To: Accredited Interim Ministers Guild  
Association for Unitarian Universalist Administrators  
Canadian Unitarian Ministers  
Liberal Religious Educators Association  
Society for Ministerial Relief  
Unitarian Universalist Ministers Association  
Unitarian Universalist Musicians Network  
Unitarian Universalist Retired Ministers and Partners Association

Fr: Reverend Richard Nugent, Director, UUA Office of Church Staff Finances

Re: Opportunity to Comment on Proposed Changes to the UU Organizations Retirement Plan

Your Opinion is Sought: Changes are coming to the UU Organizations Retirement Plan – as early as January 1, 2014. The UUA Retirement Plan Committee is finalizing work on a comprehensive rewrite of the underlying Plan document. Before doing so, the Retirement Plan Committee is inviting feedback on the proposed changes from participating employers and CCSF member organizations. To comment, please send your thoughts by Wednesday, June 12, to:

UUA Retirement Plan Committee  
c/o Joyce Stewart  
25 Beacon Street, Boston, MA 02108  
Fax: (617) 742-2875  
Email: JStewart@uua.org

Background: The UU Organizations Retirement Plan (the “Plan”) enables congregations and other participating employers to make retirement contributions on behalf of their eligible employees. The UUA Retirement Plan Committee is updating the underlying Plan to reflect current best practices, federal regulatory changes, and changes in the mutual fund industry. It has done so with the advice of our Plan attorneys, TIAA-CREF, and Fiduciary Investment Advisors – our independent investment adviser. The UUA Plan is a qualified multiple employer

May 6, 2013
401(a) defined contribution plan with a 401(k) component. This means that it was established to receive employer contributions, but participating employees can also make their own salary reduction contributions on a pre-tax basis. Since the Plan was begun in July 1964, it predates the Employment Retirement Security Act of 1974 (“ERISA”). Because the Plan is a “church plan” and has never elected to be subject to ERISA, it is exempt from ERISA. Nonetheless, we voluntarily follow ERISA where practicable.

The Plan presently has more than 3,300 participants (active employees, terminated employees, retirees, and survivors) with over 750 participating congregations and other UUA-related employers. As of March 31, 2013, Plan participants had $234.1 million invested in the various investment options available under the Plan and managed by TIAA-CREF – our recordkeeper since November 2010.

Proposed Changes: In rewriting the Plan, the Retirement Plan Committee has sought to:

- Update Plan provisions to reflect “best practices” in the changing defined contribution environment;
- Offer congregations and other participating employers greater flexibility in designing the retirement benefits offered their employees;
- Encourage participating employees to contribute more toward their eventual retirement; and
- Ensure Plan compliance with changes in federal law and regulations;

In April 2013, the Retirement Plan Committee approved a draft Plan document. The draft document was then shared with the Finance Committee of the UUA Board. Now the Retirement Plan Committee wishes to share the details of the Plan revision with congregations, other participating employers, and member organizations of the Council on Church Staff Finances and to solicit their comments. After the comment period, the Retirement Plan Committee will consider changes to the draft Plan before submitting it to the UUA Board for its consideration.

Employer Participation Agreement: Each participating employer will need to adopt a new participation agreement before January 1, 2014. The participation agreement will clearly state all employer responsibilities and options (e.g., auto-enrollment, whether the employer will offer a match, etc.). The participating employer agrees to comply with all the provisions of the revised Plan as elected on their participation agreement. The Office of Church Staff Finances, as guided by the Retirement Plan Committee, will require participating employers to file updated participation agreements periodically.

The following sections highlight the major provisions of the underlying Plan and summarize the significant changes from the existing January 2000 Plan document. The section references and page numbers refer to the proposed 2014 Plan revision which can be downloaded from the OCSF website at: http://www.uua.org/careers/compensation/retirement/index.shtml

1. Governance Issues: The Retirement Plan Committee, appointed by the UUA Board, replaces the UUA Treasurer as the named “administrator” of the Plan who has been delegated authority by the UUA as the Plan’s sponsor. This change reflects current best
practices (Section 1.4/p.1). As Plan administrator, the Retirement Plan Committee approves the participation of employers in the Plan, terminates participating employers for failure to comply with the terms of the Plan and/or the participation agreement (Section 14.2/p. 38), selects investment options rather than the current practice of recommending funds to the UUA Board, authorizes administrative expense fees charged to Plan participants, and provides overall oversight of the day-to-day administration of the Plan by UUA staff and the Plan’s record-keeper, TIAA-CREF.

2. **Eligibility and Contributions**: As outlined below, all employees 18 years of age or older will be able to defer some of their own earnings, pre-tax, into the Plan from day one of employment. However, unless the new employee has worked for another UUA participating employer, eligibility for employer contributions continues to be after one year of employment where the employee has worked at least 1,000 hours. The revised Plan establishes a minimum employer contribution of at least 5 percent. Presently there is no minimum employer contribution required, although the “UUA Fair Compensation” expectation is a 10 percent employer contribution. Participating employers can continue to make a straight percentage employer contribution OR can opt to make an employer contribution (ranging from 5-10 percent or more) coupled with an employer match (see below). Here are more details:

   a. **Employee Deferred Contributions** (Section 4.1/p.10): In keeping with best practices, all employees (age 18 or over) may now enroll in the Plan from day one of their employment with a participating employer. In doing so, these individuals can begin saving for retirement immediately by making their own pre-tax employee (deferred salary) contributions. The existing requirement that an employer must make a 10 percent employer contribution before an employee can make his/her own tax-deferred contribution is eliminated. Existing part-time employees, who are not yet Plan participants because they never fulfilled the 1,000 hour annual requirement for an employer contribution (see below), may now enroll and make pre-tax voluntary salary deferrals.

   b. **Auto-Enrollment** (Section 4.2/p.10): To encourage employees to set aside some of their own compensation (known as deferred contributions) toward retirement, the revised Plan allows participating employers to voluntarily elect to enroll all eligible employees upon employment at a pre-determined default deferral rate. The employer may select a deferral rate ranging from 1 to 6 percent (the recommended default rate will be 3 percent). This means that employees will begin saving for their retirement from day one. Employees may change the deferral rate or opt out of deferred contributions at any time.

   c. **Eligibility for Employer Contributions** (Section 2.41/p. 8 and Section 3.2/p. 9): As is currently the practice, new employees would begin receiving employer contributions after completion of one year of service and 1,000 hours worked within that year. New employees who previously completed one year of service with 1,000 hours worked for another participating employer (e.g. the UUA or another congregation) would receive employer contributions from day one. Once a Plan
participant fulfills the year of service requirement, s/he remains eligible for employer contributions even if they work less than 1,000 hours in subsequent years – a change from the current Plan.

d. **Minimum Employer Contribution** (Section 5.1/p.13): Presently, the Plan has no required minimum contribution although the “UUA Fair Compensation” guidelines require a minimum employer contribution of 10 percent for designation as a Fair Compensation Congregation, and presently congregations must make a 10 percent employer contribution before employees can make their own voluntary contributions (see 2(a) above). The revised Plan requires a **minimum** employer contribution of 5 percent for all eligible employees. Fair Compensation guidelines will continue to recommend a 10 percent employer contribution. The employer contribution must be specified on the participation agreement and changes reported annually to the UUA.

e. **Optional Employer Match** (Section 5.2/p. 13): The revised Plan gives participating employers the option of offering an employer matching contribution in addition to the new required minimum contribution (5 percent or more). The participating employer will specify on the participation agreement whether they wish to offer an employee match and how much the employer will match.

For instance, if an employee is making a voluntary deferred contribution of 5 percent, then the total contributions to the Plan for that employee would be 15 percent (consisting of the employee’s contribution of 5 percent, the employer’s match of 5 percent, and the minimum employer contribution of 5 percent). Or the employer could make a base contribution of 7 percent and offer to match employee contributions of up to 3 percent. In this case, a total of 13 percent could be deposited into the employee’s retirement account (consisting of the employee’s contribution of 3 percent, the employer’s match of 3 percent, and an employer contribution of 7 percent).

f. **Fair Compensation Guidelines**: The UUA’s Fair Compensation guidelines were originally adopted by the UUA Board and then subsequently by the Compensation, Benefits, and Pension Committee. There are many components to these guidelines including a recommended 10 percent employer retirement contribution. A task force to review the Fair Compensation guidelines will be appointed this fall by the UUA Administration. The 10 percent UUA Fair Compensation requirement may be met with any combination of employer contribution totaling at least 10 percent. For instance, if the base employer contribution is 7 percent and the employer match is 3 percent then the participating congregation would meet the Fair Compensation Guideline for retirement plan contributions.

g. **Definition of Compensation** (Section 2.13/p. 3): The default definition of compensation for purposes of calculating all contributions under the Plan will continue to be the employee’s total remuneration before deductions for elective contributions plus the housing allowance for ministers. On the participation
agreement, participating employers will now be able to choose to exclude any or all of the following payments from the Plan’s compensation-base:

i. the payment in lieu of FICA to ministers;
ii. the gross-up amount for same-gender couples; or
iii. the value of any taxable employer-paid insurance premiums

The housing allowance for highly compensated ministers (those with salaries exceeding $115,000 in 2012) will now be included in the Plan’s compensation base. This is not allowed by our current Plan.

3. **Loans** (Section 11/p.31): The revised Plan will allow Plan participants who are no longer actively employed to take out a loan against their retirement funds. Such loans can be beneficial to the Plan participant since the interest payment on the loan is paid back to themselves rather than to a financial institution. Criteria governing the circumstances under which loans are allowed will be determined by the Committee and will be set forth in the Loan Policy Statement.

4. **Dispute Resolution Procedure** (Section 12/p.33): A benefit claim and appeal procedure has been included in the revised Plan document.

5. **Spousal Language**: The Plan rewrite seeks to extend the same rights and privileges to same-gender spouses and partners as much as legally possible. While the federal Defense of Marriage Act (“DOMA”) currently precludes equal treatment of sex-sex married couples, the Plan rewrite makes no distinction – a spouse is a spouse. The U.S. Supreme Court is expected to rule on the constitutionality of DOMA in June. The revised Plan removes the requirement of spousal approval (same-sex or opposite-sex) for loans and distributions while keeping it for designation of a beneficiary other than the spouse (Section 9.4/p. 26).

6. **Next Steps**: Based on comments received by the Wednesday, June 12, 2013 deadline, the Retirement Plan Committee will consider amendments to the draft Plan. Then the revised draft Plan will be considered by the UUA Board. Following Board review and approval, the Office of Church Staff Finances will coordinate a major informational campaign to fully explain the changes to both lay and professional leaders. In order to stay in the UUA Plan, all participating employers will need to adopt the new Plan by passing a motion of their governing Board and completing a new participation agreement by December 31, 2013.

7. **Ongoing Retirement Plan Alerts**: If you would like to receive periodic updates on the changes coming to the UUA Retirement Plan, send an email with your name, congregation, and role to: retirement@uua.org

For More Information:
Reverend Richard Nugent  
Joyce Stewart  
Director, UUA Church Staff Finances  
Director, UUA Retirement Plan  
Email: RNugent@uua.org  
Email: JStewart@uua.org  
Phone: (617) 948-6456  
Phone: (617) 948-6421