Goals for Retirement Program Standards for Jewish Communal Workers

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INTRODUCTION

The urgency and responsibility to upgrade retirement programs of agencies, institutions and organizations in order to meet realistic levels of needs and resources is compelling. Executives, staff and lay leaders must all be involved in the process. Increased longevity in recent years has expanded the number of retirees resulting in new problems, needs and potential opportunities.

The absence of a field-wide retirement program handicaps both retention and recruitment possibilities and can result in inadequate retirement benefits. It is desirable that common goals and standards for all Jewish agencies and services be developed and defined in such a generic program. The establishment of clear goals for retirement program standards is essential so that the final benefits will reflect the total years of service by the worker in the field of Jewish communal service.

A retirement program should be based on a financially sound plan which provides benefits which enable a retiree to live comfortably and with dignity. Concepts of standards which meet this objective change, as our social and economic structure changes, and therefore retirement programs should be reviewed periodically (at least every three years) with a view towards amendments in keeping with these changes.

A retirement program must be comprehensive in its scope and should embrace more than just a pension plan. It must also deal with other realities of retirement and pre-retirement; medical, dental and optical insurance coverage; financial and psychological counseling; preparation of wills; assistance in securing and maintaining Social Security and related benefits; opportunities for utilization of the retiree's accumulated wisdom and talents in part-time or occasional employment and/or in volunteer service on boards, committees and in agency programs.

This document should be presented for discussion and approval by all appropriate national Jewish organizations with the intent of obtaining their commitment toward actively promoting its implementation.

GUIDELINES

The following guidelines are recommended as desirable basic standards for retirement programs. When existing retirement programs afford greater benefits, those should take precedence over the guidelines in this document.

I. GENERAL PRINCIPLES

Each employing agency, institution and organization shall develop a specific and comprehensive plan for the retirement security of its Employees. These are some of the general principles which should be followed:

A. The program should be clearly stated (Summary Plan Description) and given, in writing, to all Employees at the time of employment as required by the Employees Retirement Income Security Act of 1974 (ERISA).

B. Employees should be represented in planning and administering the retirement program, particularly where changes in policies are being contemplated.

C. Retirement programs should be reassessed at least every three years with a view towards amendments to conform with changing conditions in the field and in our society.

D. All requirements of ERISA, Tax Equity & Fiscal Responsibility Act (TEFRA), and any subsequent legislation should be satisfied.

E. The retirement benefit (pension) should be established at a level to include cost-of-living adjustments, which enable the retiree, who has worked many years in the Jewish communal field, to live a life of dignity upon retirement.

F. The CJCS Committees on Retirement and Insurance stand ready to assist the Agency and Employee in all matters pertaining to retirement including adjudication of any issues.

II. GOALS FOR PENSION PLANS

A. *Eligibility*

All regular “full-time” (as defined by ERISA) Employees, age 21 and older, shall be eligible to join the plan after completion of one year of service. Although pension contributions may not necessarily start with the date of hire, provision should be made to reflect the first year of service in the final pension benefit (on the principle that each year of work life should build toward retirement security). The pension plan should cover all classifications of Employees. The law requires that men and women shall receive equal benefits.

B. *Contributions*

The provision of pensions is the responsibility of the Employer and should be non-contributory. In addition, Employers should provide opportunities for Employees to participate in a contributory pension program such as a Tax Sheltered Annuity, for additional security toward the Employees' retirement.

C. *Retirement Date*

The normal retirement date shall be age 65. Employees, upon approaching this age, should be entitled to elect to extend retirement to age 70.
There shall be a provision to continue employment beyond age 70, on a year-by-year basis, with the mutual consent of the Employee and the Employer. For all years beyond age 65, there should be provision to provide increased benefits to the Employee upon actual retirement. Although employment may continue beyond age 70, current law requires that pension distribution (receipt of benefits) must begin by age 70½. However, contributions to a Tax Sheltered Annuity, including Employer contributions, may continue to age 75. Distributions from a Tax Sheltered Annuity account must begin by age 75.

D. *Vesting and Portability*

All pension plans should provide 100% vesting upon completion of 10 years of service. The ERISA laws provide definitions and guidelines in this area. 100% vesting shall mean that if the Employee has been or will be in Jewish communal service for at least 10 years, the Employee will be entitled to all benefits towards which Employers have contributed on his or her behalf. These benefits shall become available when the Employee is eligible for, elects, or is required to draw the pension. Employers should provide that no benefits be lost by those who leave for employment in another Jewish communal agency, institution or organization. In such cases, the funds already in place shall be set aside with vesting to be increased by each year of continued employment by another Jewish communal agency, institution, or organization, or Employers may elect to allow Employees to roll over funds to the new employing agency pension plan.
Plans should provide for complete portability of all pension credits so that the final benefits will reflect the total years of ser vice by the Employee, and will also provide a maximum return from a consolidated properly administered pension plan.

E. *Pension*

The plan should guarantee an Employee, at age 65 and after 25 years of service, a pension of not less than 60% of the average of his or her last five consecutive years' salary, exclusive of Social Security benefit.
An Employee shall earn benefits at the rate of 2.4% a year for each year of service up to 25 years and shall receive 1.5% a year for each year of employment thereafter. Employees who retire with less than 25 years of service shall receive benefits based upon the above formula.

F. *Deferred and Early Retirement*

Although the normal retirement age is 65, an Employee may elect to defer the receipt of benefits to age 70. Such a deferment, past age 65, should provide an increased benefit on an actuarial basis.
Between the ages of 55 and 64, Employees shall be permitted to elect early retirement. Such Employees may elect to receive their pension at that time, or any time up to age 64, or to defer payment until age 65. In either case the benefit will be computed by using the same formula regarding the numbers of years of credited service as of the date of early retirement. In the event of receipt of payments at any time during early retirement, benefits will be reduced on an actuarial basis to provide for receiving them for more years. If, however, the Employee has completed 25 or more years of service and has attained at least age 62, he or she should be permitted to elect to begin to receive his or her pension at any time, with no actuarial reduction.

G. *Disability Benefit*

Any Employee who is vested in one or more pension plans through employment in the field of Jewish communal service for at least 10 years shall have a guarantee of continued pension contributions made in the event of any disability.

H. *Death Benefits*

If an Employee dies before retirement and is vested in a Defined Benefit Plan, the Employee's beneficiary should receive upon the death of the Employee, at least 50% of the benefit of the pension vested on his or her accrued benefits at the date of death. Optional methods of receiving this benefit should be available to the beneficiary.
If the Employee dies before retirement and is vested in a Defined Contribution Plan, his or her beneficiary should receive the cash value of the account.
If the Employee dies before retirement but after age 55, and is fully vested in the plan and is survived by spouse, provision should allow for spouse to elect to delay receipt of any benefits. Employer should then continue to make contributions to the plan to allow spouse to receive

50% of the benefits the Employee would have received had he or she lived to age 65.
Death benefits both before and after retirement should take into consideration the options previously selected by the Employee. Such options are at the discretion of the beneficiary.

I. *Options*

All retirement plans shall provide for at least the following options which may be elected as alternatives to the standard benefits (Joint and One-Half Survivor Annuity):

- 100% Joint and Survivor Annuity
- Single Lifetime Annuity Benefit (5 or 10 years certain)
- Leveling Option Tied in with Social Security for Early Retirement

J. *Protection Against Inflation*

Employees who are retired should be protected from the destructive effects of inflation on their retirement dollars. The practice of building base retirement benefits on the highest five years of an Employee's income was developed as one way of beginning to deal with this problem, but it is not sufficient. The advanced retirement program today also attempts to relate all or part of the benefits to the cost-of-living index. Provisions should be incorporated within the plan for a formula for annual increase in the pension benefit directly related to the cost-of-living index.

K. *Previous Retirees*

Pension plans should provide for cost of living adjustments for those already retired. The foregoing protection against inflation feature shall be provided to those who have already retired. Furthermore, previous retirees should receive an adjustment in the pension benefit to account for the inflation from the time of retirement to the implementation of annual cost-of-living adjustments.

III. TRANSITIONAL PLANNING

A. *Implementing or Upgrading*

Where existing or new pension programs confront phasing in considerations before they are able to meet the minimum standards outlined above because of actuarial considerations, complicated community machinery etc., retirement benefits should be augmented through an Employer paid Group Tax Sheltered Annuity Program.

B. *Interim Program*

Agencies should be urged immediately to institute an adequate pension plan based on the Goals stated in Section II (Goals for Pension Plans). CJCS would recommend consideration of an Employer funded Group Tax Sheltered Annuity Program as being the best present interim means of achieving the desired objective. This recommendation is based upon the following aspects of a Group Tax Sheltered Annuity:

…is 100% portable if the Employee remains in the Jewish communal field. The Employee may transfer many times during the course of his or her life's work. This one plan will following the Employee from one non-profit agency to another without lapse, continuing to build up a non-forfeitable fund for retirement.

…generally has immediate 100% vesting. The Employee should own the annuity, 100%, beginning with the very first deposit made to his or her annuity account.

… under most contracts, the Employee's beneficiaries are guaranteed the sum of all annuity deposits (made by the Employee and the Employer) or the cash value of the account, whichever is greater. In addition, the beneficiaries may usually elect from a variety of available annuity options.

…the Employee is free to select his or her own retirement age up to age 75. There is also the opportunity for the Employee and/or the Agency to continue making contributions to the Tax Sheltered Annuity after age 65, up to age 75.

…any additional contributions made by the Employee are made before taxes; in effect, postponing payment of taxes to such time as his or her tax picture will probably be more favorable, e.g., after retirement.

…the group annuity benefits and guarantees are substantially higher than those that are available to the individual.

IV. CONTINUANCE OF INSURANCE INTO RETIREMENT

A. *Medical*

Employers should provide a comprehensive plan of health benefits as follows:

- Hospitalization
- Basic Medical
- Major Medical
- Dental Insurance
- Optical Insurance

All health insurance programs previously provided to the Employee and spouse and dependents prior to retirement should continue into retirement. Premiums are to be paid in full by the Employer provided retirement is at age 65 or older and where the Employee has had at least ten years of service with the Agency prior to retirement. In addition, the Employer should assume the cost, in full, of all Medicare premiums.

Upon the death of the retiree, the Agency should continue paying the cost of all health insurance for the surviving spouse and eligible dependents until the spouse dies or remarries, and the dependents are no longer eligible.

B. *Group Life Insurance*

Employees who are retired from the Agency shall retain a minimum of 75 % of their life insurance coverage during the first year of retirement, 50% during the second year of retirement, and 25% beginning with the third year of retirement, and thereafter, for life. The cost of this plan should be paid in full by the Employer.

V. COUNSELING AND PLANNING

Pre-retirement and financial planning are essential to both Employers and Employees to raise awareness on the part of both as to changes in economic conditions, innovations, and government rulings. Individual counseling is also essential to meet specific personal needs and circumstances. Pre-retirement counseling provided by the Employer should include but not be limited to:

- Social, psychological and family preparation and adjustment
- Financial planning (investments, budget preparation)
- Making or updating a will
- Health insurance coverage
- Securing Social Security and related benefits
- Opportunities for part-time or occasional employment and/or volunteer services

APPENDIX

Glossary of Terms

Annuity An amount payable at regular intervals.

Contributory Plan Plan participants contribute to the plan and share in the cost of providing the benefits.

Cost-of-Living Adjustment An increase in the retiree's benefit usually made to reflect an increase in the cost-of-living index.

Credited Service The years of service used in the benefit formula to determine the pension amount.

Defined Benefit Plan A retirement plan in which the retirement benefit is set in advance. Contributions are not allocated to each individual participant.

Defined Contribution Plan A retirement plan in which the level of contribution is set. Contributions are allocated to each individual participant. The pension benefit is determined by the funds in the individual's retirement plan account.

ERISA Employee Retirement Income Security Act of 1974-Federal Legislation affecting pension plans.

Non-Contributory Plan The Employer bears the entire cost of the plan.

Options The forms of benefits available to participants upon retirement. Some examples of options are:

> **Joint and Survivor** (Referred to by some carriers as **Contingent Annuitant Option**) The full benefit amount specified will be paid to the retiree as long as he or she lives. When the retiree dies, payments will be adjusted in accordance with the percentage which had been elected and paid to the surviving annuitant, no further benefits will be payable.
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> **Ten Year Certain and Continuous Annuity** This benefit will be payable to the retiree for his or her lifetime; however, should the retiree die prior to receiving the guaranteed number of payments (120 monthly payments) the remaining number of such monthly payments will be paid to the beneficiary.

Pension A fixed sum paid regularly to a person under given conditions following his or her retirement from service, or paid to his or her surviving beneficiaries; also referred to as a retirement annuity.

Checklist

Implementation of the goals enumerated in the Retirement Program Standards will enable the Employee in the field of Jewish communal service to live comfortably and securely during retirement.

Following is a checklist of the most important elements of a comprehensive retirement program against which you should compare your agency's retirement program.

YES	NO		
☐	☐	1.	All years of employment in the field of Jewish communal service, including the first year of employment from age 21, are included in computing the retirement benefit.
☐	☐	2.	Provision is made for *complete portability* of pension benefits, even if the Employee is employed by a variety of Jewish communal agencies throughout his or her career.
☐	☐	3.	Total, 100% vesting takes place at least after the 10th year of employment in Jewish communal ser vice Vesting is *not* restricted to employment with one agency.
☐	☐	4.	The Employee does *riot* contribute to the pension plan.
☐	☐	5.	After 25 years of service, the Employee will receive a benefit equal to 60% of his or her average salary during the last 5 consecutive years of employment.
☐	☐	6.	Additional benefits can be earned for years of service beyond 25 years. (In fact, provisions should allow for benefits to reflect all years of service from age 21 until age 75.)
☐	☐	7.	The pension received is not reduced in any way by Social Security payments.
☐	☐	8.	Early retirement (ages 55 through 64) is available.
☐	☐	9.	For Employees with 10 or more years of employment in Jewish communal service, continued pension contributions will be made even during periods of disability.
☐	☐	10.	If the Employee dies before retirement, then his or her vested benefits will provide an immediate income to the beneficiary.

☐ ☐ 11. During retirement, a comprehensive program of health benefits to include hospitalization, basic medical, major medical, dental and optical insurance will be provided to the Employee, his or her spouse and eligible dependents. Premiums for these coverages will be paid fully by the Agency if the Employee retired at age 6 with a minimum of 10 years of employment in the field of Jewish communal service. All Medicare premiums will be paid by the Agency, in full.

☐ ☐ 12. If the retired Employee dies, then the Agency should continue to provide the health coverage to the spouse until such time as the spouse remarries or is deceased; coverage for dependents is to be provided as long as eligibility exists.

☐ ☐ 13. The retirement program should go beyond providing pension and health coverages. The Agency's retirement program should also include financial and psychological counseling; preparation of wills; assistance in securing and maintaining Social Security and related benefits; opportunities for utilization of one's accumulated wisdom and talents in part-time or occasional employment and/or in volunteer service on boards, committees and in Agency programs.