Securing Your Future Together

Adventist Retirement
Adventist Retirement Plans

• Church “Legacy” Retirement Plan (DB Plan)
• Church Healthcare Assistance Plan (SHARP)
• Loma Linda Foods Plan
• Guam Micronesia Plans (DB & DC Plan)
• Hospital Retirement Plan
• Hospital Medical Plan
• Adventist Retirement Plan (DC Plan)
Church “Legacy” Plan

- Church Retirement Defined Benefit Plan 403(b)(9)
- Purpose of the Plan
- Ongoing Contributions to the Plan
- Service Credit Accrual for DB Plan Frozen in 1999
- Plan Administration
Adventist Retirement Plans

- Church “Legacy” Retirement Plan (DB Plan)
  - 1911 - 1999
- Church Healthcare Assistance Plan (SHARP)
- Adventist Retirement Plan (DC Plan)
  - 2000 – Current
## Funding the Church “Legacy” Plan

<table>
<thead>
<tr>
<th>Institution</th>
<th>Tithe Based Pension Contribution</th>
<th>Tithe Based Healthcare Contribution</th>
<th>Payroll Based Pension Contribution</th>
<th>Payroll Based Healthcare Contribution</th>
<th>Total Contribution</th>
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</thead>
<tbody>
<tr>
<td>Conf &amp; Union</td>
<td>8.10%</td>
<td>3.00%</td>
<td></td>
<td></td>
<td>11.10%</td>
</tr>
<tr>
<td>GC/NAD</td>
<td></td>
<td></td>
<td>10.25%</td>
<td>3.50%</td>
<td>13.75%</td>
</tr>
<tr>
<td>GC/NAD Direct Tithe</td>
<td>8.829%</td>
<td>3.270%</td>
<td></td>
<td></td>
<td>12.099%</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td>3.95%</td>
<td>3.50%</td>
<td>7.45%</td>
</tr>
<tr>
<td>ABC’s HHES/FHES/FER</td>
<td>9.45%</td>
<td>3.50%</td>
<td></td>
<td></td>
<td>12.95%</td>
</tr>
</tbody>
</table>
The Defined Benefit (Legacy) Plan

• Benefits paid over the last 10 years:
  ✓ $985,879,075

• Benefits to be paid over the next 10 years:
  ✓ $1,151,005,233

• Present Day Value of Accrued Benefits:
  ✓ $1,549,579,512/$1,327,828,185 (unfunded)
Church “Legacy” Plan

- Life-Long Monthly Pension Benefit
- Benefit Depends on:
  - Vesting
  - Total Service Credit
  - Level of Earnings
  - Eligibility for Spousal Benefits
Years of Service Credit

- Pre-2000 Years Only
- Employment by a “Participating Employer”
- Exceptions:
  - Approved Graduate Study for M.Div./PhD
  - Qualifying Military Service
  - Chaplain of Prison, etc.
Years of Service Credit

- Not Counted:
  - Years after 1999
  - Years with less than 1000 hrs. in year
  - Volunteer Work
  - Paid directly by Church or Church School
  - Years lost to Breaks in Service unless Recovered
    (25 years full service)
Spousal Benefits

• Joint & Survivor Benefit
  – Married, and have been married for at least one year before retirement
    • Retirement Healthcare Assistance
    • Spouse Death Benefit
    • Spouse Survivor Benefit (1/2 J&S Rate)
Spouse Allowance

- Additional “welfare” benefit granted to participant if Spouse has no retirement plan provided by any employer
- Recognition of career-uprooting moves
- Reduced by employer-provided retirement benefits
Spouse Allowance

- 20 + Years of Service Credit (10 DB Plan years)
- Married at least 1 Yr. prior to Effective Date
- SA is Reduced by the Amount of any ER Benefit
- Social Security does not count against SA
- Discontinued at Death of Spouse or Divorce
- Does not Restart at re-Marriage
Retirement Allowance

- One Time Lump Sum Benefit at Retirement
  - Based on Years of Service and Last Wages
- Eligibility
  - At least Half-Time Employment for past 2 Years
  - Go Directly from Employment to Retirement
    - Limited Exceptions within 36 months
- Calculation: 12.5% * Monthly Pay * Years SC
- Split Benefit
  - For Service Prior to 2000 – Retirement Benefit
  - For Service after 1999 – Employee Benefit from Employer
What is SHARP?

- SHARP is the self-funded, NAD Employer Sponsored Healthcare Plan for Retirees of Participating Employers of the North American Division.
- SHARP is not Insurance
- SHARP is Governed by the Adventist Retirement Board
- SHARP Requires Minimum 15 Yrs. Service Credit
SHARP

- Implemented on July 1, 2002
- Coordinated with Medicare benefits
- Years of Service provided an Earned Credit to apply towards premiums of selected coverage
- Benefits paid over the last 10 years: $357,881,737
• January 1, 2017 the SHARP benefit coverage options changed to the Medicare Exchange model.
  – Medicare remains the primary benefit for the retiree.

• Adventist Retirement partners with Aon Retiree Health Exchange.
SHARP-Ex

- SHARP eligibility rules remain the same.
  - The total, qualifying Years of Service credit are still used to determine healthcare eligibility.
  - A Health Reimbursement Account (HRA) is designated for each eligible member, age 65 and older. Plan contributions are tax free to the retiree.
  - The Exchange provides more choice and price stability for retirees.
  - SHARP DVH (dental, vision & hearing) benefits continue to be managed and paid by SHARP.
2018 DVH & Pre-Medicare Cost

**SHARP DVH**

SHARP DVH: $95/member/month ($5 increase from the 2017 rate)

**Pre-Medicare**

SHARP Pre-Medicare (medical): $470/member/month ($20 increase from the 2017 rate)

**Rx**

SHARP Commercial Rx (< age 65): $130/member/month ($10 increase from the 2017 rate)

- A Pre-Medicare retiree must choose DVH and/or Rx if they want that additional coverage

**Non-Medicare**

SHARP Non-Medicare (child up to age 26): $130/child/month
## 2018 Sharp-Ex HRA Allowances

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>DVH Annual Contribution</th>
<th>HRA Annual Contribution</th>
<th>Total Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>35+</td>
<td>$780</td>
<td>$1,620</td>
<td>$2,400</td>
</tr>
<tr>
<td>30-34</td>
<td>$696</td>
<td>$1,464</td>
<td>$2,160</td>
</tr>
<tr>
<td>25-29</td>
<td>$612</td>
<td>$1,308</td>
<td>$1,920</td>
</tr>
<tr>
<td>20-24</td>
<td>$528</td>
<td>$1,152</td>
<td>$1,680</td>
</tr>
<tr>
<td>15-19</td>
<td>$444</td>
<td>$996</td>
<td>$1,440</td>
</tr>
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</table>
The SHARP plan continues to provide the Medicare Part B premium reimbursement benefit for those receiving benefits on pre-2000 service and qualifying for healthcare.

The benefit is paid as a percentage of $104.90 [rate frozen in 2015]
- (based on years of service credit)
- >$10,000,000 was paid in 2016 for this benefit.
# Medicare Part B Premium Reimbursement Benefit

<table>
<thead>
<tr>
<th>SHARP Category</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Retirement Plan Service</td>
<td>35+</td>
<td>30-34</td>
<td>25-29</td>
<td>20-24</td>
<td>15-19</td>
<td>8-14**</td>
<td>5-7**</td>
</tr>
<tr>
<td>Reimbursement</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Monthly Reimbursement</td>
<td>$94.41</td>
<td>$83.92</td>
<td>$73.43</td>
<td>$62.94</td>
<td>$52.45</td>
<td>$41.96</td>
<td>$31.47</td>
</tr>
</tbody>
</table>
Latest Research

• Americans – Retiring Later, Dying Sooner, Sicker In-Between

  • Almost one in three Americans age 65 to 69 are still working, along with almost one in five in their early 70s

  • A 65 year-old man can expect to live to 85.6 years, and a woman can expect to make it to 87.6 years

  • Americans in their late 50s already have more serious health problems that people at the same ages did 10 to 15 years ago
The Rising Cost of Prescriptions

• The largest financial impact to the plan in 2016 was in prescriptions for Diabetes 17% increase pmpm

• The largest financial impact to the plan in 2016 was specialty prescriptions for Inflammatory Conditions, 30.1% increase in cost pmpm.
DC Plan – 2000 and beyond

• How did we land on a 403(b) DC Plan?

• Defined Contribution – Everybody puts something into the “pot”

• Went live in January of 2000

• Money in is money out
The Big Move

- **Process:** RFP (by Board request) every 5 years
  - TPA – Third Party Administrator
  - Price
  - Services

- **VALIC** – 15 years

- **The move** – January of 2015 to Great-West/Empower
  - Technology
  - Education
  - Web based
  - Participants better off in 5 years
DC Plan – Get to know us

• We are a small “piece” of what you and your staff do on a daily basis

• A very important piece – one that is HIGHLY regulated

• The IRS regulations can seem arbitrary and not user friendly – especially in lieu of what we do and how we do it as a church

• PLEASE REMEMBER: We’re here to help and assist you
  – Better to try and “fix” something BEFORE it goes to Empower
Who is “us”

- Kristina Dahabura – Accounting Software Specialist (ARP Support)
  - kristinadahabura@nadadventist.org
  - 443-391-7330
  - All things to the department - My right hand
  - Specifically: Year End and Limits Testing; RA & Disability questions; Data Manager; ARP Upload
Who is “us” - continued

• Joanne Cortes – DC Plan Specialist

• joannecortes@nadadventist.org

• 443-391-7348
  – Day to day processing
  – Export of file “batches” – M,T
  – Loans: Signatures/Empower
  – RMD’s
  – Crossed trained with Shyamala
Who is “us” - continued

• Shyamala Injety – DC Plan Specialist

• shyamalainjety@nadadvenist.org

• 443-391-7347
  – Daily bank info & weekly wires – W, Thurs
  – Hardships: Signatures/Our office
  – EPCRS
  – Delinquency
  – “T” codes
  – Crossed trained with Joanne
“Hands on Help”

- Our Website: [www.adventistretirement.org](http://www.adventistretirement.org)
- Our Admin Manual
- Our Legal Plan Document
- SPD: Summary Plan Description
- Face to face “training” or “DC Plan 101”
- Emailed “Bulletins”
Know the Process

• Who in your establishment does the following?
  – HR
  – IT
  – Payroll
• What are your protocol’s and procedures?
• Data in a generated “payroll” file
  – Indicative employee information
  – Contributions
• Matching Funds
• Batched
• Wire
• Email “dialogue”
Adventist Retirement Plan

- Current NAD Plan
  - Employer Basic - 5%
  - Employee Elective - 3%
  - Employer Match - 3%

- Auto Enrollment - 3%
- Auto Escalation - 1%
  - July 1, 2018
## Contributions

<table>
<thead>
<tr>
<th>Employer Base Contribution</th>
<th>Employee Pre-tax Contribution</th>
<th>Employer Matching Contribution</th>
<th>Total ARP Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>5%</td>
<td>2%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>5%</td>
<td>3%</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>5%</td>
<td>7%</td>
<td>3%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Benefits of increasing your contribution
Every dollar counts towards retirement

Assumes a salary of $50,000 invested at various contribution rates at the end of each month. Conservative portfolio consists of 15% T-bills, 45% bonds, 40% S&P 500. Moderate portfolio consists of 10% T-bills, 30% bonds, 60% S&P 500. Aggressive portfolio consists of 5% T-bills, 20% bonds, 75% S&P 500. This is for illustrative purposes only and is not intended to represent any particular investment product. Account balances are rounded to the nearest hundred. Data as of 12/31/14.
Auto Enrollment began for all new employees on September 27, 2017. No more Salary Reduction Agreement forms.

- Employer will enroll new employees in the plan and choose the 3% or 3.26% (10 mo. Teachers) elective deferral for the employee.
- Employees will need to opt out of the elective deferral if they desire to cease elective contributions or change the contribution.
Auto Escalation

• On July 1, 2018 Auto Escalation will begin for all employees contributing less than 7%
• Employers will increase the elective deferral for the employee by 1% each year at the time of the annual COLA. Cap maximum at 7%
• Employees will need to opt out of the elective deferral increase if they do not want to increase their elective deferral
No More Dollar Amounts…….

• After September 13, 2017, we have stopped allowing elective deferral’s in dollar amounts, we are only accepting in percentages.
• This applies to all contributions, whether its Pre-Tax, Roth, or After-Tax amounts.
Going Forward....... 

• Any time an employee wants to make a change to their contribution percentage, they will do so on the Empower Website. 
• That will trigger a report sent to Adventist Retirement and in turn we'll notify you the employer. 
• The process should work much like the one for Loan & Hardship notification. 
• We are creating 2 new status codes Student and Temporary 
• Working to automate the process 
• We need Employee Emails/We will be setting a deadline
2018 Contribution Limits

- Annual Contribution Limit 402(g) - $18,500
- 50+ Catch-Up Limit - $6,000
- Overall Contribution Limit 415(c)(1) - $55,000
How can YOU help US?

• Terms & Processes:
  – Eligibility
  – Basic, Match and Employee (Elective Deferral); Schwab
    • Roths – do you offer them?
  – Local Hire – Potentially messy, especially for moving employees
  – SRA’s and Beneficiaries
    • Affidavit
    • Beneficiary with Empower
  – Status Codes
How can YOU help US? – Continued

– Special Pay
  • Have you elected it?

– RA’s and Limits

– Delinquency

– EPCRS

– Old VALIC TSA accounts

– 402 and 415 Testing
It’s a Partnership

• A lot of moving pieces
  – NAD Policies
  – Retirement Policies
  – IRS regulations
  – Department of Labor
  – Legislation

• We rely heavily on you as the “boots on the ground” – you ARE the front line

• Our “doors” are always open – we WANT to hear from you