

Regional Conferences Withdraw from the NAD Pension Plan

Julie Z. Lee

For ten years, the regional conferences of the North American Division (NAD) have maintained that there is inequity in the Church's pension plan, and at the end of 1999 they did something about it. Several of the regional conferences choose to put their retirement fund contributions for January 2000 into an escrow account, to be held until the issue is resolved.

In response, the NAD created a Task Force on Equity and named as chair Mardian J. Blair, recently retired president and CEO of Adventist Health System. Small groups within the task force have been at work gathering and analyzing data. On April 25, the entire task force will meet in Nashville to consider a compromise proposal to bring the NAD and the regional conferences together.

The conflict at hand revolves around two retirement programs. The first is the old system (now frozen), a Defined Benefit Plan, which required all conferences to contribute the same percentage of tithe to the pension regardless of the number of eligible retirees in the conference. Thus, conferences were funding a program over which they had no control and minimal influence. In addition, the old plan proved inadequate; it had accumulated more than one billion dollars in unfunded liability, leaving the NAD with insufficient funds to sustain its retirees.

In January 2000, the NAD implemented a new Defined Contribution Plan, which calls for each employer to contribute a percentage of the employee's salary toward a mutual fund managed by the employee. The new plan places more responsibility and control in the hands of the employers and their employees; however, it carries the debts of the frozen plan. Conferences must not only adopt the new plan but also continue to contribute a percentage of their tithe to the old

Task Force on Equity

Mardian J. Blair, Chair

Retired President, Adventist Health System

Sylvester D. Bietz

Retired Treasurer, Pacific Union Conference

Alvin M. Kibble

President, Alleghany East Conference

Kenneth R. Coonley

President, Carolina Conference

Frank L. Jones

Retired Associate Treasurer, North American Division

Harold E. Lee

President, Columbia Union Conference

Norman K. Miles Sr.

President, Lake Region Conference

Ralph Reed

Lay representative, Mid-America Union

Max C. Torkelsen II

President, Upper Columbia Conference

Max A. Trevino

President, Southwestern Union Conference

Dale R. Beaulieu

Treasurer, Columbia Union Conference

Phyllis Ware

Treasurer, Central States Conference

Leon D. Thomassian

Treasurer, Atlantic Union

plan, which is under funded and still carries obligations to those who started working under it.

The state of the retirement plan is crucial to all who work for the Church, but regional conferences argue that the problem is intensified for its workers, who must struggle not only with a financially inept program but also with heightened problems of disparity in the distribution of funds. Out of 15,000 retirees in the NAD, only about 500 are from regional conferences. In 1998, regional conferences contributed \$10 million to the retirement fund, but less than \$2 million was returned in benefits to the regional employees. Also, the ratio of overall workers to tithe is less in regional conferences than in most state conferences. These concerns have been brought to the attention of the General Conference and NAD leadership in the past with no resolution.

Thus, regional conference leaders decided to take drastic action. Last fall, they began researching possibilities for a pension plan independent of the NAD. Their investigation reaped promising options. Actuarial studies showed that an independent pension plan would grant regional conference retirees approximately 80 percent of their present salary in comparison to the 30 percent assured by the NAD's new retirement system. Earlier in the year, these findings were presented to regional conference constituents and leaders, and almost all voted to withdraw from the NAD pension plan.

In a report presented to the task force on February 22, 2000, regional conference leaders listed possible pension plan options for the NAD to consider. Two of them are modeled after successful alternatives in Canada and the South Central Conference in North America. Ten years ago, a task force discovered an inequity in contributions in Canada and created a plan that was more fair for each conference. The United States did not duplicate such a revision in its own plan. In 1985, the South Central Conference established a subsidiary fund for its employees to supplement NAD retirement benefits. Each pay period, the workers contributed a set amount of money to the special fund, and the conference made additional contributions. Several years later, the plan is fully funded and retirees under its provisions receive an average of \$500 in addition to the regular NAD benefits and Social Security. Unfortunately, the NAD prohibited other conferences from developing a similar plan.

The list of options includes an endorsement for a defined benefit plan similar to that of Canada, and another asks for an alternative retirement plan for regional conferences, much like that of the South Central

North American Division Regional Conferences

Northeastern Conference

Regional constituency in Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont

Lake Region Conference

Regional constituency of Illinois, Indiana, Michigan, Minnesota, and Wisconsin

South Atlantic Conference

Regional constituency of North Carolina, South Carolina, and Georgia, except that portion of Georgia south of and including the following counties: Appling, Baker, Ben Hill, Jeff Davis, McIntosh, Miller, Mitchell, Seminole, Telfair, Turner, Wayne, and Worth

South Central

Regional constituency of Alabama, that portion of Florida lying west of the Apalachicola River, Kentucky, Mississippi, and Tennessee

Southwest Region Conference

Regional constituency of Arkansas, Louisiana, New Mexico (except San Juan County), Oklahoma, and Texas

Central States Conference

Regional constituency of Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wyoming, and San Juan County in New Mexico

Allegheny East Conference

Regional constituency in Delaware and New Jersey; Maryland, except Allegany and Garrett Counties; that portion of Pennsylvania east of Potter, Clinton, Centre, Mifflin, Huntingdon, and Fulton Counties; that portion of Virginia east of Clarke, Warren, Rappahannock, Madison, Greene, Albemarle, Fluvanna, Cumberland, Prince Edward, Lunenburg, and Mecklenburg Counties, except the city of Gordonsville in Orange County, and including the town of Berryville in Clarke County; Berkeley and Jefferson Counties in West Virginia; and the District of Columbia

Alleghany West Conference

Regional constituency in Ohio and West Virginia; Allegany and Garrett Counties in Maryland; that portion of Pennsylvania west of and including Potter, Clinton, Centre, Mifflin, Huntingdon, and Fulton Counties; and that portion of Virginia west of and including Clarke (except the town of Berryville), Warren, Rappahannock, Madison, Greene, Albemarle, Fluvanna, Cumberland, Prince Edward, Lunenburg, and Mecklenburg Counties, and the city of Gordonsville in Orange County

Southeastern Conference

Regional constituency of Florida except that portion west of the Apalachicola River, and that portion of Georgia south of and including the following counties: Appling, Baker, Ben Hill, Jeff Davis, McIntosh, Miller, Mitchell, Seminole, Telfair, Turner, Wayne, and Worth

North Atlantic Conference*

The Northeastern Conference restructured into two conferences: the Northeastern Conference consisting of the state of New York, and a new North Atlantic Conference, consisting of Connecticut, New Hampshire, Maine, Massachusetts, Rhode Island, and Vermont

Source: *SDA Yearbook*, 1997

* *Adventist Review*, Dec. 1999

Conference. The list also suggests a revamping of the current system for a more equitable and improved benefits plan for the entire NAD.

Just what kind of impact the regional conferences' withdrawal will have on the NAD's overall retirement plan is not yet certain. Del Johnson, administrator of the Seventh-day Adventist Church Retirement Plan for the North American Division, reports that no formal evaluations have been run. Johnson is not on the task force, but he has served as a resource on the retirement plan during the meetings. "Obviously, if any contributors cease making contributions, there are implications," says Johnson. "At this point there are so many directions it [the task force's final proposal] could go that it's impossible to give a scenario of what the results could be."

Johnson has studied informal models under different circumstances. If a complete withdrawal by regional conferences takes place and the NAD continues to carry the liabilities of those conferences, the funding levels under certain assumptions would dip to about 4 percent of full actuarial funding in about fifteen years before beginning to recover. As administrator, Johnson feels this would be a dangerously low level. If everything continues (the regional conferences remain in the NAD pension plan), the levels would drop to about 8 percent funding before recovery. Currently, the plan is at about 13.6 percent of actual funding.

In addition to the possible instability of the frozen benefit plan, the Church must also face the ramifications the final decision will have on race relations in the NAD. Although much of this battle is embedded in financial concerns, some regional conference members point to underlying politics, specifically, lack of equal career opportunities for African Americans in the Church. One retired regional conference leader, who asked not to be named, believes that there are few career opportunities open to blacks in the NAD. Furthermore, there is little room for advancement. This offers an explanation as to why the number of black retirees in the NAD is so small.

The accusation is severe, considering that the Church has made strides toward abatement of racial tension. In October 1999, the NAD hosted the first Race Summit at the General Conference. More than 300 religious leaders attended the three and one-half day summit to address the future of race relations in the Church. In a formal acknowledgement of the NAD's racially scarred history, President Alfred C. McClure publicly apologized to his "African American brothers and sisters . . . for the way you've been treated by our Church" (see page 31, above).

The summit concluded with recommendations to

work toward increased cultural sensitivity in church and school, leading ultimately to unity and racial harmony. Ironically, weeks after the Race Summit, the war for separation has risen once more with diminishing room for compromise. Despite the task force's attempt at negotiation, some regional conference leaders have asserted that the final decision of the task force and NAD will have no bearing on their decision to withdraw from the pension plan.

When asked whether he felt a separate pension plan for regional conferences would affect race relations in the Church, Johnson seemed tentative, but positive. "I believe that on all sides of the issue, there are reasonable people that will come up with reasonable options," said Johnson. "I believe we will come up with a good solution that will not have a negative effect."

Fifty-five years ago, a group of workers gathered at a hotel in Chicago to discuss escalating racial tensions in the Adventist Church before the Spring Council of the General Conference. The premeetings were held to deliberate on the advisability of forming regional conferences. General Conference president James L. McElhany spoke of his desire to maintain unity and help blacks assume leadership positions. Listening carefully to the concerns of both sides of the issue, Elder McElhany spoke: "If I thought anybody was proposing a conference organization that would drive a wedge between the races I would oppose it. I do feel anxious for us to develop every resource. . . . We must keep together and maintain the spirit of counsel and helpfulness."

Days later, the Spring Council took a unanimous vote to establish regional conferences in the NAD. Since then, African-American membership has increased tremendously. Constituting only 9 percent of the membership in the United States in 1944, it leaped to 20 percent in 1977, 23 percent in 1985, and more than 25 percent in 1995. No doubt, the radical decision of the Spring Council reaped great rewards.

Whether or not the decision to be made on April 25 will do the same is yet to be answered. Will it drive a wedge between the races? Will it maintain the spirit of counsel and helpfulness? These remain questions of faith.

Julie Lee is the media relations coordinator for Pacific Union College. A Korean American, she has written about race relations for the *Adventist Review* and PUC's alumni journal, *Viewpoint*. jzlee@puc.edu