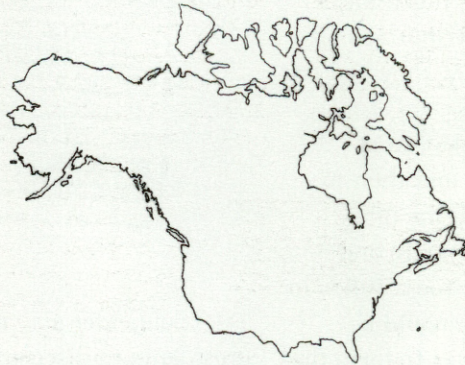


Whither North America?

Division Considers Options as Regional Conferences Proceed
with Separate Retirement System



by Bonnie Dwyer

For the Adventist regional conferences of North America, December 5, 2000, marked the beginning of a new era in church work, an independence day of sorts. On that day, with cameras snapping, the presidents of all nine black conferences gathered at Oakwood College in Huntsville, Alabama, and signed papers to form an independent nonprofit organization. Its purpose is to establish a separate retirement system for regional conference workers. Their 401(a) Defined Benefit program, operated by Mutual of America, will make it possible, the black conferences said, for their workers to retire at full salary (when combined with Social Security payments).

The action of the black presidents placed the North American Division in the difficult position of having to figure out how to fund the \$10 million shortfall that will occur in the NAD system after the regional conferences withdraw from the program. In addition, the need exists to explain to workers why the NAD program pays so much less to retirees and how to respond when nine conferences vote themselves out of compliance with

church policy. How much independence is healthy as units of the Church move to address the challenges within their territory?

During the year of negotiations that led up to December 5, not all the regional conferences had agreed on the advisability of their own plan. As late as November, one conference questioned the new system just as it had questioned the NAD's Defined Contribution plan. But with the self-imposed deadline of Dec. 31, 2000, approaching, unity prevailed, and all nine presidents signed the documents.

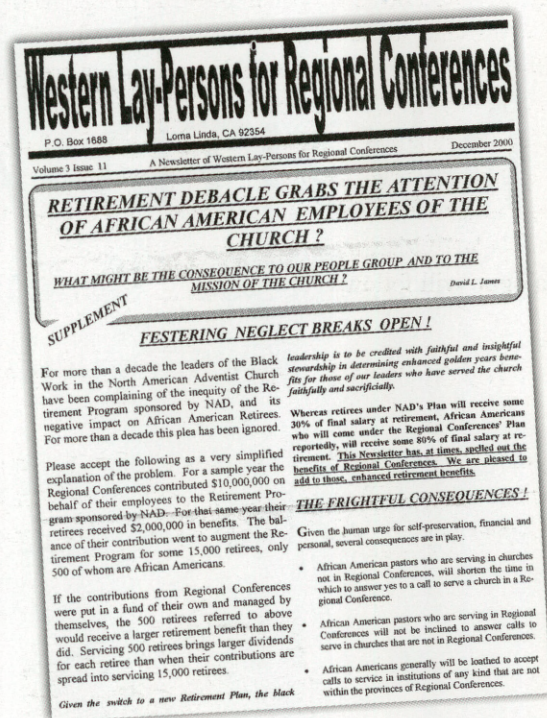
For many years the regional conferences have complained of inequities in the NAD retirement system. As small conferences with few workers, they maintained that regional conferences paid proportionally more into the retirement system than their workers got out of it. In 1999, they approached Mutual of America and requested studies of possible alternatives. When they received reports that showed the possibility of giving retired workers much higher payments with the same amount of contributions from the conferences, the presidents knew they had to act.

Reports from these studies were taken to regional conference executive committees and then to constituencies. In January 2000, eight of the nine stopped making payments to the NAD system and placed their conference-designated retirement funds in a separate escrow account until the issue could be resolved. The response from the NAD was to form the Task Force on Equity.

Chaired by Mardian Blair, former chief executive officer of Adventist Health System in Orlando, Florida, the thirteen-member task force was composed of two regional conference presidents, two retired treasurers (one from the division and one from the Pacific Union, which has no regional conferences), two conference presidents, two union conference presidents, one layperson, two union conference treasurers, and one conference treasurer. Del Johnson, administrator of the NAD retirement program, provided information as the group worked on its assigned task of finding a compromise.

The NAD materials showed that inequality did exist in amounts paid by small conferences and conferences with no institutions, both regional and nonregional, Blair said. However, the task force felt that it could not make a recommendation on how to right the inequity without an actuarial study that would examine the records of every Adventist employee and assess their retirement benefits to a specific

conference. Regional conferences maintain they had been requesting just such a study for years. With the election of Don Schneider as the division president in July, approval for the study was given. Work began at the NAD offices gathering data for the actuaries.



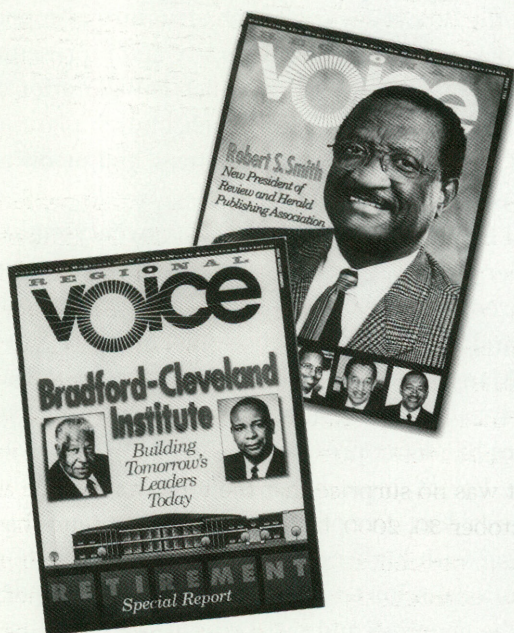
Schneider also met with the regional conference presidents to discuss the situation. By the time of the division's annual year-end meeting in late October, he said he had come to understand that the retirement system had far greater implications for the Church than he had known when he took the president's job.

Since changes in contribution percentages or retirement benefits are always voted at year-end meetings, it was no surprise that the topic was on the agenda for October 30, 2000, but this time its presence had explosive possibilities. Many delegates had been part of the vote to freeze the division's old Defined Benefit program, to which all conferences contributed the same percentage of tithe regardless of their number of eligible retirees. To replace the old program, in 2000 the division started a new Defined Contribution plan, which required each employer to contribute a percentage of the employee's salary toward a mutual fund that the employee managed. The new plan placed more responsibility and control in the hands of the employers and their employees. What would the new president do with the regional conferences' proposal to form their own Defined Benefit program?

In his first outing as chair of the division meeting, Schneider used a strategy to eliminate the possibility of a divisive vote. He scheduled the session on the retirement system on Monday afternoon, when all the delegates were sure to be present. He designated the afternoon a "Town Hall Meeting." Informational presentations were made by the regional conferences. There was discussion. There were questions. There was no report from the Task Force on Equity because the actuaries had just received the NAD data. At least six weeks would pass before details emerged from them. So no votes were taken, and repeatedly, Schneider promised the audience, "Dialogue will follow."

History of Caring for Workers

Begun in 1910, the Church's provision for "broken down" workers (Ellen White's term) has entailed a three-year supply of pooled funds generated from



payments of institutions that contribute a percentage of salaries and conferences that pay a percentage of tithe. This pay-as-you-go plan meant that the Church retirement system never ran out of money, because it continually came in.

All conferences contributed more money to the fund than required for their own personnel, because the plan also provided for academy, college, and missionary personnel. "Thus each conference had a

part in subsidizing these essential church evangelistic programs," Schneider said in the retirement system history lesson that he gave at the year-end meeting.

By the 1990s, increasing numbers of retirees had severely strained the program and it was in danger of bankruptcy despite contributions from the conferences that amounted to 10.75 percent of their tithe. So the old Defined Benefit plan was frozen and a new Defined Contribution program was voted in which funds would be set aside for each employee starting in 2000, similar to a savings account. The old frozen plan continued to fund current retirees. The new plan would cover the more recently employed workers. The percentage assigned to each conference for payment into the old retirement plan was reduced to 9 percent of tithe.

Schneider ended his presentation with a series of questions that he then answered. Among the questions and answers:

Q: Are there policies saying that a conference must turn in money to the retirement fund?

A: Yes, several church policies cover this issue, and most conference constitutions say they will follow the policies of the Church. Thus, any conference that fails to meet its obligation to the retirement fund according to policy and whose constitution states that it will follow the Church policies would be out of compliance with its own constitution.

Q: Where does this leave us?

A: Regional conference presidents have invited additional dialogue after the Task Force on Equity has given its report.

As Schneider promised, dialog did follow, both formally and informally. For attorney Gerson Perla, a Hispanic lay delegate to the NAD meeting from the Central California Conference, the regional conference retirement plan discussion came as a total surprise, in spite of his service on the NAD retirement board. So he spent several hours in discussion with black delegates after the Monday session. "Before [the NAD meeting] I had a tendency to blow off racial issues," he said. "Listening to them talk, it sounded like not a whole lot has changed since 1969 in some places."

He came away from his discussion feeling that the issue can be fixed. "They seemed willing to work it out and delighted to have discussion," said Perla. "And while there was built-up frustration with the system, there was no anger."

Mardian Blair, chair of the Task Force on Equity, requested that the regional conferences wait

the actuaries working for the task force said that they needed additional material from the NAD. The information was sent, but this delayed further the task force report. Analyzing the situation and their own time line, the regional conference presidents concluded that the task force report had nothing to do with the formation of their nonprofit organization. According to Norman Miles, president of the Lake Region Conference and chair of the regional conference presidents, information from the Task Force on Equity would be the basis for deciding the obligations of conferences for the Church's old retirement system. That discussion would need to take place with or without a new retirement program.

So the black conferences proceeded. In Schneider's view, here are some of the ramifications:

1. The other conferences, which will now need to make up for the contributions that previously came from the regional conferences, will look for places to find money and the Special Assistance Fund for small conferences might be targeted. Regional conferences make up the majority of the small conferences, but if that money is used for retirement, other (nonregional) small conferences will be hurt.

2. Black workers in the Pacific Union, which has no regional conferences, will raise retirement questions.

3. Calling workers between conferences that have different retirement plans will become an issue.

Schneider notes that the Adventist Church in Canada has trouble getting workers from the United States because Canada has a separate retirement system and salaries are affected by exchange rates. The division needs to be a broker in bringing entities together within its territory, says Schneider. For other divisions, such challenges are old hat. "There is much we can learn from other divisions," he says, noting that North America's division status is comparatively new.

The Evolving Role of the Division in Church Work

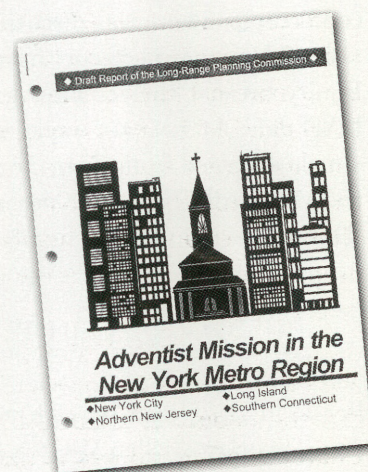
As the division looks to the future, its planning strategy also seems to suggest a new role. The division is focusing on specific initiatives rather than attempting global planning, according to Kermit Netteburg, director of communication. One such plan

was presented at the year-end meeting, when the commission on Adventist mission in the New York metro region gave its report. North American Division officers appointed the commission at the request of the presidents of the two union conferences and five local conferences that have churches in the metropolitan region. This is the largest metropolitan area in North America; it straddles two union conferences and a total of seven different kinds of denominational territory definitions. Clearly, some entity needs to coordinate activities in the area.

"Lay leaders in all ethnic groups see a need for Adventists to work together across the traditional ethnic and conference lines," the report says. "Church structure is important and works well to ensure diversity and representation, but there is another level at which collaboration and cooperation is needed in outreach, church planting, public service, specialized ministries, and media and civic relations."

The NAD brought together a twenty-eight-member commission to fill that role, and the commission produced a ten-year plan with strategic goals for 2005 and 2010, with an action plan for those goals.

Many people do not realize how roles within the Church have evolved in recent years, according to Charles Sandefur, president of the Mid-America Union. For example, he says that, as a union conference president, he spends a significant amount of time working with higher education and health care institutions in his territory. Local conferences deal with the churches and K-12 educational institutions. As union conference president, he has minimal contact with local churches. The departmental work that previously took place at the union level has been pushed to the division, which now coordinates resources for local churches to do ministry. Rather than being a hierarchical system, which many members envision, the current operation functions with well-defined spheres of influence at each level. Very little duplication of work exists from one level of the Church to another, maintains Sandefur.



Changes in the organizational structure have been underway for some time, according to Monty Sahlin. Before he left NAD to become vice president of creative ministries in the Columbia Union, Sahlin directed the 1995 NAD organizational study and strategic plan. He estimates that conference and union departmental staffing for specific ministries has been cut in half over the last twenty-five years. That work has been handed over to the division because support systems for ministry can be provided more efficiently at the national level. Sahlin says that the NAD report in 1995 called for the elimination of duplication at the various church levels. Since then, the biggest changes have been made at the union level. In the Mid-America Union, for example, the number of employees has dropped from a high of sixty-three to the current level of eighteen.

Another significant item at the NAD 2000 year-end meeting was the treasurer's report, which noted that the amount of tithe kept at each level within the Church is being reduced in the North American Division. This reduction was sent in motion by General Conference president Jon Paulsen, who on the first day of his administration in 1999 initiated a reduction in the amount of tithe sent from North America to the General Conference and replaced it

with an increased percentage of tithe from the other world divisions. Similar reductions at the North American Division and union levels followed, so that this budget year 58 million additional dollars will be available at the local conference level. "This is huge," Schneider told the audience when he presented the percentages.

The retirement system issue has served as an opportunity to consider how the church organization functions. It has posed many questions for and about the division, in particular, and answers will not be easy to find. "Growing churches are going to be messy churches," Schneider said at the year-end meeting, just after his prayer, which included the following words: "Help us now as we practice how to behave when we don't agree, but still love each other."

Bonnie Dwyer, editor of *Spectrum*, has written for the journal since 1977.

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