

A SUMMARY OF ELIGIBILITY & CONTRIBUTION OPTIONS

The Christian School Pension Plan and Trust Fund is designed to provide an important part of the income needed for retirement. The Plan is a defined benefit pension plan and was established by Christian Schools International for employees of its member schools in the USA, including its own employees.

GENERAL PROVISIONS

- **Eligibility** All employees employed on a half-time or more basis, must participate in the Plan as of the date of their employment. Effective September 1, 2009 a change in the Plan gives a school the choice of electing the "once in always in" option and continuing to enroll all employees employed on a half time or more basis. Such schools will also enroll all employees working less than half time *who have prior service credits regardless of the number of hours they work*. A school not electing "once in always in" will only enroll those employees who are employed on a half time or more basis. This choice is made each Plan Year.
- **Contributions** There are both employer and employee contributions, each equal to 2, 3, 4, 5, 6, or 7 percent of the employee's compensation. The board of each school elects which plan (2, 3, 4, 5, 6, or 7 percent) to participate in.
- **Plan Options** The board can choose whether employee contributions will be currently taxable or non-taxable. If the board chooses the Regular Plan, employee contributions are taxable; if the board chooses the Employer Contribution Plan (ECP), employee contributions are non-taxable.

The Regular Plan The Regular Plan provides for contributions to be made by regular payroll deductions. An amount equal to 2, 3, 4, 5, 6, or 7 percent is deducted from each participant's compensation and the board contributes an equal amount for a total of 4, 6, 8, 10, 12, or 14 percent. *The employee contributions are deducted after taxes have been withheld.*

The Employer Contribution Plan The Employer Contribution Plan (ECP) provides for contributions totaling 4, 6, 8, 10, 12, or 14 percent of compensation to be paid by the board with no contributions made by the employee. However the Plan treats one-half of the contributions as employee contributions. *The advantage of the ECP is that employees do not have to pay taxes on the "Employee Contributions" until retirement.*

- **Changing from the Regular Plan to the Employer Contribution Plan.** Many employers choose to participate in the Employer Contribution Plan so that the contributions deemed made by the employee are not currently taxable. A board can begin to participate in the ECP and make the contributions for the employee without increasing the overall costs. This can be done by adjusting the salary scale down to account for the board now making the contributions for the employees. To do this in the 2% Plan, the salary scale would be adjusted down 1.923%; in the 3% Plan, 2.83%; in the 4% Plan, 3.7037%; in the 5% Plan, 4.545%; in the 6% Plan, 5.3571%; or in the 7% Plan, 6.1404%.

For example, assume a school is in the 6% Regular Plan. An employee of that school has a salary of \$20,000. Currently the school contributes \$1,200 and the employee contributes \$1,200 after taxes from the \$20,000 salary. The total compensation paid by the board is \$20,000 salary plus \$1,200 pension contribution (\$21,200). With the ECP Plan, by adjusting the salary of \$20,000 down by 5.3571%, the salary becomes \$18,928.58. 6% of \$18,928.58 is \$1,135.71. The total compensation paid by the board remains at \$21,200 (\$18,928.58 + \$1,135.71 + \$1,135.71).

- **Compensation** The amount of compensation reported to the Plan is the same for the Regular Plan or the ECP. Compensation equals the amounts paid that must be reported on the W-2 tax form. Compensation also includes any amounts excluded from current taxation by way of contributions to a 401(k) profit-sharing plan, a simplified employee pension plan, a 403(b) tax-sheltered annuity or a 125 flexible spending account plan.
- **Making the Contributions** The pension plan year runs from September 1 through August 31. Each month during the pension plan year, boards will receive an invoice for 4, 6, 8, 10, 12, or 14 percent of one-twelfth of the reported compensation. To keep the invoices accurate, it is important that any changes in compensation, any new hires, or the termination of any employee be reported to the Plan so that the invoice can be adjusted. Invoices are mailed on the 15th of the month and payment is due immediately after the last payroll of the month.

For additional information write or call:

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