

**BAPTIST PRESS**

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August 26, 1974

Church Pension Plans
Exempt From Reform Act

74-35

By W. Barry Garrett

WASHINGTON (BP)--Church pension plans are among those exempt from the landmark pension reform bill passed almost unanimously by both houses of Congress and probably scheduled for signing by President Gerald R. Ford on Labor Day.

The pension reform bill is designed to protect the interests of millions of American employees. The federal government was moved to this protective action by the rapid rise in recent years of private pension plans, the instability of many such plans and the losses sustained by many long-term employees who have been deprived of their benefits.

Sen. Gaylord Nelson (D.- Wisc.), chairman of the Senate's private pension plans subcommittee, said that the bill "is one of the most important pieces of legislation to protect the working man in years." The new law "will correct a long-standing, fundamental injustice that has annually deprived hundreds of thousands of American working men and women of pension rights," he said.

Sen. Jacob K. Javits (R.- N.Y.), a long-time advocate of pension reform, said, "The pension reform bill is the greatest development in the life of the American worker since Social Security. For the first time in our history, most workers will be able truly to retire at retirement age and to live decently on their Social Security and private pensions."

Pension plans exempt from the provisions of the bill, in addition to church plans, are governmental plans, those maintained solely for the purpose of complying with applicable workman's compensation laws or unemployment compensation or disability laws, plans outside the United States maintained for the benefit of nonresident aliens and unfunded excess benefit plans.

Under the new law, the term "church plan" means: (1) A plan established and maintained for its employees by a church or by a convention or association of churches which is exempt from tax under section 501 of the Internal Revenue Code of 1954, or (2) A plan in existence on January 1, 1974, if it is established and maintained by a church or convention or association of churches for its employees and employees of one or more agencies of such church, if the church or agency is exempt from tax under section 501 of the Internal Revenue Code of 1954.

Not included in the church exemption are pension plans maintained by churches or their agencies for employees hired in connection with one or more unrelated trades or businesses. Neither is a plan exempt if it is maintained by more than one employer, if one or more of the employers in the plan is not a church (or a convention or association of churches) which is exempt from tax under section 501 of the Internal Revenue Code of 1954.

The conference committee report on the pension reform bill explained: "A multi-employer plan, which was in existence on January 1, 1974, and which covers church-related agencies (such as schools and hospitals) is to be treated as a church plan for purposes of this exemption (even though it continues to cover those agencies) for plan years beginning before January 1, 1983, but not for subsequent plan years."

In a further explanation of the church exemption, the conference report said, "A church plan may make an irrevocable election to be covered" by the provisions of the pension reform act. "A plan which makes this election is to be covered under the bill for purposes of the new participation, vesting, funding and form benefit rules, as well as the fiduciary and disclosure rules and will also be covered under the plan termination insurance provisions."

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Several private church pension agencies exercised influence on Congress to get their plans exempt from the new pension reform bill. Some of these agencies are members of a coalition called "church pension conference," which employs a Washington, D.C. firm of attorneys, Morgan, Lewis and Bockius, for lobbying purposes and for keeping them informed about developments in Congress that affect pension plans.

The Annuity Board of the Southern Baptist Convention is a member of the church pension conference.

Staff members of both Senate and House committees report that the church pension conference did not lobby for church exemption. However, several church groups individually appealed to Congress to exempt church pension plans.

Javits, in a press conference following Senate approval of the pension reform bill, said, "The private pension system itself has grown like 'Topsy' to the point where it covers an estimated 30 to 35 million workers--nearly half of the nation's work force. The assets of private plans, estimated to be in excess of \$160 billion," he continued, "constitute the largest private accumulation of resources which have avoided the imprint of effective governmental supervision.

"The absence of any supervision over these funds and the lack of minimum standards to safeguard the interests of plan participants and beneficiaries has over the years led to wide-spread complaints signaling the need for remedial legislation," Javits declared.

Sen. Nelson explained that this is only the beginning of governmental action that will improve the retirement plans of American employees. This initial action lays the groundwork for future legislation to make retirement more secure, he asserted.

Nelson outlined the safeguards built into the bill for the protection of employees in pension plans. He said the bill would:

1. Set eligibility requirements for pension plan participation based on age or length of service;
2. Establish vesting requirements;
3. Require employers to make contributions to the pension fund sufficient not only to meet current benefit payments, but also to swell the fund so it can pay all pension benefits over a period of time;
4. Tighten existing laws regarding fiduciary responsibility to prevent those who control pension funds from administering them in their own interest;
5. Provide fuller disclosure of plan sponsors' financial dealings;
6. Require that all defined benefit pension plans participate in a government operated termination insurance program to protect employees when a plan terminates;
7. Establish individual retirement account of \$1,500 a year for employees not covered by pension plans; and
8. Allow self-employed persons to deduct 15 per cent of earned income of \$7,500 a year from taxable income for retirement plans.

Board 'Meets or Surpasses' Pension Reform Measures

By Theo Sommerkamp

DALLAS (BP)--The Annuity Board of the Southern Baptist Convention is already meeting or surpassing the requirements set up by the pension reform act passed by both houses of Congress, the board's president said here.

The pension reform act, "As it now stands, will not materially affect the operations of the Annuity Board," said Darold H. Morgan. "It will specifically exempt church retirement plans from coverage."

The reform bill, passed overwhelmingly by both the House and the Senate, requires employers to meet one of three minimum standards: (1) Vesting 25 per cent after five years, increasing gradually to 100 per cent after 15 years; (2) Full vesting after 10 years; (3) Vesting of 50 per cent after a worker's age and years of service total 45, increasing gradually to 100 per cent over the next five years.

The term "vesting" refers to the guarantee to a worker that he have a right to these pension funds the employer cannot take away.

Employers, the reform bill states, must file extensive records and reports with the government regarding their pension program and must also report periodically to those who are covered by the retirement plan.

Morgan explains how the Annuity Board meets or surpasses these requirements: "Plan A (The Southern Baptist Protection Plan) has all its rights fully vested from the first day. Plan B (Age Security) and Plan C (Variable Benefits Plan) are fully vested in not more than 10 years in any case and begin their vesting with the very first day," he pointed out.

"The Annuity Board holds sufficient funds to pay every beneficiary such benefits as he or she has earned up to the present time by employment. In the area of administration and fiduciary responsibility, the board meets all requirements of the reform bill," Morgan continued.

"When it comes to reporting, the Annuity Board reports its total operations annually to the Southern Baptist Convention and also furnishes individual report statements each year to every member of any of the plans," the Annuity Board's president declared.

The huge majority of 407-2 by which the reform legislation passed the House and the 85-0 vote in the Senate evidences congressional concern over reported abuses and limitations of industrial pension plans, Morgan said.

"These plans often were discriminatory, afforded limited vesting rights and frequently were not sufficiently funded to make the payment of benefits possible," he added.

"This reform legislation will correct such abuses and set forth very definite requirements for the operation of such plans in the future."

Morgan cautioned pastors and other church vocational workers not already enrolled in a formal retirement plan to think carefully before setting up individual retirement accounts, which are provided for by the bill.

Under the reform act, any person not belonging to a formal retirement plan can set up an individual retirement account, commonly called IRA, to which he contributes "tax-free" or sheltered dollars up to 15 per cent of his total income, not to exceed \$1,500 a year, Morgan said.

The individual retirement account, for example, could be set up through private insurance, a bank trust or special type U.S. Treasury bonds.

"The Internal Revenue Service has for some time permitted ministers and other church employees to tax-shelter up to 20 per cent of their income, and even to backdate this to the beginning of service with their current employer," Morgan noted. (The provisions of the Internal Revenue Service policy are not eliminated by the new law; they are two different things, he explained.)

"Consequently these two changes embodied in the pension reform bill do not afford any greater benefit to the people the Annuity Board serves," he said. "For the Annuity Board to have been included in the pension reform bill would have substantially added to its operating cost without providing any compensatory gains. Instead of creating advantages, such inclusions would have brought on an adverse affect to benefits paid to our annuitants in the future," Morgan reported.

Morgan spoke only to the impact of the legislation on plans maintained through the Annuity Board. He said several agencies, because of the unusual nature of their responsibilities administer separate pension plans of their own.

They include the SBC Sunday School Board for all its employees and Foreign Mission Board for its overseas mission force (home office personnel of the Foreign Mission Board are covered by the Annuity Board). In addition, several state Baptist institutions maintain separate retirements plans of their own.

The Annuity Board works very closely with these agencies in the investment of their retirement funds held in trust, he said.

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Baptist Agencies Respond To Overseas Flood Crises

8/26/74

WASHINGTON (BP)--The Baptist World Alliance (BWA) has appealed here for funds for flood relief in Bangladesh and India.

The death toll in these countries, a BWA spokesman said, has been placed at 3,000, with some 33 million others affected by the floods. Outbreaks of cholera have been reported in several places.

Meanwhile in Richmond, Va., the Foreign Mission Board of the Southern Baptist Convention said it has released \$5,000 for relief in Bangladesh, at the request of the Southern Baptist missionaries there.

The board, a spokesman said, has received no direct requests from Southern Baptist missionaries in India, and is standing by to consider requests from either country.

Twenty thousand square miles of Bangladesh's 55,000 square mile area has gone under water, and many homes have been swept away, the BWA reported. In India's state of Bihar, floods covered 14,000 square miles, all densely-occupied by villages of mud-wall houses. In many places in the state of Assam, water reached the roofs of houses.

Baptists are populous in the affected parts of India, where the Council of Baptist Churches in Northeast India coordinates the work of four indigenous conventions. There are three Baptist conventions at work in Bangladesh.

BWA aid will enable the Baptist officials in the affected areas to participate in the distribution of food, medicines and blankets, as these are shipped in through governmental assistance, the BWA said. If the BWA is granted shipping space, gifts for flood relief will enable direct shipment of needed materials to the Baptists. However, at the local level, relief is given without regard to creed or caste of the needy, said Carl W. Tiller, BWA relief coordinator.

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CORRECTION

In Baptist Press story mailed 8-23-74, entitled Louisville Layman Heads Brotherhood's Trustees, change Harold Becton to Charles M. Becton at the beginning of the first line of graph 5. Thanks.

--Baptist Press