

It has finally happened!

Separate Regional Retirement System

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This is the largest rebellion, to date, within the entities of the Seventh-day Adventist Church. And, most remarkable, no one will be censured, fired, or disfellowshipped over it. The split will continue—and may extend to other church entities who might decide to do the same thing.

THE SUSTENTATION FUND

At the urging of Ellen White, in 1910 the General Conference Session enacted a “sustentation fund,” for older church workers who could no longer actively labor in the field. Prior to that time, they had lived in abject poverty unless relatives helped them. The Social Security program did not begin until 25 years later (1935), and the Lord had guided His faithful servant to protest the ongoing injustice against retired workers. Until church leaders agreed to her protests, older ministers either worked or starved to death.

The fund was actually implemented in 1911, and provided for the support of sick and aged workers and the widows and children of deceased workers.

The fund was a percentage of the tithe of conferences and a percentage of institutional payrolls. In North America, it was sent to the General Conference. Elsewhere in the world, it was handled by division offices. (More recently, of course, the North American Division has been in charge of retirement funds for NAD personnel.)

Over a period of time, the regulations governing eligibility and rates gradually improved and strengthened. **But two developments occurred which were ultimately to lead to disaster.**

First, the General Conference (and later the North American Division) dipped heavily into the retirement fund, and made loans to Loma Linda or

We have come to a time when great changes are taking place in the Seventh-day Adventist Church. Consider these developments:

When, in early 1998, Ron Spear and Colin Standish sent a polite letter to President Robert Folkenberg, pleading with him to renounce certain decided errors that he held, **he responded by appointing an ad hoc (special purpose) committee “to investigate” the organizations they represented—Hope and Hartland!** Then, even though ongoing meetings with Spear and Standish were in progress, as soon as the ad hoc committee prepared its written report,—Folkenberg ordered it to be circulated throughout the world field and published in the August 2000 issue of the *Review*.

A key accusation was that the two groups had started separate organizations and were acting independently of church approval. The published report concluded with the statement that, in twelve months, they would be harshly dealt with. In the concluding words of the report, for this offense: **“persistent refusal to recognize properly constituted church authority or to submit to the order and discipline of the church.”**

When you are mean to others, it will come back to you. When church leaders try to hurt and destroy the innocent, the Lord will permit events to occur which bring them more troubles than they are dishing out.

Violations of church standards, policies, and teachings are occurring on all levels,—yet our leaders seem powerless to stop it. Whistle-blowers are being silenced or fired. Financial ineptitude and outright fraud are taking place, yet the best minds in the denomination are at a loss to bring things into line. The “organization” is rapidly becoming disorganized.

Our colleges stage rock concerts, mixed pajama parties, witches-den operas, intermural sports, and off-campus dancing.

There are churches which openly ignore stated policies and ordain women ministers. One conference is now issuing ordination certificates to its women pastors.

Our publishing houses print books on rank fiction and erroneous doctrinal topics.

Some of our hospitals perform abortions.

—And now all nine black regional conferences in the United States have bolted—and started their own separate organization: a retirement system which is totally independent of the North American Division! They have started their own IRS-recognized independent ministry!

Will they be investigated for so doing? Of course not, for they did not write any letters to the General Conference, requesting a return to our historic Bible-Spirit of prophecy teachings.

Their violations of church policy will be treated with the same tender respect that Loma Linda University receives, when it ordains women ministers contrary to General Conference approval, or Southeastern California Conference when it violates Session enactments.

The irony is that no one in the independent ministries has tried harder to maintain a friendly contact with the General Conference than Ron Spear and Colin Standish. And look at how they have been rewarded for their efforts! Strange things are happening. Even stranger are to come.

Those only who cling to the Bible and Spirit of Prophecy—and earnestly obey them—will remain unscathed through the crisis that is to come.

other projects. That, of course, is similar to what the U.S. Congress has done with the Social Security fund. By 1980, both funds were thoroughly drained.

Second, beginning in the mid-1980s, an unforeseen development began in the North American Division,—which was a direct result of a growing permissiveness, lowered standards, and rise of erroneous teachings.

An increasing number of the most faithful church members were leaving the church or being disfellowshipped when they protested the increasing laxity to their pastors or conference presidents. Repeatedly, church leaders identified those pleading for a return to historic standards and teachings as being the problem.

Unfortunately, as the most faithful members left, the worldly that remained were more interested in living for themselves than supporting the church.

The existence of an empty retirement fund was previously made possible because the number of younger workers kept increasing. That which they currently paid in to the fund provided for those who were retired.

But, by the late 1980s, decidedly more workers were retiring than were being hired! As tithe income dropped, pastors were told to care for multiple churches.

Church leaders pondered the problem, discussed it in their committee meetings, and thought best to leave it to later leaders to solve. **But, tabling the problem only deepened the underlying crisis.**

THE REGIONAL CONFERENCES

In 1944, the Spring Council approved the forma-

tion of black conferences. The number of blacks coming into the church immediately increased. By 1947, five black conferences were operating; and, for the first time, the percentage of the U.S. black population that was Adventist exceeded the percentage of U.S. whites who were Adventists.

In 1968, at the annual meeting of North American black Adventist leaders attending their Regional Advisory Council, they proposed that the General Conference create two black unions in North America.

This recommendation was rejected the next year by a specially appointed interracial commission, but 16 other proposals were accepted. That year, Charles Bradford became the first secretary of the North American Division, and black leaders were elected to positions as secretaries of unions across North America. Each of those men had attained to the second-highest position in their union office.

In 1979, Bradford succeeded Neal Wilson as the first black NAD president. The next year, Robert Carter became the first president of a union (Lake Union).

By 1992, black members constituted more than twice the percentage of U.S. Adventists in North America as the percentage of black citizens throughout the nation.

In 1944, 9% of U.S. Adventists were black. By 1977, it was 20%; 23% in 1985; and 25% in 1995.

At the present time, there are nine regional conferences in the United States. They primarily cover all of the eastern and central states. In

THE 1979 DECADE-END AUDIT

As of 1979, the retirement fund had a \$400 million unfunded liability. Of the total amount in the investment fund, \$400 million was no longer there!

Yet that fund is the retirement nest egg for 10,000 Adventist workers in North America. What are they to do when the fund is all spent?

More than 15 years ago, money began being siphoned out of those funds faster than they were being replenished. Yet, back then, there was no excuse for this. In the 1970s, new workers were being hired faster than older ones were retiring.

In 1979, an actuarial study was authorized by the General Conference, to see if the assets and payment liabilities (to both active and retired participants) were in balance. Such statistical studies are used to establish insurance risks and payment liabilities.

But that 1979 actuarial evaluation revealed that about \$400 million was did not exist! No assets of any kind—liquid or investments—covered it! No cash, no securities (stocks, bonds, or CDs), and nothing else!

The money had traveled somewhere. It is believed that part of it may have gone into unsecured loans.

THE 1989 DECADE-END AUDIT

On December 31, 1989, a second study was completed.

This one was not a full actuarial study as the one in 1979. But, nonetheless, it revealed that the retirement fund crisis was getting worse!

An additional deficiency (unrelated to the \$400 million missing in 1979) was found in 1989.

“The foregoing deficiency [\$35,825,085.00, as of December 31, 1989] is unrelated to the unfunded accrued liability for current retirees and active participants, which was estimated by the Plan’s consulting actuaries to be approximately 400 million as of the last actuarial evaluation in 1979.”—*Auditor’s Note 7, 1989 General Conference Financial Statement Summary of North American Division Retirement Fund.*

As of 1979, that fund had a \$400 million unfunded liability. That means, of the total amount in the investment fund, \$400 million was no longer there!

The 1989 audit found \$36 million to be missing,—but it was a different amount and unrelated to the \$400 million found to be missing in 1979!

In the year 1990 alone, the General Conference transferred \$10.7 million (\$10,722,500) to LLU from the annual offering. That is a little over 6 percent of the entire General Conference world budget income! The world budget is to be used primarily for mission and institutional work throughout the world field (totaling \$169 million). Why is so much of it poured into Loma Linda University?

1991, the Pacific Union decided not to form regional (black) conferences within its territory. The North Pacific Union does not have one either.

INEQUITY IN REGIONAL RETIREMENT FUNDS

Out of 15,000 retirees in the NAD, only about 500 are from regional conferences. **In 1998, regional conferences contributed \$10 million to the retirement fund, but less than \$2 million was returned in benefits to the regional employees. In addition, the ratio of overall workers to tithe is less in regional conferences than in most of the non-regional conferences.**

Ten years earlier, when a task force discovered an inequity in contributions in Canada, it created a plan that was more fair for each Canadian conference. (There are no regional conferences in Canada.) But the NAD did not copy this in the U.S.

In 1985, the South Central Conference (regional) established a subsidiary fund for its employees to supplement NAD retirement benefits. Each pay period, the workers contributed a set amount of money to the special fund, and the conference made additional contributions. Several years later, the plan was fully funded and retirees received an average of \$500 in addition to the regular NAD benefits and Social Security. **But the NAD prohibited other conferences from developing a similar plan.**

Time passed, and black leaders became more concerned. Some wanted an arrangement put in place based on the Canadian plan; others wanted the South Central plan. **But it appeared that a stalemate had been reached, and NAD was unwilling to take further steps in reconciling the matter. The problem festered.**

MUTUAL OF AMERICA MAKES AN OFFER

But black leaders were to receive very definite assurance from an outside firm which, if agreed to, would provide their workers with a higher rate of retirement funds in the future. **In mid 1999, black leaders contacted Mutual of America and requested studies of possible alternatives. In response, it provided them with a very tempting offer:** If they would pull entirely out of the NAD program, and give it their retirement payments,—it promised to give their retired workers much higher payments with the same amount of contributions they were already paying into the NAD. In fact (coupled with Social Security), they were promised that their retired workers would receive as much pay as when they worked for the church.

THE OCTOBER 1999 MEETING

Meanwhile, **another meeting with NAD leaders took place in October 1999, but without agreement.** One reason for continued inaction by NAD leadership was the fact that, regardless how the black retirement fund problem might eventually be

resolved,—**it was felt that the black conferences must continue to be responsible for (i.e., pay off) their share of the fabulous retirement fund debt—in the millions and millions of dollars—which had been racked up over several decades.**

But black leaders felt that they should not have to bother paying their part of that debt; since, percentagewise, for decades they had been paying more into the retirement fund than they had been taking out.

THE DECEMBER 1999 MEETING

Reports from those studies by Mutual of America were taken by black leaders to regional conference executive committees, and then to their constituencies. When their approval was received, the way was open for action.

Since no indication of forthcoming solutions was presented at the October 1999 meeting, in December leaders from the various regional conferences made a decision—*which threatened to burn down the entire NAD retirement fund house!*

Eight of the nine regional conferences decided to entirely stop sending their retirement fund contributions to the NAD and, instead, put them into an escrow account, to be held until the issue is solved. (An “escrow account” is a money account held by a third party, until fulfillment of certain conditions.) That action went into effect in January 2000.

THE FEBRUARY 22, 2000, MEETING

That really woke up our North American Division leaders! They immediately appointed a committee to solve the problem. Something had to be done to bring the regional retirement money back into NAD coffers. **In January, the NAD formed a Task Force on Equity.**

On February 22, 2000, regional conference leaders presented the task force with several possible pension plan options for NAD consideration. Under each one, the black conferences would not go with Mutual, but would continue paying their retirement payments into the NAD. As mentioned earlier, two especially favored ones were the Canadian and South Central plans. They also wanted a re-vamping of the current system for a more equitable and improved benefits plan for the entire Division.

Whatever happened, the NAD pension fund was in dangerous waters. It is a wonder it had not sunk by the turn of the century.

And what was the solution? **There were only two possibilities: either significantly increase the amount paid in by conferences and active workers and/or decrease the amount of sustantation that is paid monthly.** This would solve these problems. (1) First, a ratio problem: A reduction in ac-

tive workers, but an unchanging number of retiring workers. (2) The very large debt which had built up in the fund was due to previous unwillingness, by leadership, to solve the ratio problem and to build up a fund which earlier leadership had emptied. —**But doing this would cost the black conferences more than if they just pulled out entirely.**

Throughout 2000, NAD leaders tried to placate regional leaders, telling them that, if they would patiently wait, solutions could be worked out.

Perhaps solutions could have been effected, but **the task force decided it needed an actuarial study, which would examine the past records of every Adventist employee** and assess their retirement benefits to a specific conference. Regional conferences said that, for years, they had been requesting such a study.

With the election of Don Schneider as NAD president in July, approval for the study was granted. Gradually the data was gathered in, but it was slow work.

THE OCTOBER 30, 2000, MEETING

When the NAD year-end meeting convened in October, the retirement issue was the most explosive item on the agenda. Schneider decided to hold a “*Town Hall Meeting*” in the afternoon,” during which everyone would be able to vent their feelings and information would be gathered.

But no report was made by the task force, since it had just received the actuarial data and six weeks would be needed to digest it. Schneider repeatedly pled for patience. “Dialogue will follow,” he said.

THE DECEMBER 5, 2000, BREAK

Black leaders recognized that they had their own decisions to make. A new year was about to begin. The NAD wanted them to wait for the data from the actuarial report,—*yet all it would reveal was the amount they needed to pay in to make up for the past accumulated debt to the retirement fund.* **If they pulled out entirely, they could wave good-bye to any responsibility they might have to that debt.** Besides, they believed that, for years, they had been paying in a higher percentage than they had been receiving.

It surely does appear that they repeatedly tried to work with the NAD before abandoning its retirement program. Mutual of America promises their retirees 80% of final salary at retirement, instead of 30%.

By the end of November, they had talked the ninth regional conference into joining them.

So, on December 5, 2000, presidents of all nine regional conferences met at Oakwood College and, amid a general celebration, marked by singing and video cameras, the presidents signed a document

Our earlier studies on this crisis:
Our Church Retirement Fund Crisis—Part 1-2 [WM-668-669], January 1996
Changes in the Church's Pension Funds [WM-838], July 1998).
The Regional Pension Fund Crisis [WM-970], July 2000.

henceforth committing all their retirement funds to the non-Adventist organization, Mutual of America. **By the signing of those papers, they formed an independent nonprofit corporation.** It provided for a 401(a) Defined Benefit program, operated by Mutual of America.

WHAT IS AHEAD?

Because a complete withdrawal of contributions by regional conferences has taken place, the NAD will have to carry the liabilities of those conferences (the amount of the total retirement fund debt incurred by the regions),—**the pension funding levels will gradually dip to about 4% of full actuarial funding in about 15 years,** before possibly beginning to recover.

At the present time, the NAD pension fund is about 13.6% of actual funding.

It is hoped that, after those low dips, the situation will improve,—but that is, at best, speculation; since, after years of hand-wringing, nothing has yet been done to definitely solve the problem. *Only definitely planned and carried out changes, begun rather quickly, will cause those funds to later recover from the dips!*

When faithful church members speak up about the increasing worldly practices and erroneous teachings, their liberal pastors, backed by the conference office, put them down, take away their church offices, or disfellowship them as troublemakers. All that is left are the lukewarm and the modernists who provide less financial support.

As tithe and offerings drop, conferences keep laying off workers and do not hire new ones to replace those retiring. The number of younger church workers in the division keeps lessening. Yet the older workers—the larger number—are steadily retiring.

So every year, more and more money is drawn out of the pension funds by retiring workers, and it is not adequately being replaced by the younger ones.

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