



## Miracle Vote Brings Consensus To Regional Retirement Issue

*By Julie Z. Lee*

**A**fter a year of research and negotiation an agreement has been reached in the debate over the funding of the “tail” in the North American Division retirement system. At the NAD 2001 Year End Meeting, church leaders took action to accept the terms of an agreement that outlines a structure by which the regional conferences can conclude their involvement with the NAD retirement plan completely and still pay for remaining financial obligations to the old program.

The terms of the agreement state that regional conference employers agree to assume their portion of financial responsibilities that remain in the old defined benefit plan, referred to as the “tail.” The tail will cover those employees and retirees who have vested service in the old plan, which is now frozen in favor of a defined contribution plan. The total direct regional liability, the amount of money needed to provide benefits for employees and retirees who have had service with regional employers on the old NAD plan, is \$109.2 million.

The agreement provides four components by which the outstanding regional obligation will be fulfilled:

- Regional conferences will pay, as a percentage of tithe, a total of \$39.4 million between execution of the agreement and December 31, 2021.
- Regional conferences will accept transfer from the NAD plan the benefits obligation of \$34.3 million dollars for employees active with a regional conference on December 31, 1999.
- The North American Division acknowledges that \$35.5 million of current NAD plan assets are allocable to regional conference contributions.
- In addition to these three components, which together constitute the \$109.2 million obligation of the regional conferences, the NAD agrees to make a one-time lump sum payment of \$6 million toward the start-up of the Regional Conference Retirement Plan.

The agreement was drawn from more than a year of research conducted by a Task Force on Equity, formed in January 2000 after several regional conferences began withholding their retirement fund contributions to the NAD. The Task Force was asked to explore a possible compromise that would satisfy the regional conferences without having them adopt a separate retirement plan altogether. The Task Force studies showed that some conferences, large and small, continued to overcontribute significantly, whereas others were heavily subsidized. In the past, such inequities were known to exist, but were accepted as a way for stronger conferences to help support the weak. However, the recent investigation revealed that the differences were drastic.

"The regional conferences were clearly at the extreme end of being contributors, subsidizing many of the 'weaker' conferences at a rate that had not been anticipated," says Del Johnson, administrator of the NAD Retirement Plan. "They were not alone as a group, but dominated the 'contributors.'"

The agreement closes what has been a long debate between the NAD and regional conference leaders. For years, the regional conferences have asked for actuarial studies to be conducted on inequities in the Church's retirement plan. When their request continued to be overlooked, regional conference leaders took the matter into their own hands. In 1998, Joseph McCoy, president of the South Central Conference, led out in researching strategies that might improve retirement benefits for regional conference employees.

In 1999, the regional conferences approached Mutual of America Life Insurance and requested studies of possible options. They learned that on a different plan, a 401(a) Defined Benefit program, conferences could make smaller payments and receive considerably higher benefits. The reports from the studies were presented to regional conference executives and constituencies.

In January 2000—the same date the new NAD defined contribution plan became effective—eight of the nine conferences stopped making payments to the NAD system. With the switch in the NAD from the old plan to the new happening at the same time,

regional conference leaders determined that January was the best time to make a clean transition. They began to place their conference-designated retirement funds in a separate escrow account until the issue could be resolved.

Resolution took longer than anyone had anticipated. Although the Task Force's initial findings showed the old NAD Retirement Plan inadequate for specific conferences, it determined that an actuarial study was also needed to examine the records of all Adventist employees and assess their retirement benefits to a specific conference. Such an undertaking proved far more extensive and time-consuming than predicted, delaying an official proposal from the task force. By December 2000, the regional conferences had decided to form an independent nonprofit organization for the purpose of establishing a separate retirement system without waiting for the Task Force's report. Instead, all research would serve to establish the regional conferences' financial obligations to the old plan.

Finally, in August 2001, Don Schneider, president of the NAD, was able to present the terms of an agreement to regional, conference, and union presidents at a meeting in Rocklin, California. In what Schneider called a "miracle vote," it passed, and was then presented for final approval in November at the Year End Meeting, where it passed again.

Although the plan has brought resolution to the regional conferences, what does it mean for the other conferences, large and small? Actuarial studies estimate a debt of \$1.2 billion that the Church in North America must pay to take care of the tail. Initially, it was hoped that all organizations would be able to reduce contributions to the frozen plan in small increments. It is now unlikely that such a reduction, which would relieve budgets, will take place any time soon, and organizations will have to continue making full contributions to the obligations of the frozen plan to make up for the financial adjustments made for the regional conferences.

The regional conferences are not the first to form a separate retirement plan. More than ten years ago, a task force discovered an inequity in contributions in Canada and created a plan that was fairer for each conference. The Adventist Health System also uses its own retirement program, and the Adventist Church in Bermuda went through a similar process.

---

Julie Z. Lee is a freelance writer as well as communications coordinator for Maranatha Volunteers International. [Jlee@maranatha.org](mailto:Jlee@maranatha.org)