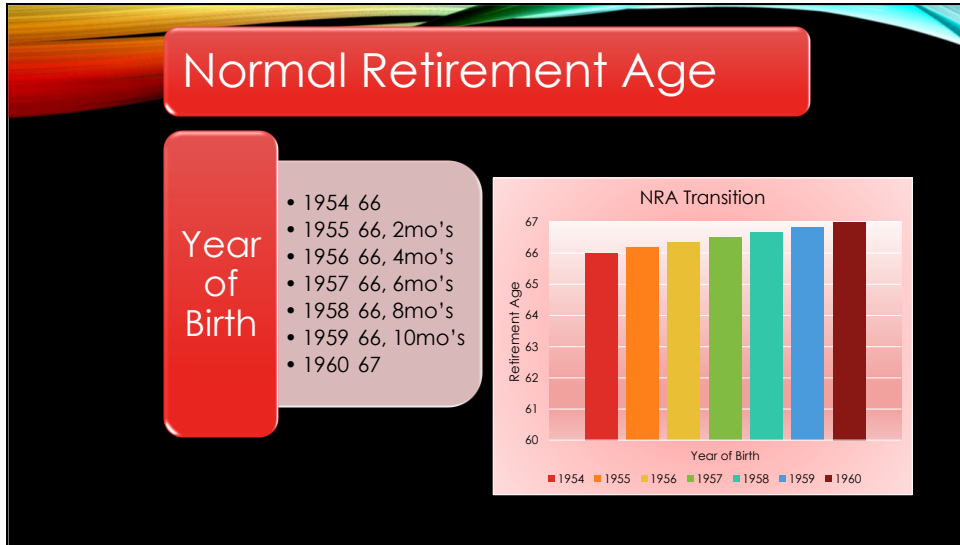
This calculation assumes that Joe and Spouse are within five years of each other's age. If she is more than five years younger, then the reduction will be greater than ten percent. The right bar shows what the benefit would be if Joe's spouse is fifteen years younger.

Joe and his Spouse may opt out of the Joint & Survivor by signing a waiver. This document requires both Joe and Spouse to sign, acknowledging their understanding that the Spouse is not eligible for Healthcare Assistance, or for Survivor Benefits if Joe dies first.

The Spouse Allowance – A Conditional Benefit	
Eligibility	<ul style="list-style-type: none">• 10+ Years pre-2000 Qualified Service Credit• 20+ Total Years of Qualified Service Credit• Spouse Ineligible for a Retirement Plan• Married at least 1 yr prior to effective date
Adjustments	<ul style="list-style-type: none">• Discontinued at death of spouse• Does not restart at Re-Marriage

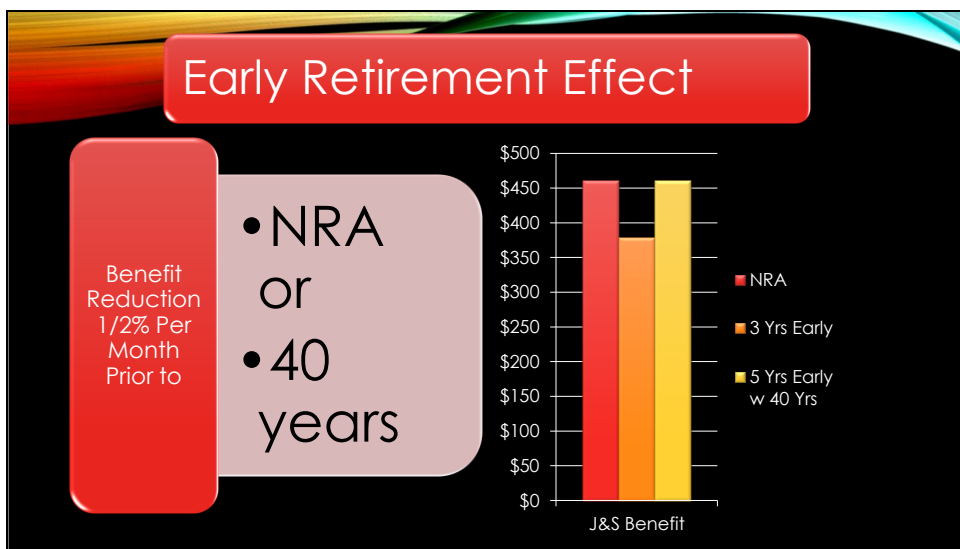
The Spouse Allowance is an enhancement to the Single Life or Joint & Survivor Benefit. It is relatively rare for new Retirees today because it is available only if the Spouse, at Retirement, will have little or no Retirement Benefits from any employer.

Eligibility requires 10 or more pre-2000 Years of Qualified Service Credit, and 20 or more total years including both DB and DC Plans. They must have been married for at least one year at Retirement. The Spouse Allowance is discontinued at the death of the Spouse and does not restart if the Retiree re-marries.



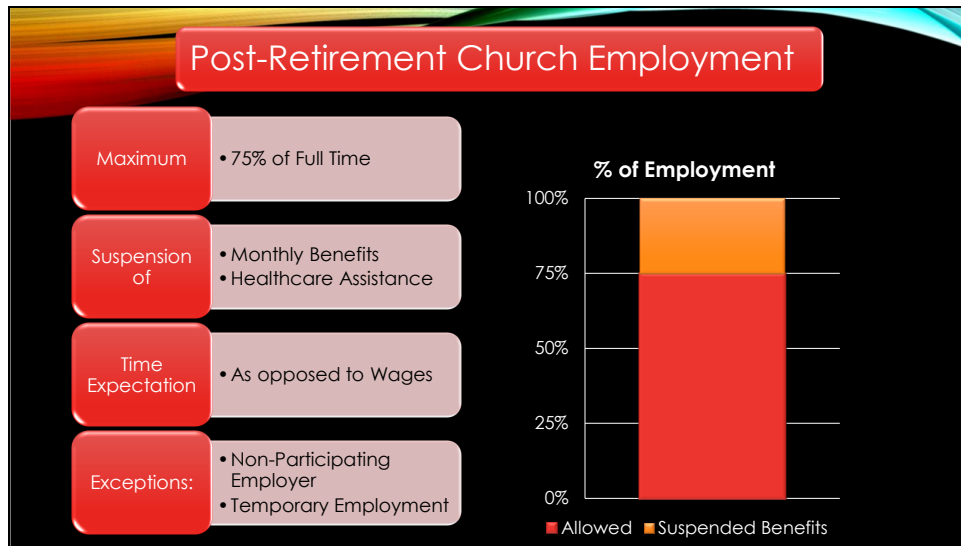
Normal Retirement Age begins to increase both in Social Security and in this Defined Benefit Retirement Plan from age 66 to age 67. The increase moves in two-month increments for individuals born years 1955 to 1960. The NRA for those born before 1955 is age 66. The NRA for individuals born in 1955 is 66 and 2 months and so forth as shown.

Both Social Security and the DB Plan reduce benefits for those who Retire prior to their NRA. The Plan reduces the benefits by one half of one percent for each month short of one of two targets: The normal Retirement Age or forty years of Qualified Service Credit, whichever yields the greater benefit for the Retiree. This means that under the DB Plan, an employee may retire early with no reduction in benefits if 40 years of qualified service credit are attained.



The chart shows Joe's Joint & Survivor retirement benefit at his Normal Retirement Age, three years early and five years early but with 40 years of Qualified Service Credit.

The person who Retires three years early will suffer a lifetime benefits reduction of 18% (.5% x 36 months). But the person who retires five years early but has forty years of Qualified Service Credit suffers no monthly benefits reduction.

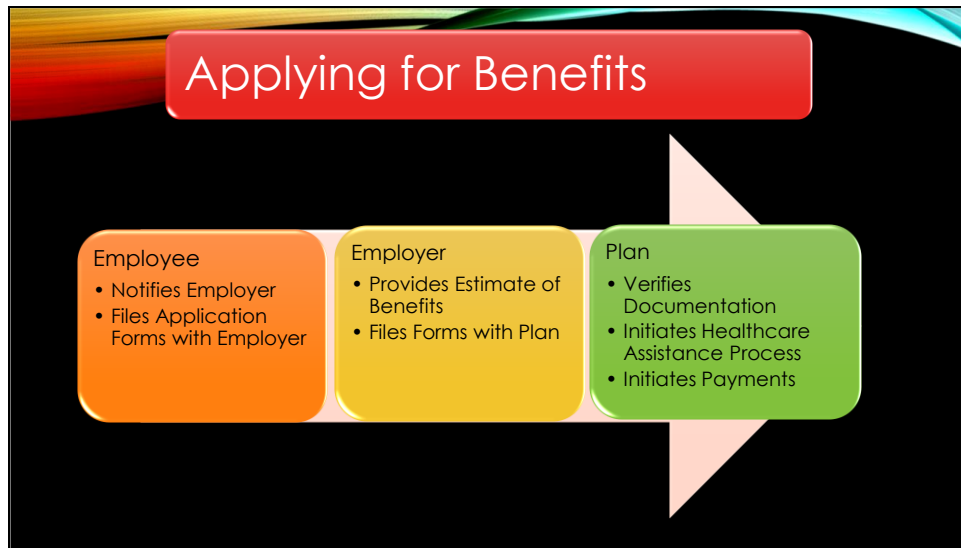


Many Retirees find joy in continuing to work for the church into their retirement years. The Church sets no mandatory Retirement age, but once an Employee begins to receive Retirement Benefits, he or she can no longer work full-time for a Participating Employer. The Plan has defined permissible level of employment as up to 75% of full-time employment for that job. Exceeding that 75% of full-time employment will result in the suspension of benefits including healthcare assistance.

Some employers and employees have conspired to reduce the pay to 75% but expect full-time employment. One policy provision in the past allowed a 'top-up' mechanism where a salary was paid which, when added to the pension, resulted in the equivalent of full-time pay. These methods are not in compliance with the Plan and may violate state and federal laws on age discrimination. We look at the time expectation of the job. A Pastor with a three-church district who Retires and is paid a 75% salary but is still responsible for the same three churches is probably in violation.

There are exceptions.

- Employment by a non-Participating Employer does not violate the limitation. Teaching for an English Language School in Korea for instance does not violate the rule because the employer is not an NAD Participating Employer.
- Temporary or casual full-time employment is allowed. For instance, a substitute Teacher, summer camp employee or interim Pastor, are examples of permissible employment by a participating employer after retirement. If the full-time temporary employment exceeds five months, the Plan no longer considers it to be temporary and benefits will be suspended.



Let us talk about the application process. How long before the effective date of Retirement should the application process be started? We recommend six months. It may take several weeks for Retiree and Employer to complete the necessary documentation, and the turnaround time in the NAD Retirement Office varies depending on many factors.

The Effective Retirement Date is the first day of the Retirement Month. If all has been done on a timely basis, the first pension direct deposit is due on the 27th of the Retirement Month. An Effective Retirement Date is set. The Employer will provide forms to be filled out. There will be some back and forth as documentation is clarified by the Employer.

The Employer then may provide an Estimate of Benefits to the Employee. This is merely an estimate and includes caveats. Until the Plan has reviewed all documentation, the Benefits estimate should be used as a general guideline. The Employer then files the application forms, along with documentation with the NAD Retirement Office.

The Plan verifies all documentation and service, initiates the Healthcare Assistance Process and when all has been verified and clarified, transfers the benefit to the monthly NAD Retirement Benefits Distribution Office for payment of the one-time lump sum Retirement Allowance and the monthly benefit payment.

The Plan has adopted a 'first-in first-out' queue process. A Retiree whose Application is not received until say one month prior to the effective date is probably not going to receive any monthly Retirement Benefits for several months. Delayed benefits will be retroactively calculated back to the Effective Retirement Date. However, the Healthcare Assistance, if any, will be expedited for a late Application to eliminate or minimize the time a Retiree will be without Healthcare Assistance.

[Go to Checklist](#)

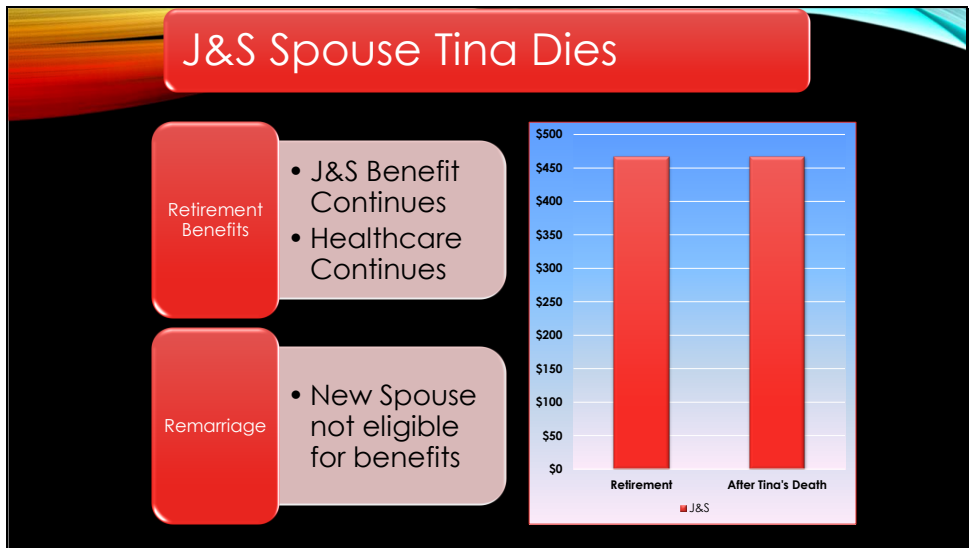
What Happens to my Benefits when I Die?

The Survivor Benefit

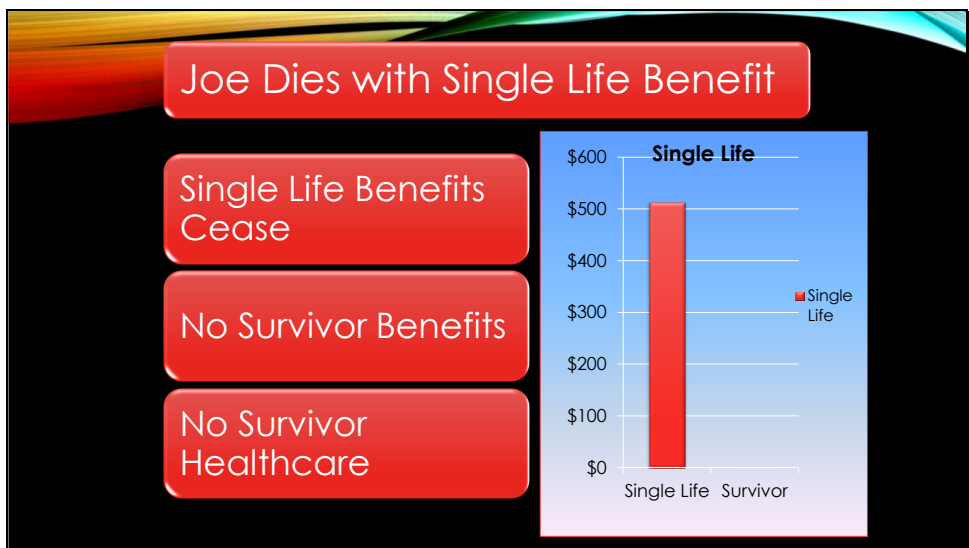
Now we will discuss Survivor Benefits and give some examples. The order of death is uncertain, and that uncertainty requires careful thought.



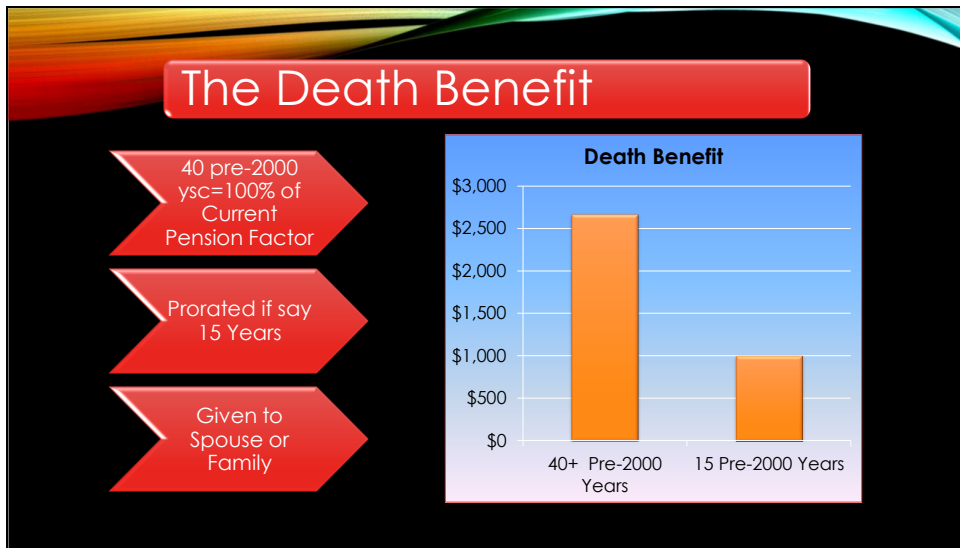
In our example, Joe the Retiree dies while receiving Retirement Benefits. Joe's Joint & Survivor Benefit is reduced by half at his death. If Tina remarries after Joe's death, there would be no change in her Survivor or Healthcare Plan Benefits. Her new Spouse would not be eligible for any Survivor or Healthcare Benefits based on Joe's Qualified Service Credit. If Joe passed away just prior to applying for Retirement, Survivor Benefits would be calculated in the same way.



Let us change the example. Joe lives on. Tina, the Joint & Survivor Spouse passes away. Pre-death Benefits were the same as the last example. Joe's J&S Benefit remains the same after Tina's death. If Joe remarries, the new Spouse would not be eligible for Joint & Survivor Benefits, Healthcare or Survivor or any other benefit based on Joe's career.



Now, take a different angle entirely. Joe Retired but declined the Joint & Survivor Benefit. He and Tina signed the Joint & Survivor Waiver which declared that Joe would receive more monthly money, but Tina would not be eligible for a healthcare assistance plan, or potential Survivor Benefits. Joe passes away. Tina receives no Survivor Benefit. She is not eligible for any healthcare assistance.



Retirees who pass away while receiving benefits under the Defined Benefit Plan are granted a modest Death Benefit to assist with end-of-life expenses. The benefit is prorated based on pre-2000 Qualified Service Credit compared with a forty-year career. Since the DB Plan has been frozen for over 20 years, only previously Retired employees will be eligible for the full 40-year Death Benefit.

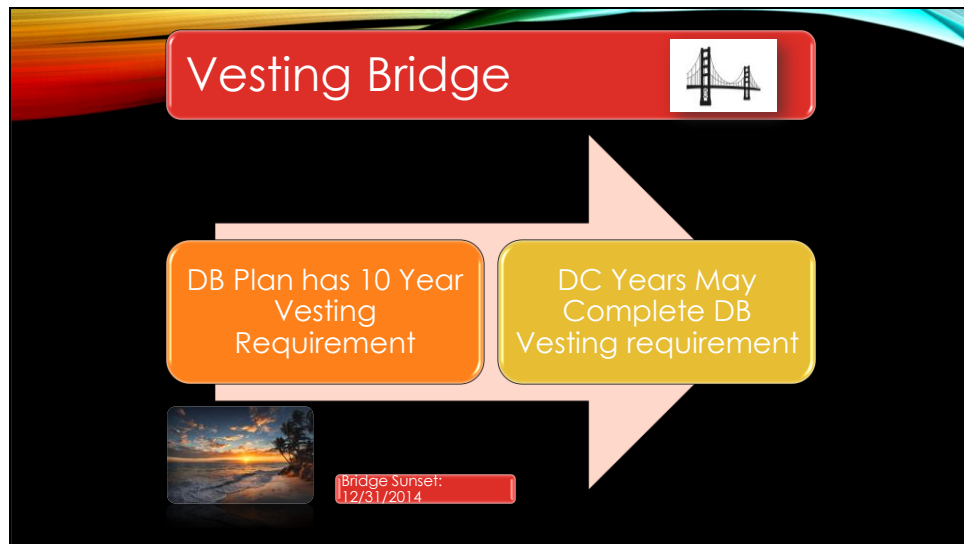
The Death Benefit does not require documentation of expenses. It is provided to the Retiree's Spouse if living, or to those managing the end-of-life financial matters. A Joint & Survivor Spouse is also eligible for the same Death Benefit. This concludes the section on the pre-2000 Defined Benefit retirement plan.



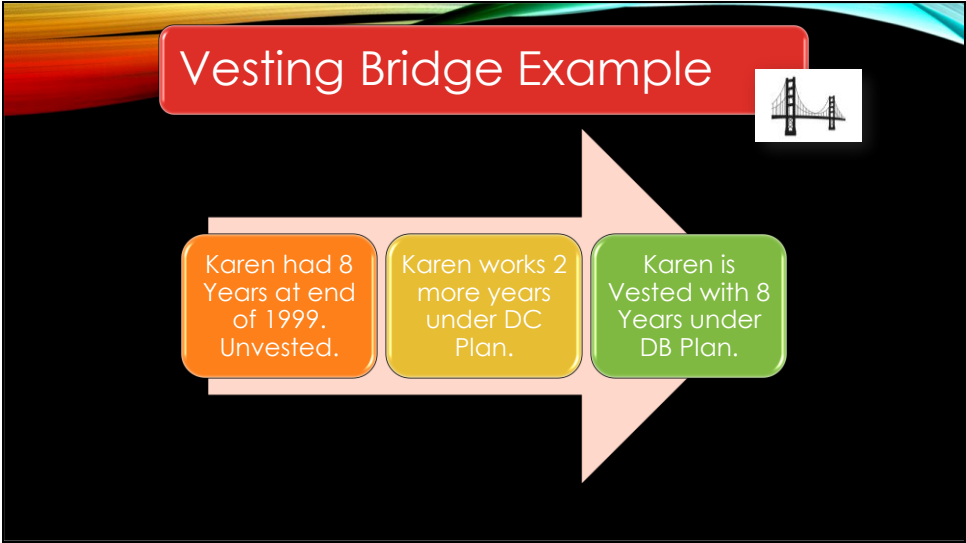
This section describes the bridges that were adopted when the pre-2000 defined benefit plan was frozen in favor of a defined contribution plan. These bridges were designed to ease the transition between two very different types of retirement plans. They seek to address various

service scenarios which, without the bridges, might cause loss to career employees whose employment straddled the freeze date of December 31, 1999.

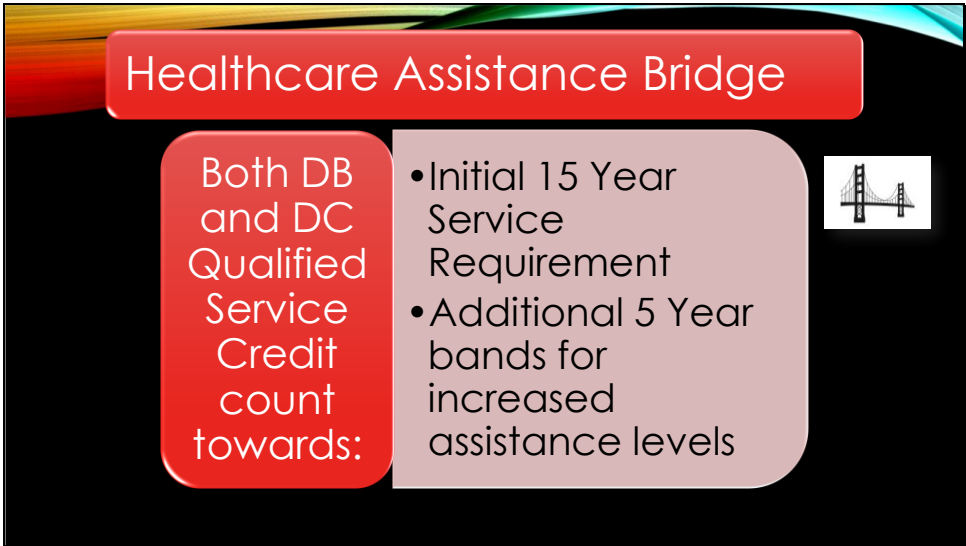
We will show how Service Credit qualification can be met by DB plus DC Qualifying Service Credit. We will discuss how to use DC years to lessen the Early Retirement Benefits Reduction using Service Credit from both Plans, and how both Plans contribute towards the Healthcare Plan.



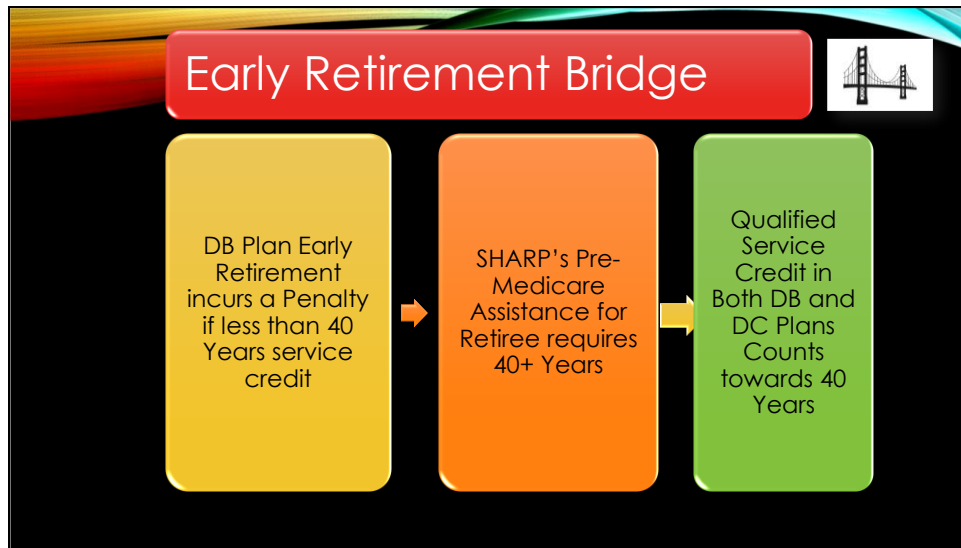
The pre-2000 Defined Benefit Plan has a vesting requirement of ten years of qualified service credit. If the 1999 freeze of the DB Plan caught an employee with less than ten years in the pre-2000 plan, policy provision allows post-freeze years to count towards completing the required ten years to vest. This bridge ceased at the end of 2014.



Karen worked for the church for eight years prior to the freeze of the Defined Benefit Plan on December 31, 1999. Her status is unvested. If she leaves denominational employment at this point, her eight years do not qualify her for a pension under the provisions of the DB Plan. However, Plan provisions allow Karen to complete her vesting requirement under the new Defined Contribution Plan. Karen keeps working. When she has completed a total of ten years, 8 in the DB and 2 in the DC, she is vested in the DB Plan. Karen will receive a very modest pension based on the eight pre-2000 years.



The Healthcare Assistance bridge allows both the DB and DC Plan's Qualified Service Credit count towards Healthcare Assistance. This applies to both the initial eligibility requirement of fifteen years, and additional five-year bands to increase assistance levels.



Early retirement may result in significant costs to the retiree. However, plan provisions allow for an early retirement bridge. Under the pre-2000 DB plan, a benefits reduction is incurred for each month short of either 40 years of service credit, or the normal retirement age. Under SHARP’s pre-Medicare plan, a pre-65 retiree will have to pay the full substantial cost of SHARP’s pre-Medicare healthcare plan unless the retiree has earned at least 40 years of service credit. Service credit in both plans count towards meeting the critical 40 years of service credit.

This concludes the section on bridges between the two retirement plans.



To close this pre-retirement seminar, we include a checklist of items to review before enjoying the ‘golden years.’ In discussing retirement with those who have gone through the process, we have accumulated a suggested checklist to be considered prior to Retirement. The ‘Go To’ column links will take you back to where this subject is discussed in the document. Throughout the document you will see a red box like this:

This is a link which ‘escapes’ back to the checklist, easing navigation back and forth between the checklist and the related content.



Retirement Checklists

✓	Description	Go-To Link
	Budget Checklist	
	Social Security Timing and Amount Optimized	<u>SocialSecurityChoices</u>
	Pre-2000 Pension Estimated	<u>DBPension</u>
	Adventist Retirement Plan Withdrawal Strategy Established	<u>DCDistribution</u>
	Retirement Allowance Strategy Determined	<u>RA</u>
	Retirement Location Costs Researched	<u>Location</u>
	Debt Elimination Plan in Place	<u>Debt</u>
	Emergency Fund Established	
	Retirement Budget Finalized	<u>Budget</u>
	Healthcare Strategy Checklist	
	Medicare Parts A & B Scheduled	<u>MedicareAB</u>
	Medicare Strategy Determined	<u>MedicareStrategies</u>
	SHARP Options Selected	
	Dental/Vision/Hearing	<u>DVH</u>
	SHARP-Exchange	<u>SHARPEX</u>
	Pre-Medicare	<u>PreMedicare</u>
	Retirement Application Checklist	<u>Application</u>
	Retirement Date Determined, Employer Notified	
	Retirement Application Filed with Employer	
	Including DVH and/or Pre-Medicare	
	Including Retirement Allowance	
	AON Welcome Letter Received and Responded to	
	SHARP-Ex Options Selected	<u>Selection</u>
	Final Steps Checklist	
	Estate Plan Updated	<u>EstatePlan</u>
	Insurance Considered	<u>Insurance</u>
	Low-Miles Retirement Vehicle Purchased	
	Special Situations (ITR, ISE, Clergy) Evaluated	
	Retirement Move Negotiated with Employer	<u>Move</u>
	Retirement Home Selected, Senior Friendly	<u>Home</u>

The End!

This concludes the Pre-Retirement Seminar. We hope it has been helpful. Specific questions about your service career and benefits can be answered by your employer.

Additional sections follow which include:

- Special Situations, for those with mixed service (US, Canada, Regional etc.), and with service outside of North America.
- Clergy Issues, includes ministerial credentials in retirement, clergy tax issues and discussions for those who have opted out of Social Security.

Thank you for your service in support of the mission of the Seventh-day Adventist Church. We wish you the Lord's abundant blessings in your retirement years.



Special Situations

Missionaries

Mixed Service (Church, Hospital, Canada and Regional)

Independent Transfers

Welcome to “Special Situations.” This section is for individuals approaching Retirement age, employed by a Participating Employer under either the DB or DC Plans who have encountered unusual career situations such as mixed service or migration.

We will discuss the Missionary, both **from** the United States and **to** the United States and the implications of an international assignment on the Employee’s Retirement Benefits.

We will describe situations where service may include the pre-1992 Hospital Plan, the pre-2000 Church Plan, the Canadian Employees Plan and the Regional Conference Employee Plan.

We will define Employees who have migrated from another Division of the Seventh-day Adventist Church with Service in that Division’s Retirement Plan, and Retirement implications.

International Service Employees

From NAD to Elsewhere

- Pre-2000 – Participate in NAD DB Plan
- Post-1999 – Participate in NAD DC Plan

To NAD from Elsewhere

- Pre-2000 – Participate in Home Division Plan
- Post-1999 – Select from Home Division or NAD DC Plan

Pre-NAD Employment Treated as NAD Service Credit

- If NAD Employment began prior to 2000
- If at least 10 years of NAEbased Employment
- Retirement Benefits at NAD or Home Division Rate

The International Service Employee is a person who has received a written formal Call or invitation from the General Conference of the Seventh-day Adventist Church to serve in a Division other than his or her home Division under policies including moving assistance, home leaves and other miscellaneous benefits. Previously known as Interdivision Employees or IDE's, these employees retain a link to their home division and are expected to return to the home division upon completion of the assignment.

Employees who receive an employment invitation directly from a local employer in another Division such as a Conference or University, regardless of the terms of the offer, are not defined as International Service Employees. International service under a volunteer model such as Student Missionaries or Adventist Volunteer Service models, while incredibly important to the Mission of the church, do not fall under the category of International Service Employees, and do not earn NAD Qualified Service Credit.

The Adventist Church has adopted the mantra of "From Everywhere to Everywhere." Missionaries travel to and from the United States to serve the church and its mission. Individuals whose home is in the United States who accept a formal ISE invitation from the General Conference are considered employees of a NAD-based Employer for purposes of Retirement. Those Employees participate in the NAD Retirement Plan. Pre-2000 ISE years are counted towards receiving Retirement benefits under the NAD Defined Benefit Retirement Plan. The General Conference makes contributions to the Retirement Plan on behalf of those employees and is considered a Participating Employer.

Post-1999 ISE years are counted towards Qualified Service Credit under the NAD Defined Contribution Retirement Plan. The General Conference makes contributions to the Employee's

Defined Contribution account in the US. Upon completion of an international assignment, the ISE returns to the United States and, if employed by a NAD employer, continues to seamlessly accrue benefits under the NAD Plans.

Generally, individuals whose home is in a Division other than NAD, who accept a formal ISE invitation from the General Conference are considered employees of the home Division for purposes of Retirement. Those Employees participate in the Home Division Retirement Plan. The General Conference makes contributions to that Division's Retirement Plan. Upon completion of the ISE assignment in North America, the ISE returns to his or her Home Division and, if employed by a denominational employer, continues to seamlessly accrue benefits under that plan.

However, since 1999, ISE's called to a NAD-based employer under the NAD Defined Contribution Retirement Plan are given an alternative. They may choose to participate in the NAD Defined Contribution Retirement Plan instead of in the home division's retirement plan. If they select the NAD Retirement Plan, the Employer makes contributions to the NAD Defined Contribution Retirement Plan just as if the Employee was a NAD-based Employee. Upon completion of the assignment, the ISE has access to those accumulated assets but will probably not receive benefits from the previous Division for those NAD years of employment.

If an ISE from another Division to the US retires from NAD-based employment, the ISE may receive pre-2000-earned benefits at either the NAD Defined Benefit Retirement Plan rates, or the Home Division Retirement Plan Rates, whichever gives the Retiree the larger benefit. All pre-2000 and post-1999 employment years count towards Retirement Benefits just as if all years had been in the United States, even though the employer made no contributions to the NAD Retirement Plan for those pre-NAD years. Criteria for such eligibility include:

- NAD employment began prior to 2000
- At least ten years of NAD-based Employment

Since over twenty years have passed since 1999, there are few pre-2000 ISE's in the NAD who would thus be eligible for this benefit.

In some cases, legal implications limit the provisions just described. National rules may restrict the accrual of Retirement Benefits for service outside of the Home Division country. National monetary policies may restrict the flow of Retirement Benefits across national borders, and banks may charge significant fees for such transfers. Moving accumulated Defined Contribution assets across national lines will usually result in tax implications, sometimes in both the US and the country of Residence. And SHARP, the NAD's Retirement Healthcare Assistance Plan simply does not work outside of the United States due to its reliance on Medicare. These are all issues that must be understood by the employee. Plan personnel are not qualified to advise in such matters, and the NAD does not provide compensation for expenses related to international funding of Retirement benefits.

ISE Example - Joshua

Joshua is from the Brazil

- 12 Years South American Division Service Credit
- Called as ISE to General Conference in 1996
- Selects NAD Retirement Plan in 2000 Instead of Home Division Plan
- Retires from GC in 2022

Meets Exception Criteria

- NAD Employment began prior to 2000
- At least 10 years in NAD or Until Retirement

Benefits

- Receives NAD Pension for PreNAD Years
- Receives NAD Pension for Pre2000 NAD Years
- Accesses NAD DC Plan for Post1999 NAD Years
- Receives NAD Healthcare Assistance Based on Total Years

Joshua was denominationally employed for twelve years in Brazil. In 1996 he was called as an International Employee by the General Conference and moved to Maryland. When the NAD froze the pension plan in 1999, Joshua was given opportunity to join the NAD Plan or remain on the South American Division Plan. He chose the NAD Defined Contribution Plan.

In 2022, Joshua retires from denominational employment. He meets both criteria for eligibility under the NAD Retirement Policy:

- His employment in the NAD began prior to 2000.
- He had at least ten years in the NAD.

As a result, Joshua will receive a NAD pension for his years in Brazil. He will also receive a Pension from NAD for NAD pre-2000 years. Joshua participated in the NAD's Defined Contribution Plan from 2000 – 2020. He will be eligible for Retirement Healthcare Assistance based on all years of denominational employment. It is unlikely that he will receive any benefits from the plan in Brazil.

ISE Example – John Mark

John Mark is from Indonesia

- 15 Years Indonesia Service Credit
- Called as ISE to General Conference in 2000
- Selects Indonesian Plan instead of NAD DC Plan
- Retires from GC in 2025

Does Not Meet Exception Criteria

- NAD Employment began After 1999

Benefits

- Receives Indonesian Pension for PreNAD 15 Years
- Receives Indonesian Pension for 2000-2020 ISE Years
- Not eligible for NAD Retirement Healthcare Assistance
- NAD Retirement may be able to provide payroll services at Indonesian Rate

John Mark worked for fifteen years in Indonesia for the denomination. In 2000, John Mark was called by the General Conference as an International Service Employee and moved to Maryland. Upon arrival, John Mark selected to remain on the Southern Asia Pacific Division Retirement Plan instead of joining the NAD Defined Contribution Retirement Plan. He will Retire from the GC in 2025.

John Mark does NOT meet the Exception Criteria. His NAD Employment began after 1999. Since he selected the home division retirement plan, he will receive a pension from the Southern Asia Pacific Division for his pre-NAD fifteen years, plus his twenty years in the NAD working for the General Conference. He is not eligible for NAD Retirement Healthcare Assistance.

If John Mark remains in the US at Retirement, he may be able to receive his pension from the NAD Retirement Office, as a courtesy to the home division plan. But the pension would be at the Indonesia rate.

Mixed Service Policy Implications

Policy	Church DC	Church DB	Hospital DB	Canada DB	Regional DB
Normal Retirement Age	NA	66->67	65	65	65
Full Time Denominational Employment Allowed after Ret.	Yes	No	Yes	Yes	Yes
Earliest Retirement Age	59 ½	59 ½	65	55	55
Vesting Reciprocity with other DB Plans	NA&	Yes	Yes	Yes	Yes
Vesting Reciprocity with Church DC Plan	NA	Yes%	No	Yes	Yes
Lump Sum in Lieu of Pension	NA	No*	Yes	No	No
Retirement Healthcare Plan	Yes@	Yes	No#	Yes	Yes
Retirement Allowance	Yes	Yes	No	Yes	Yes

* Church Service less than 5 years requires Cash Payout in place of pension
 # Hospital provides monthly supplement instead of healthcare assistance
 % Provision stops at 12/31/2014
 & Church DC Plan has no Vesting requirement
 @ For DC only employees, accrual of service credit towards healthcare assistance ceases 6/30/2020

The NAD Retirement Office has managed several Retirement Plans since inception. In addition, other NAD Employers operate separate Plans. These plans vary in some provisions, creating opportunity for confusion for those with service in more than one Plan.

This table summarizes some general differences between the various Plans Retirees may encounter. The complexity of these differences cannot be entirely captured in such a summary table.

The Church DB, DC and Hospital DB Plans are administered by the NAD Retirement Office. The Church DB Plan terminated at the end of 1999 in favor of the Church DC Plan. The Hospital DB Plan terminated at the end of 1991 in favor of a DC Plan administered by the Adventist Healthcare Retirement Plan.

The Retirement Plan for employment in Canada is administered by the Seventh-day Adventist Church in Canada in Oshawa. The Retirement Plan for Employees of the Regional Conferences in the United States is administered by the Regional Conference Retirement Plan Office in Huntsville, Alabama. The NAD Retirement Plan personnel are not authorized to describe the Hospital DC Plan or the Canada or Regional DB Plans. Questions about service in those plans should be referred to those administrators. However, this table gives a general comparison of some policy differences between the Plans. Let us look at significant issues on this table as it relates to mixed service.

The Church DC Plan varies significantly from DB Plans. Normal Retirement Age is not applicable in the DC Plan. Employees have full access to the DC Plan Assets at age 59 ½ even if still employed. There is no Vesting requirement. There is no life-time monthly pension provision

other than the annuity options described in the ARP Distribution Years lesson. The Church DC Plan does have a Retirement Allowance provision.

Church DC Employment can be used to complete Vesting requirements for the Church DB Plan, the Canada DB Plan and the Regional Conference DB Plan, but not the Hospital DB Plan. Employees with Church DB Employment in addition to Hospital, Canada or Regional DB Plans will have different rules for Normal Retirement Ages and Full Time Employment restrictions after Retirement. Such an Employee may begin to receive pensions from Plans other than the Church DB Plan even though still employed after age 65. So Church and other Retirement dates may well be different, with say Hospital benefits beginning at age 65 and Church benefits beginning at actual Retirement termination after age 65. All DB Plans provide for reciprocal Vesting with other DB Plans. For instance, an Employee with six years in each of two of the DB plans is considered vested in both.

The Hospital DB Plan makes provision for an optional lump sum cash-out instead of a monthly pension. The other DB Plans make no such provision. But the Church DB Plan **requires** a lump sum payout if Church DB Plan Qualified Service Credit is five or less years.

The Hospital DB Plan has no Healthcare Assistance provision but provides an Accrued Pension Supplement for qualifying Retirees which is a taxable pension enhancement in place of a Healthcare Assistance Plan. The Church, Canada and Regional DB Plans all make provision for Healthcare Assistance. However, coordination for mixed Employment is complex and goes beyond what this summary description can provide.

Direct Retirement from a Church Plan Employer, a Canada Employer and a Regional Employer will result in a lump sum Retirement Allowance as described in the Church DB Plan module. Qualified Service Credit from all these Plans will both count towards that benefit. However direct Retirement from a Hospital Plan Employer will not result in a Retirement Allowance for any years.

Here are links to the three plans not operated by the North American Division:

[Retirement Plan for Canadian Employees](#)

[Seventh-day Adventist Regional Conference Retirement Plan](#)

[Adventist Healthcare Retirement Plan](#)

Division Retirement Plans



Divisions Arrange Retirement Plans

Divisions Fund Retirement Plans

Divisions Administer Retirement Plans

There is No Global Plan

General Conference Working Policy requires each World Division to provide for Retirement Plans for denominational employees within that Division, and to plan for the funding of such Plans. Divisions will consider national pension laws and Retirement cultures in the design of a Plan. Division Plans will generally not accept service credit outside of that Division towards Retirement Benefits in the absence of specifically stated exceptions.

Independent Transfers (ITR)

ITR

- Denominationally Employed in another Division
- Moves to US with no ISE Invitation
- Employed by NAD Participating Employer

Service



■ Southern Asia Division
■ North American Division

An employee worked for twenty years in the Southern Asia Division, moves to the United States with no General Conference ISE invitation, and works for the Texas Conference for ten years, and then Retires. Such an employee is called an Independent Transfer employee, or ITR. That employee would rely on the Southern Asia Division's Retirement Plan for the first twenty years of the career, and the NAD for the last ten years. Each Plan would apply its own policies regarding vesting, eligibility, and Benefits. This is true even if the Texas Conference had directly invited the Pastor and may even have assisted in the cost of the move.

There is no automatic vesting reciprocity between Division Retirement Plans. If the Employee has not vested in the Southern Asia Division, it is unlikely that the Southern Asia Division Retirement Plan would allow NAD Employment to complete vesting requirements in the Southern Asia Division Retirement Plan. Neither will vesting requirements in the NAD be met by the employment outside of the NAD.

Independent Transfers - Exceptions

Eligibility Rules

ITR effective date prior to
2000, and

Retirement after 1999,
and

Vested in NAD with at
least 10 NAD Years, and

Working for NAD
employer on 12/31/1999

Benefit

Pre-NAD Years added to
NAD years at NAD Rates

Adjusted by any benefit
from pre-NAD plan

Notwithstanding the previous slide, if certain criteria are all met, an ITR **can** receive pre-NAD Service Credit towards NAD Benefits from the pre-2000 Defined Benefit Retirement Plan just as if those years had been in the United States. There are four criteria for ITRs to receive NAD Pension Benefits based on pre-NAD employment:

- NAD Employment begins prior to 2000, and
- Retirement begins after 1999, and
- At least ten years of NAD Qualified Service Credit are earned, including both DB and DC years, and
- The ITR was an Employee of an NAD Participating Employer on December 31, 1999

If all four criteria are met, the Plan applies the exceptions policies and seeks to ensure that pre-2000 years of Service Credit are treated as if they were all NAD Qualified Service Credit years. This can be done by coordinating with the pre-NAD Plan or paying full benefits for all pre-2000 Service Credit if the pre-NAD Plan declines to pay benefits because of a failure to vest in the pre-NAD Division.

An employee **not** meeting all four criteria is not eligible for this policy provision. Upon Retirement, that employee would apply for benefits, if any, from the Home Division for pre-NAD employment, and from the NAD Retirement Plan for Qualified Service Credit in the NAD. Pre-NAD employment would not count towards NAD Pension, NAD Healthcare Assistance, or other NAD Retirement Benefits.

All ITRs should have received an Independent Transfer Letter from the North American Division. A copy should be in the employer's human resources file. This letter confirms the effective date of the ITR and whether the home division considers the individual to be vested for benefits in

the home field. Employees should confirm with the human resources office whether such a letter is in the file.

ITR Example – Angelo

Angelo is from the Philippines	<ul style="list-style-type: none">• 10 Years Southern Asia Pacific Division Service Credit (Not vested)• Migrated to NAD in 1995 (No ISE or IDE Call)• Employed by a NAD employer in 1997• Retires in 2020
Meets All Exception Criteria	<p>ITR Effective date prior to 2000 Retirement after 1999 Vested in NAD with at least 10 NAD Years Working for a NAD-based Employer on 12/31/1999</p>
Benefits	<ul style="list-style-type: none">• Receives NAD Pension for his 10 preNAD Years• Receives NAD Pension for 1997-1999 NAD Years• Receives DC Plan Payouts for 2000-2020 Years• Eligible for NAD Retirement Healthcare Assistance based on total years.

Angelo comes from the Philippines where he worked for ten years. His ITR Letter declares that he is not vested in the Southern Asia Pacific Division Plan. In 1995 Angelo moved to the United States. He received no formal ISE or IDE call from the General Conference, and thus is considered an Independent Transfer, or ITR. In 1997 he was employed by the Northern California Conference where he works until Retirement in 2025.

Angelo meets all four exception criteria:

- He has an ITR Letter dating his employment in the NAD as prior to 2000.
- His Retirement is dated after 1999.
- He vested in the NAD with at least ten years of qualifying service credit.
- On December 31, 1999, Angelo was an employee of an NAD-Based participating employer.

Therefore, Angelo will receive an NAD Pension for his ten pre-NAD years of employment, and for his NAD employment pre-2000. He will receive payouts from his NAD Defined Contribution Plan. And he is eligible for the NAD Retirement Healthcare Assistance based on all years.

ITR Example – John Rey

John Rey is from Africa	<ul style="list-style-type: none">• 8 Years East Central Africa Division Years (Not vested)• Migrated to NAD in 2010 (No ISE or IDE Call)• Employed by La Sierra University in 2010• Retires in 2024
Does NOT Meet All Exception Criteria	<ul style="list-style-type: none">• ITR Effective date was Not before 2000. Retirement after 1999• Has 10 NAD Years• Was not Working for a NAD Employer on 12/31/1999
Benefits	<ul style="list-style-type: none">• Receives No Pension for 10 Pre-NAD Years (failure to vest)• Receives No NAD Pension• Receives DC Plan Payouts 2012-2020 Years• Not Eligible for NAD Retirement Healthcare Assistance (15 years not met)

John Rey is from Africa. He worked for 8 years at the Adventist University of Africa in Kenya. In 2010 John Rey moved to the US. He received move assistance from La Sierra University. However, he did not receive a formal ISE or IDE call from the General Conference. Upon arrival he was employed by La Sierra University and retired in 2024.

John Rey meets only two of the four required Exception criteria. His Retirement is after 1999, and he has 10 NAD Years. However, his employment with La Sierra University occurred after 1999, and thus he was not working for an NAD employer on 12/31/1999.

John Rey's ITR letter declares that he is Not vested in the retirement plan provided to employees in Kenya.

- He will receive no retirement benefits from his eight years at Adventist University of Africa.
- He will receive no pension from the NAD because he never participated in the pre-2000 NAD Defined Benefit Plan.
- He will receive payouts from the NAD Defined Contribution Plan based on his years of NAD-based employment.
- He is Not eligible for the NAD Retirement Healthcare Assistance Plan because he has not met the minimal fifteen-year requirement.

This concludes the Special Situations presentation.

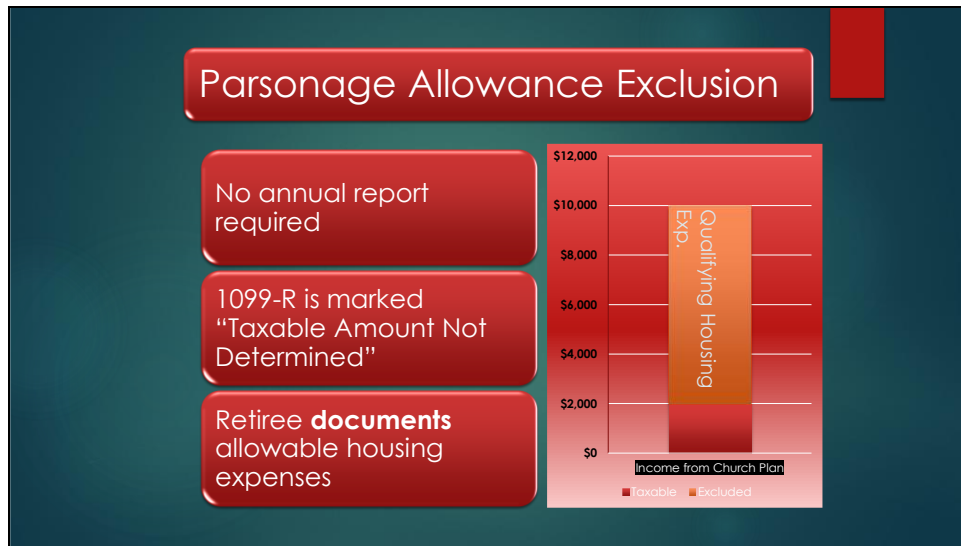


Clergy Retirement Issues

Information regarding Clergy Retirement, including Parsonage Allowance Exclusion, Credentials and Employees who have opted out of Social Security.

Welcome to the Course on Clergy Retirement Issues. This section is for members of the Clergy approaching Retirement age, employed by a Participating Employer under either the Defined Benefit or Defined Contribution Plans or both.

We will describe how current tax rules for Retired Clergy provide the Parsonage or Housing Allowance exclusion. We will provide information on the implications of opting out of Social Security. We will describe how a Retired minister can maintain Clergy Credentials. We will provide some cautions about common Social Security estimators and why they may not be accurate.



Clergy employed in ministry in the Adventist Church participate in a tax provision called the Housing Allowance Exclusion, or sometimes the Parsonage Allowance Exclusion. This treats a minister as a self-employed person for purposes of Social Security. Instead of having FICA funded by both employee and employer, the minister makes SECA payments to the IRS. Subject to certain IRS limits, the minister can deduct from his ministry income the costs of maintaining a home. Most ministers are familiar with this provision. Current law allows a retired minister to be eligible for the Exclusion.

Some denominational Participating Employers require a form from the Clergy Employee documenting qualifying expenses for maintaining a home, such as mortgage payments, utilities, maintenance, and other household expenses. The W-2 is then reduced to the net amount, resulting in reduced income taxes paid by the minister.

In retirement, no such report is required or accepted. Instead, the Plan issues a 1099-R marked "Taxable Amount Not Determined". The Retiree then determines how much he or she has spent on qualifying housing expense within certain IRS limits, and files the personal income tax return showing both the total Retirement distribution, and the taxable Retirement distribution.

Some Retired ministers assume the full church Retirement income to be excludable. This is often not the case, particularly if the Retiree has no mortgage payments. If the Retired Minister is audited, the actual expenses for providing a home would have to be documented and will be compared with the Exclusion claimed on the return.

An experienced tax preparer can provide advice on the use of this provision. Retirement Plan personnel are not trained in providing more than general information about the Exclusion.



We now come to an interesting provision provided by Federal law for members of the Clergy. By filing Form 4361 with the Internal Revenue Service, a minister may request personal exemption from participating in Social Security for reasons of conscience. The form warns that “once the application is approved, you cannot revoke it.”

Highly respected Christian financial advisor Dave Ramsey seems to encourage opting out of Social Security for financial reasons, but only if the employee has a financial plan to replace the Social Security and Medicare benefits waived, including putting unpaid SECA payments into savings, and buying long-term disability insurance and life insurance. However, our Plan attorneys tell us that opting out of Social Security for financial reasons probably does not meet the Conscientious Objection requirement of the IRS.

Congress allowed exempt ministers to revoke their Exemption during two windows in 1977 and 1987. During both of those windows, NAD administrators urged exempt employees to revoke their exemption and get back into Social Security. The North American Division has gone on record discouraging exemption from Social Security but recognizes the right of the minister to seek the Exemption for reasons of conscience.

I certify that I am conscientiously opposed to, or because of my religious principles I am opposed to, the acceptance (for services I perform as a minister . . .) of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care.

Form 4361

This is the key wording on form 4361 for certifying why the minister chooses to opt out. Waiving such valuable benefits should be done only for truly conscientious objection to participation, and with diligent and disciplined actions to replace those benefits. The full form is available [here](#).

Exempt Pastor Challenges

Reduced Monthly Income

- Retirement Income from SS is based on top 35 years of participating employment
- Windfall Elimination Provision (WEP) = SS Benefits Reduction

Pre-65 Disability Provisions

Retirement Healthcare Premiums

Challenges faced by Social Security Exempt Pastors include

- Reduced retirement income. Social Security is designed to replace between 30% and 50% of preretirement income. But Social Security looks at the top 35 years of participating employment.

- Further, the dreaded Windfall Elimination provision will reduce a modest Social Security income even farther for exempt ministers.
- Disability: Retirees have informed us that if an exempt minister becomes disabled prior to age 65, both Social Security and Medicare may decline to provide disability benefits, even if the employee participated in Social Security prior to becoming exempt and will qualify for benefits at age 65.
- Healthcare Assistance in Retirement: Exempt employees who do not qualify for the required forty quarters of Social Security participation will be required to pay a monthly premium to participate in Medicare A, for hospitalization. That monthly premium can be sizeable.

Medicare Clarification for Exempt Pastor

Big Issue for Exempt Pastor's healthcare in retirement isn't **eligibility**, it is **affordability**. (2021)

• 40+ quarters of Medicare taxes	No premium
• 30-39 quarters of Medicare taxes	\$259/person/month
• Less than 30 quarters of Medicare taxes	\$471/person/month

Without Medicare A & B, Retirees are ineligible for the HRA Contribution.

“The Exempt Pastor is Ineligible for Medicare” is a common but false statement. Exempt Clergy are eligible for Medicare Part A, but the problem is Affordability. If the Exempt Clergy does not have the required forty quarters of Social Security/Medicare participation, there will be a sizeable monthly premium for life. Finally, without Medicare A & B, retirees will not participate in SHARP-Exchange and will thus be ineligible for the annual Health Reimbursement Arrangement described in the pre-Retirement SHARP section.

Some Medicare Solutions

Complete the required 40 quarters for Medicare by

- Checking your SS employment record. You may already have 40 qualifying quarters.
- Leaving church employment.
- Getting a sideline. Earn at least \$1,410/quarter. (2021)
- Starting your own corporation, funding it, and hiring yourself

Be a dependent of your spouse's Medicare.

Purchase from Medicare at \$471 or \$252/person/month

Purchase a subsidized Plan from HealthCare.gov (Obamacare)

In working with retirees and employees, here are some solutions we have heard about.

- Check your Social Security statement. You can obtain one online from [socialsecurity.gov](https://www.socialsecurity.gov). You may have 40 quarters prior to opting out.
- We've seen pastors leave denominational employment and working for a hospital as a chaplain. The hospital is not a church and cannot recognize your having opted out.
- Get a sideline. We know of one pastor who drives for Uber. He calls it his outreach ministry. If he earns at least \$1410/quarter (2021 figures), and participates in Social Security as a self-employed person, he will earn toward the required forty quarters.
- Create a corporation, fund it with personal money and hire yourself as a part-time employee until you accrue the required quarters. Only an attorney can help you figure out if this will work.
- You may also qualify as a dependent of your spouse's Medicare participation.
- Purchase Medicare A at the rates described in the previous slide.
- Find an alternative healthcare plan from the market.

Further Steps for the Exempt Pastor

Contribute an Extra 15.3% to an investment account grows to ~ \$1 million in 2021 dollars*

Ensure Life-Time Joint & Survivor Income (Annuity, Life Insurance, Disability Insurance)

Make sure Spouse understands the exempt status. Become a survival team

*Making assumptions which may or may not occur.

Pastors considering exemption from Social Security/Medicare were usually advised to set aside their SECA payments, currently 15.3% to an investment account, separate from the regular retirement savings under the Adventist Retirement Plan. Our experience shows that few have done so. Run some numbers and at denominational pay that savings amount should grow to around \$1 million during a full career. This will of course depend on pay levels, length of employment, inflation levels and investment performance.

Our calculations suggest that this amount should enable a person to pay for the Medicare 'A' premium for life and enhance retirement income to replace Social Security income in retirement. Exempt clergy who are not setting aside what would have been their SECA contributions will probably face financial challenges in Retirement.

Additionally, advisors will probably suggest participating in guaranteed life-time income for the Retiree and the Spouse. This might include an annuity, life insurance and disability insurance.

Finally, be a team. Make sure the spouse understands the exempt status and its implications. Think about living with a wife for 20 retirement years and being reminded daily of your failure to provide adequately for retirement!

Retired Minister Credentials

Emeritus Credentials

- Applied for at Retirement
- Recommended by last Employer
- Issued to Retired Minister
- Issued by Retirement Home Union Conference*

*Retired GC Elected Employees Emeritus Credentials are issued by GC.

Ministerial Credentials are normally issued only to active Employees. At an employee's Retirement some Employers request the return of the credential as part of the exit process since the Retiree is no longer an employee. Some Employers simply allow the Retiree to retain the credential until it expires, and do not renew it.

Retiring ministers may wish to continue to carry documentation of ordination or commissioning in Retirement. This can be useful if the Minister wants to have Clergy visitation rights at a hospital, perform a wedding or survive a tax audit. Such retiring ministers may apply for Emeritus Credentials during the Retirement process.

The Employer processing the Retirement will, upon the request of the Retiree, send a letter to the Executive Secretary of the Union Conference where the Retirement home is, recommending the issuance of the appropriate credential: Ordained Minister or Commissioned Minister. The Union Conference Executive Secretary or other appropriate office will issue and maintain emeritus credentials to the Retired Minister. In the case of General Conference elected personnel who retire directly from the GC, emeritus credentials will be issued by the General Conference.

This process is voluntary. Retired ministers are not required to carry current credentials.

Estimates of Social Security Income

SS Estimate Software Inaccuracies

- Dual Nature of Clergy
- Parsonage Allowance Exclusion
- Windfall Elimination Provision

Social Security [Calculators](#)

Clergy Retirees have informed us that standard Social Security income estimates may not be accurate enough to confidently create a Retirement budget. This can be for several reasons.

- The software may not understand the dual nature of the Clergy or the Parsonage Allowance Exclusion, and thus contributions and pension rates may not be accurately calculated.
- Ministers who have opted out of Social Security but who will still qualify for benefits because of employment prior to opting out may well run into the dreaded Windfall Elimination Provision or WEP described previously. Even Social Security's WEP Calculator is simplified and makes certain assumptions which probably will not apply to exempt clergy.

*This Closes the
Clergy Issues
Presentation*