

**The Pension Plan of the Kenya/Ethiopia Annual Conference of the East
Africa Episcopal Area of the
United Methodist Church**

Pension Plan Description

PREFACE

The Plan Sponsor believes that those who dedicate their lives to serving the church should receive pension benefits that will contribute to financial security upon their retirement. Furthermore, in order to contribute to that security, these future pension benefits will be funded in accordance with a funding plan starting with the Plan Effective Date.

HISTORY

Effective date of this Pension Plan Description is _____ (*pending: adoption by ACS; approval of pilot project by GBOPHB; completion of service record data for retirees*)

This Plan is a new plan

SCHEDULE OF BENEFITS

This Plan provides for a Schedule of Benefits for ordained clergy and their survivors

FUNDING

The Annual Conference will fund this Plan in accordance with the Funding Plan.

DEFINITIONS

Capitalized terms have the meanings given to them in the applicable Schedule of Benefits or the *Central Conference Guide for the Development of a Conference Pension Plan Description*.

SCHEDULE OF BENEFITS

PART 1: COVERAGE UNDER THIS SCHEDULE OF BENEFITS

1. This schedule of benefits covers the ordained clergy and licensed local pastors under full time appointment to local churches within the Kenya/Ethiopia Annual Conference East Africa Episcopal Area.
2. This schedule of benefits covers the ordained clergy under full time appointment to the conference office and to other conference-related institutions such as schools. This schedule of benefits covers lay employees of the full Annual Conference working in the conference office.
3. Upon the third anniversary of the effective date of this plan, the Conference Board of Pensions will evaluate the addition of pension coverage for other lay employees who are not covered under the provisions of (2.), above. The Board of Pensions understands that the CCPI subsidy as defined in the Funding Plan attached to this Pension Plan Description is not available to supplement the pensions of lay employees except for those described in (2.), above.
4. The Plan specifically excludes the following categories of clergy from coverage: Temporary employees; Independent contractors; Clergy not under appointment; Clergy under part time appointment; Members of other denominations.

PART 2: MINIMUM PARTICIPATION REQUIREMENTS

Part 2 specifies those criteria that an individual covered by the Plan must meet in order to begin accruing benefits under the Plan. Eligibility for participation under this schedule ceases for that period of time in which the Participant no longer meets the coverage requirements.

1. Service counted toward participation: Only service during which the Participant was actively serving in a category covered under this Plan is counted toward participation.
2. Coverage for Participants who withdraw from the ministerial office or are terminated from ministerial membership in the Annual Conference under ¶ 360.2 or ¶ 363.3 or ¶ 2711.3 of the *2008 Book of Discipline*, ceases as of the date of withdrawal or other termination of ministerial membership. Participants whose coverage ceases under the provision of this section shall receive a single payment equal to the amount of their individual contributions to the pension scheme to date. They shall have no further claim on the Pension Fund of the Kenya/Ethiopia Annual Conference. Coverage for Participants who are temporarily removed from ministerial duties through suspension or involuntary leave of absence under ¶ 355 of the

2008 Book of Discipline will not accrue credited years of service for the number of years of their suspension unless their compensation is continued by the Annual Conference for the period of their suspension or involuntary leave of absence, nor will they be obligated for pension contributions for those years, unless their compensation is continued by Annual Conference for the period of their suspension or involuntary leave of absence.

PART 3: PARTICIPANT CONTRIBUTIONS

A Participant is required to contribute 6% of compensation.

Compensation used for the calculation of Participant contributions is the total salary paid.

PART 4: FUNDING

Funding sources: The Plan Sponsor will fund this Plan in accordance with the Funding Plan. The Central Conference Pension Initiative will provide the fixed dollar amounts cited in the Funding Plan.

Following are the primary funding sources:

Participant contributions as described above: 6% of compensation;

Employer contributions of 6% of compensation.

PART 5: CREDITED SERVICE

Years of service while a bishop are not covered under this Plan

The Participant will receive credited service under this Schedule only for years in which the following are true:

1. The Participant was actively serving in a United Methodist category covered under this Plan, prior to and subsequent to the Effective Date of this Plan, and
2. Subsequent to the Effective Date of this Plan, the Participant made the required contributions, including satisfying any and all arrearages, plus interest, incurred since the Effective Date of this Plan, prior to receiving benefits.

If a Participant is not under appointment (or terminates employment) for a period of time, thereby having a break in service, service prior to a break in service of any length in time will not be disregarded if, prior to the break in service or thereafter, the required contributions, both individual and employer, are made for the period of the break, and unless employee contributions have been returned under provision 2.2, above.

Periods in which Participant was considered disabled under Part 10 of this Plan will be counted as credited years of service under this Plan.

PART 6: VESTING SCHEDULE

A Participant will have a nonforfeitable right to benefits according to the following schedule

100% vesting after five (5) years of service during which the minimum participation requirements of Part 2 were met

A Participant who retires or terminates prior to becoming 100% vested will forfeit the right to his or her accrued benefit.

A Participant who terminates membership in the Plan for any reason prior to being vested will be reimbursed the amount of individual contributions which she or he has made to the plan.

Credited Service for the period prior to the break will be restored if the Participant returns to service and meets the coverage and minimum participation requirements of this Plan and restores any individual contributions that were reimbursed to him or her upon termination.

PART 7: AMOUNT OF RETIREMENT BENEFITS

Formula for retirement benefits

\$30 per month plus \$1 per month for each year of service over 15 years of Credited Service to the United Methodist Church and as provided in Part 1 of this Plan.

PART 8: NORMAL RETIREMENT DATE

Definition of the Normal Retirement Date: Normal Retirement Date is the earliest date on which unreduced benefits can be paid and cannot be later than the first of the month following attainment of age 72 as prescribed by the Book of Discipline. For purposes of this Plan, Normal Retirement Date is the first of the month after completion of Annual Conference following attainment of age 65 or 40 years of Credited Service.

PART 9: PAYMENT DUE TO DISABILITY

1. Upon Disability of the Participant, benefits are available immediately
2. Benefits payable due to disability: 100% of retirement benefits which would be calculated for the Participant if she or he were to retire at the normal retirement age with Credited Service earned up to the time of Disability.

PART 10: DETERMINATION OF DISABILITY

1. Application for retirement because of Disability shall be accompanied by a statement from a qualified physician certifying that the participant is permanently disabled and outlining the reason for such conclusion. Such application shall be examined by the Board in consultation with a qualified physician. The Board shall fully satisfy itself that the applicant is permanently disabled for the work assigned, or for any other employment, before recommending retirement and support by the Pension Fund of the United Methodist Church.
2. The Board shall have the right to require continued proof of disability from a participant receiving pension from the fund until she or he reaches the minimum retirement age of sixty-two years. Should the disability later prove to be temporary, and not permanent, the participant shall, upon the restoration of health, resume payment of the employee contribution to the Fund, pension payments will cease, and the pension she or he received during the temporary disability shall not reduce or in any way impair the pension which would be due to her or him in the future.

PART 11: SURVIVOR BENEFITS

1. Monthly benefit payable to Surviving Spouse upon Participant's death
100% of benefit payable to Participant
2. Benefits to the Surviving Spouse:
Cease upon the remarriage of the surviving spouse.
3. Monthly benefit payable to Surviving Minor Child or Children upon death of Participant and Surviving Spouse :
100% of benefit payable to Participant
4. The Surviving Minor Child benefit is payable:
To be shared equally by the Surviving Minor Children.
5. Definition of Surviving Minor Child (ren): The surviving minor child for the purposes of this benefit is, at the time of the Participant's death and the death of the Participant's Surviving Spouse, the Participant's natural or adopted child who is younger than 18 years of age or 22 years of age if verified to be enrolled in school.
6. The Surviving Minor Child benefit is payable only if the Board of Pensions is in possession of verifiable proof of the date of birth of the child or children.

7. The Surviving Spouse of an active Participant is:
The spouse to whom the active Participant was married when he or she died.
The Surviving Spouse of a retired Participant is:
The spouse to whom the retired Participant was married when the Participant began receiving benefits and when the Participant died.
8. In the Kenya/Ethiopia Annual Conference, a spouse who marries a retired pastor is not entitled to Surviving Spouse benefits upon the event of the retired pastor's death.
9. For the purposes of this Plan, the Surviving Spouse of an active or retired Participant is the sole spouse whose name and birth date are registered with the Conference Board of Pensions. For the purposes of this Plan, the Surviving Minor Child (ren) of an active or retired Participant is/are the children of the Participant and the sole spouse whose name and birth date are registered with the Conference Board of Pensions.

PART 12: IMPLEMENTATION AND TRANSITION RULES

The provisions of this plan apply to those clergy who served in the categories specified in Part 1 and are active or retired and receiving benefits on or after the Effective Date.

PART 13: PLAN DOCUMENTS

The following documents are attached and are hereby incorporated by reference:

The Funding Plan

The Investment Plan (to be completed within 2 years following the Effective Date of this Plan.)

The Audit Plan (to be completed within 5 years following the Effective Date of this Plan.)

PART 14: DEFINITIONS

- **Appointment** – Official assignment to a ministerial position by action of the Bishop pursuant to the rules defined in *The Book of Discipline of The United Methodist Church*.
- **Benefits** – monies paid to Participants in the Plan who are eligible to receive them, and the amount of which are defined by the Plan.
- **BOP** – These initials stand for the **Board of Pensions**, which is the group elected by the Annual Conference session and charged with oversight responsibilities for all pension and benefit plans, including oversight of the CBO (Conference Benefit Officer).
- **CBO** – These initials stand for **Conference Benefit Officer**, who is the individual in each Annual Conference or Episcopal Area who is responsible for the administration of the pension and other benefit plans
- **Clergy** – Ordained persons appointed by a United Methodist Bishop to a compensated position of employment.

- **Credited Years of Service** – Service to the church that counts toward the eligibility of a participant and/or the calculation of the benefit amount.
- **Disability** – A Participant will be considered disabled when, on the basis of medical evidence, it is determined that such person is unable to perform the usual and customary duties of a United Methodist clergyperson by reason of a bodily injury, a disease, or a behavioral illness or disorder.
- **Participant Contributions** – Those amounts contributed by a participant, either by payroll withholding or by direct payment that are held in an account and allowed to accumulate, with earnings, until retirement age.
- **Employer Contributions** – Those amounts contributed by a participant’s employer that are held in an account designated for the employee and allowed to accumulate, with earnings, until retirement age.
- **Funding Plan** – The scheme by which the BOP shall raise the necessary funds to fully subscribe the costs incurred by the provisions of the Plan.
- **Participant** – One who takes part in the pension plan after satisfying the eligibility conditions.
- **Pension** – A pension is deferred compensation: it is money paid tomorrow, when it is needed, but earned today and yesterday when services were rendered. The United Methodist Church provides pension support to its clergy and other qualified lay employees to honor their service, provide dignity to those who have served, and to assure those presently serving that a means is available to them to help secure their livelihood during their retirement.
- **Plan Description** – The document that outlines the terms of a pension plan and its design.
- **Plan Effective Date** – The date at which the provisions of the Plan are to go into effect.
- **Retirement** – The termination of active service which occurs upon reaching Retirement Age and is approved by the Bishop and Annual Conference as defined in *The Book of Discipline of The United Methodist Church*.
- **Retirement Age** – By the 2008 *Book of Discipline*, the normal retirement age is 65 or 40 years of service. Plans in the Central Conferences may specify different ages, due, perhaps to differing retirement ages recognized in national laws.
 - **Mandatory Retirement Age** – In accordance with *The 2008 Book of Discipline of The United Methodist Church* (paragraph 358.1), mandatory retirement age is 72.
- **Trust** – A legal arrangement under which one person, several persons or an entity holds, invests, and manages money or property for the benefit of someone else.
- **Trustee** – A person, several persons or an entity that is given legal authority to hold, invest, and manage money or property for the benefit of someone else.

- **Vested** – The condition of having pension benefits that are not forfeitable. When pension benefits are vested, the participant has a right to eventual possession of the benefits that will be distributed in his/her name. Someone who is not vested in benefits must render a specified amount of further service or the benefits tentatively credited to him or her will be forfeited upon termination of employment or death before the vesting period is satisfied.

SIGNATURES

By Bishop _____, as presiding officer of the _____ session of the Kenya/Ethiopia Annual Conference, East Africa Episcopal Area on this _____ day of _____ in the year _____.

By _____, as Conference Secretary of the Kenya/Ethiopia Annual Conference, East Africa Episcopal Area on this _____ day of _____ in the year _____.

By _____, as Chairperson of the Conference Board of Pensions of the _____ session of the Kenya/Ethiopia Annual Conference, East Africa Episcopal Area on this _____ day of _____ in the year _____.

**The Kenya/Ethiopia Annual Conference, East Africa Episcopal Area Conference Pension
Funding Plan,
Supplementary to the
The Pension Plan Description of the Kenya/Ethiopia Annual Conference, East Africa
Episcopal Area of the
United Methodist Church**

The Kenya/Ethiopia Annual Conference of the East Africa Episcopal Area Pension Plan will be funded as follows:

- A. Participant Contributions of 6%.
- B. Employer contributions of 6% paid by local churches during years of service while the pastor is appointed to the local church or by the Annual Conference for years of service while the pastor is appointed to, or a lay person is employed by the Annual Conference for work in the Conference Office.
- C. Such other incomes into the Pension Fund as may be adopted by the Annual Conference.
- D. During the period in which contributions and income arising from sources A., B. and C., above are accumulating in an investment plan adopted by the East Africa Annual Conference Board of Pensions, the Central Conference Pension Initiative will contribute an amount equal to the benefit cited in the Plan as of the Effective Date of the Plan. CCPI will disburse an amount equal to the payments needed quarterly upon receipt from the CBO of an itemized request for the required amount. The quarterly request shall be in a form stipulated by CCPI. CCPI will increase or decrease its subsidy according to the number of retirees and surviving spouses cited in the itemization described in this section. CCPI will not increase or decrease its subsidy due to inflation, variation in rate of exchange, or decision by the Kenya/Ethiopia Annual Conference, East Africa Episcopal Area Board of Pensions to increase its pension benefit or broaden coverage.
- E. During the CCPI-supported Kenya/Ethiopia Annual Conference Pension Plan, an actuarial evaluation of the Annual Conference will be completed. The results of the actuarial study will inform the Annual Conference Board of Pensions of the adequacy or inadequacy of the Employer and Employee contributions to this Funding Plan. Upon receipt of the actuarial evaluation, the Board of Pensions shall recommend amendments to this Funding Plan with the goal of achieving self-sustainability by a future date certain cited in the Funding Plan.