

# YOUR PENSION UPDATE

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International

The CSI Pension Indexing Proposal – we've shared a lot of information about it, asked for input, listened, and now the CSI trustees and directors are ready to implement the first phase of the pension indexing proposal.

This newsletter will focus on the feedback provided and plans for going forward.

## Sharing Information

Over the past several months, we've told you about the pension indexing proposal for CSI schools and how it would permanently raise a retiree's pension benefit at regular intervals.

For example, this past September and October, employee meetings were held in schools across the country. Howard Van Mersbergen, Director of Employee Benefits Plans at CSI, and John Higgins from Mercer Human Resource Consulting shared more details about the indexing proposal and answered questions.

Briefly, the indexing plan would be phased in over 10 years to ultimately provide an annual 2% increase in pension benefits for all members and retirees. The cost of the enhanced pension benefit would be covered by higher contributions from members and schools. The 10-year phase-in would ensure enough money is built up in the pension fund to cover the costs of indexing as it is phased in.

## Collecting Feedback

Over the past four years, the CSI trustees have embarked on a three-step process to solicit feedback from schools on pension indexing, which includes

- A survey in 1999,
- Focus groups in 2001, and
- Impact discussions and feedback in 2002.

As part of the 2002 impact discussions, each school was encouraged to hold an information and feedback session, to allow employees and board members to share their thoughts. A facilitator at each school led the meeting and captured the feedback on a Pension Indexing Impact Form.

We received forms from over 60% of participating schools. Thank you for your feedback and for taking the time at your school to conduct and attend these feedback sessions. Feedback was very valuable and helped the CSI trustees and directors make the decision.

## The Results Are In...

Mercer reviewed all the impact forms and identified whether or not the school indicated support for pension indexing. From all the feedback gathered during this process, results show there is a strong and consistent indication that schools support pension indexing.

It is also clear that schools have recognized the potential challenges – especially the financial challenge for boards and employees – but still indicated strong support for the positive impacts of the proposal. In response to the financial challenges, schools have indicated an implementation date of September 2004, which would give boards and employees time to budget for the increased contributions required for pension indexing.

Overall, there was a strong indication of support for the proposal and a sense that the positive impacts outweighed the challenges. The following outlines the key impacts summarized from all the pension indexing forms:

### Key Positive Impacts of Implementing Pension Indexing Proposal

- Significant improvement in pension benefits (e.g., helps keep up with inflation)
- Useful tool in attracting and retaining quality teachers
- Looks after current retirees whose retirement income can be low
- Supports CSI's community values because it benefits all in the Christian community

### Key Challenges of Implementing Pension Indexing Proposal

- Concern about how boards would pay for the increased costs and the potential impact of an increased school budget (e.g., higher tuition, no salary increases, etc.)
- Concern for how employees were going to afford pension indexing, especially younger members and families who may be financially stretched

Based on all the feedback received, the CSI trustees and directors have approved the pension indexing proposal for September 2004.

We expect implementation of the indexing plan to continue for the next 10 years. However, the CSI trustees will review the situation annually to ensure there continues to be the necessary contribution base to support the plan.

# Phase-in to Start September 2004

We recognize that increased pension contributions will have a financial impact on schools and members. For this reason, we will introduce pension indexing in September 2004 to provide the time needed to budget and prepare for the increased contributions.

Phasing in the indexing plan over 10 years also helps schools to budget because it maintains contributions at a reasonable level. This way, the increase in contributions is smaller over a longer period of time, rather than a large increase in a short time period.

The phase-in also allows the CSI trustees to suspend the plan implementation if the contribution base deteriorates.

## Pension Indexing Refresher

The indexing plan will be phased in over about 10 years and should ultimately result in an annual 2% increase in pension benefits for all members and current retirees.

Starting September 2004, retirees will get an annual increase of 0.2%. After review and approval, this will rise by 0.2% each year, as follows:

Indexing Phase-In Year	Annual Indexing Increase	Date Approved
2004/2005	0.2%	March 2003
2005/2006	0.4%	to be determined (TBD)
2006/2007	0.6%	TBD
2007/2008	0.8%	TBD
2008/2009	1.0%	TBD
2009/2010	1.2%	TBD
2010/2011	1.4%	TBD
2011/2012	1.6%	TBD
2012/2013	1.8%	TBD
2013/2014	2.0%	TBD

## Questions

*If you have any questions, please contact Howard Van Mersbergen, Director of Employee Benefits Plans, at 1 (800) 635-8288 ext. 226 or [hvanmersbergen@csionline.org](mailto:hvanmersbergen@csionline.org).*

## Next Steps

Increased contributions will begin in September 2004. This introduction date will provide schools with more time to manage contributions:

- 4% pension plan: you will contribute an extra 2% to cover the cost of indexing
- 3% pension plan: you will contribute an extra 1.5% to cover the cost of indexing

Schools will continue to match employee total contributions.

For schools that may find it challenging to manage the increased contributions, there is the option of switching to a temporary 2% plan. With this temporary 2% plan, you will contribute 3%, with 1% going towards the cost of indexing.

Remember, switching to a pension plan with lower-contributions should be considered only as a last resort. Switching plans is less beneficial in the long term because it will reduce the final amount of your pension.

## Inactive Members

A relatively small number of schools (12 out of 67 schools) suggested that active members should not be covering the cost of indexing for inactive members in general or for specific groups such as members who are now part of the public school pension plans.

Although only a small number of respondents provided this feedback, the CSI trustees investigated the issue thoroughly. They found that the cost to fund indexing for any one specific group of inactive members is very small, while excluding these members could incur relatively high administrative costs. In addition, if all inactive members were ineligible, this could disadvantage other groups of inactive members such as stay-at-home parents, those unable to work, and members who have changed careers.

Since many members move from active to inactive status and vice versa, it would be difficult to determine eligibility for indexing if inactive members were excluded.

The CSI trustees have long held to the guiding philosophy of making decisions in support of all members of the CSI community and, after weighing the pros and cons, have decided the pension indexing proposal will not exclude any inactive members.