Christian Reformed Church

MEMORANDUM

To: Participants of the Ministers' Pension Plans, Stated Clerks and Church Treasurers

From: The Pension Trustees

Subject: Changes to the Plans for Synod 2026

Date: June 18, 2026

Synod has approved the following changes to the Ministers' Pension Plans (the Plans). The changes that were presented to Synod were based on recommendations received from the pension trustees. The following information should help explain the plan changes.

<u>The Pension Trustees approved the following additions to the plan language</u>:

1. **Adequacy:** "The US and Canadian plans will be designed to provide a target replacement ratio at retirement, including retirement income expected to be received from government sponsored sources, of 70-85% for a member of the plan with 35 years of service at retirement and who earns an average salary over that time. "
2. **Funding and benefits policy**: "The Trustees will consider making benefit improvements when the plan's funded ratio is greater than 110% and the plan's transfer ratio is greater than 100%. When considering making benefit improvements the Trustees will consider the long-term sustainability of those improvements. The Trustees shall not make improvements to benefits where those improvements would result in a greater than 25% chance that the projected transfer ratio at 5 and 10 years is less than 90%."

<u>Recommendations to Synod 2026</u>

*Synod endorsed the Pension Trustees' recommendation for the **Canadian Plan** as follows:*

1. The Final Average Salary (FAS) calculation transitions from 75% of the reported average salary to 85% of the reported average each year starting with the 2027 FAS calculation.
2. A one-time adjustment for retired pastors of 1.5% per year of retirement (calculated from the member's date of retirement to December 31, 2026).
3. A 1-year contribution holiday for church assessments which will apply for the 2027 calendar year.

Grounds for this action:

1. The Canadian plan has been in an overfunded status for over two years, and actuarial modeling suggests that this will continue if contributions and benefits remain static. Given these conditions, it is the responsibility of the trustees to propose enhanced benefits.
2. To offer higher future pensions and provide a higher and more adequate replacement ratio for future retirees, while staying within the increase limit allowed under the ITA rules, without triggering tax consequences for the members impacted by the change in FAS.
3. The 1.5% dynamic adjustment for retired pensioners is being granted to offset inflation and ensure that pensions being paid from the plan keep pace with the pensions offered to new retirees from the plan to the extent allowed under the ITA rules, without triggering tax consequences for the retirees receiving the pensioner increase.
4. The 1-year "contribution holiday" for the 2027 calendar year provides a benefit to the churches and allows them to use the funds in other ways within their ministry contexts.

*Synod endorsed the Pension Trustees' recommendation for the **U.S. Plan** as follows:*

1. The 2027 church per participant annual assessment amount will remain at $37.20 in the U.S. and the annual pastor pension assessment amount will be increased to a flat $8,400.

Grounds for this action:

1. The contribution assessment increase will provide long-term sustainability and may result in potential future benefit increases.
2. Using the definition of adequacy, a U.S. dynamic increase does not fall within the appropriate range to provide an increase at this time.

<u>A Look at the Changes</u>

As was true of past synod's actions concerning the funding of pension costs for ministers serving the denomination's organized churches, the changes approved at synod this year will have little or no effect on some and a more significant effect on others.

Synod's approval has **no effect on U.S. ministers** who have already retired and are currently collecting their benefit from the Ministers' Pension Plan. It would also have no effect on U.S. surviving spouses who are currently receiving a U.S. benefit from the Plan.

Synod's approval does affect all active **Canadian ministers, Canadian widows, Canadian retirees, and Canadian pastors who will retire in 2026 and thereafter.** The effect for Canadian ministers retiring (last active in the plan) in 2026 is the retirement benefit determination would be calculated using the 2026 Final Average Salary (FAS) with a 1.5% increase applied. Canadian ministers retiring (last active in the plan) on or after **January 16, 2027**, will have their benefit calculated using the new FAS calculation of 85% (as opposed to the prior FAS calculation of 75%).

The formula for determining pension benefits in both plans, beginning in January 2027, will be: 1.46% for years of credited service from January 1, 1985, through December 31, 2010, and 1.3% for service after that date, multiplied by the final average salary, and less any reduction for early retirement. The Final Average Salary (FAS) is the average compensation for ministers serving in ministry in the three preceding years. For 2027, the FAS is $65,977 in the U.S. and $79,261 in Canada.

To provide examples of the difference this change will make for **Canadian pensioners near retirement**, the following compares two benefit calculations: the first example using the current FAS calculation and applying the 1.5% increase and the second example using the new FAS calculation effective January 2027.

a) The pastor in this example started in ministry on July 1, 1991, served 35 years in Canada, and will retire at the plan's normal retirement age (66) on June 30, 2026. The Canadian FAS for 2026 is $68,026.

Canada Current FAS Formula with 1.5% increase:

1.46% x $68,026 x 19.50 years = $19,367.00
1.30% x $68,026 x 15.50 years = $13,707.24
These total $33,074.24 x 1.0075 = $33,322.30 per year
or $2,777 per month (rounded) in Canadian funds

b) The pastor in this example started in ministry on July 1, 1992, served 35 years in Canada, and will retire at the plan's normal retirement age (66) on June 30, 2027. The Canadian FAS for 2027 is $79,261.

Canada New FAS Formula:

1.46% x $79,261 x 18.50 years = $21,408.40
1.30% x $79,261 x 16.50 years = $17,001.48
These total $38,409.88 per year
or $3,201 per month (rounded) in Canadian funds

If a Canadian minister became an inactive participant in the Plan prior to **January 16, 2027,** the new FAS calculation would not apply.

To provide examples of the difference the change would make for current **Canadian retirees and widows**, the following demonstrates the 1.5% increase on a current retiree and widow pension.

a) Canadian **pastor** retired in January 2010
Current Canadian monthly pension benefit: $2,000
1.5% increase x 16 years of retirement = 24% increase
New monthly benefit amount starting January 1, 2027: $2,480 (rounded)

b) Canadian **widow** of a pastor who retired in July 2005
Current Canadian widow pension benefit: $1,200
1.5% increase x 21.5 years since pastor's retirement = 32.25% increase
New monthly benefit amount starting January 1, 2027: $1,587 (rounded)

Please note that these are provided for illustrative purposes only. The changes would affect each minister differently depending on the specifics of his or her situation, including the years of participation in the Plan and the year of retirement (last activity in the plan). Withdrawn ministers are not eligible for benefit increases.

Questions or Comments

It is not possible to produce correspondence or other materials that anticipate and adequately address all questions and concerns regarding the Plans, and this is particularly true when changes occur. Please feel free to contact the pension office at 616.224.0722, or by email at pension@crcna.org to discuss the changes made by synod 2026, your particular interest in the Plans, or any other aspects of the Plans and their administration that may be of interest or concern. Additional information on the Ministers' Pension Plan(s) can also be found online at http://www.crcna.org/pension.

For the Pension Trustees,

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