

The Pension Plan of the Rabbinical Council of America

Why You Should be a Pension Plan Participant

Without a pension, a retired rabbi and his wife would live insecurely and austere. Further, not knowing how long one may live, the Rabbi and his spouse will always be anxious that they will outlive their entire life's savings. The pension payments received from Social Security are insufficient to provide an adequate retirement. With a pension, however, the Rabbi is assured of additional income which should enable him and his family to enjoy a meaningful and comfortable retirement. This income will be paid to the Rabbi through his choice of pension payment options. Among these choices is a fixed annuity which assures the Rabbi, and optionally his spouse, of a guaranteed lifetime income. This will provide a larger income than they could otherwise receive from interest earnings alone.

Another important advantage for the Rabbi is that contributions to the pension fund by his congregation are nontaxable during his period of employment when he is in a higher income bracket, and earnings of the fund are tax-free until final distribution. At retirement, his tax bracket is usually lower and his pension payments might hardly be affected. Also, some, or perhaps all, of his retirement payments may be classified as tax-free parsonage allowance. He, thus, defers taxable income until after retirement when it would be either taxable at a lower rate or exempt from taxation. The combination of synagogue participation and tax-favored benefits makes it possible for a Rabbi with a moderate income to provide for a proper standard of living when he is no longer working. The RCA Pension Plan offers an outstanding array of benefits that make it unique among pension plans. While others may be able to match one or two of our features, we do not believe that anyone offers a more comprehensive and beneficial list of advantages. We invite prospective members to compare our total program against alternatives.

A synagogue subsidized pension for the Rabbi is also a great protection and a vital necessity for the synagogue. After an extended period of service to the community, a synagogue has an inescapable moral obligation to provide for the Rabbi upon his retirement or for his family in case of death or disability. Such a financial burden can be a most difficult problem for a synagogue. Yet, it would be morally indefensible for a synagogue to find itself unable to perform its responsibility. Participation in a pension plan enables a synagogue to meet its obligation. Today, synagogues are more receptive than ever before to the idea, because there is hardly any area of professional work where pensions are not provided.

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Among the highlights of the RCA's Plan are the following:

Parsonage:

Most of our members are currently taking advantage of a parsonage (or housing) allowance which permits them to deduct from their taxable income funds used to pay rent or a mortgage on a house, most furnishings, and cleaning services. This benefit is only available to clergy. It is also available to clergy during their retirement years only if their pension is provided by a 403(b) plan sponsored by a religious institution such as the RCA. Since housing is a major portion of a retiree's expenses, this feature can save taxes on a significant portion of your pension income. Statistics show that most pension accounts are underfunded. This provision can play a major role in enabling your pension to meet your needs. It is the most important difference between the RCA Plan and other pension plans.

Unbiased Financial Advisors:

We have hired professional financial advisors with no institutional ties to assist pension plan members, at no extra cost, in constructing an effective portfolio for their funds. The firm, CFS Investment Advisory Services, L.L.C., guides the board, on a quarterly basis, in evaluating the Plan's performance. In addition, it is also available to assist individual members. Their annual fee, which includes this benefit, is part of the overall operating charge and is not based on the amount of time spent servicing our members. There is no additional charge for consultations on the assets invested in our Plan and they offer a discounted rate for assistance on member's funds invested elsewhere. In fact, if the outside investments are not complicated, they usually do not charge for these services either. In order to make it easier to consult with our advisers, they are present at our conventions, have gone to regional meetings, are located in the N.Y. metropolitan area, and can be reached via a toll-free number, 800 298 6059 or through their website, www.cfsias.com.

High Fixed Income Rate:

Members of the RCA Plan tend to be conservative in their money management, resulting in a large percentage of our funds being invested in fixed return products. We have been fortunate in getting consistently high returns for those investors for many years because of the large amounts in this portion of our accounts.

Low Operating Expenses:

We are able to offer a very low maintenance charge for three reasons. First, our board is composed of RCA members who are not reimbursed for their services. Second, we do not maintain a separate office and third, we have managed to secure very competitive contracts from the professionals used by the plan. It previously was a minimal 25 basis points (.25%) but, due to our prudent management and low overhead, we have been able to lower it to 18 basis points (.18%), or 18 cents on every \$100 invested. As more members join our plan we hope to be able to lower this rate even further.

Delayed Distribution Requirements:

Most pension plans, because of federal law, require that distributions begin in the year following a member having reaching the age of 70½. Our Plan is not bound by that

statute and, therefore, allows colleagues to avoid distributions until they actually retire from all rabbinic duties.

Instant Vesting and Portability:

From the moment a person makes their first contribution to the Plan, they are completely vested and those funds are theirs regardless of whether they leave the rabbinate, move to Israel, or stop contributing to the plan. Our pension follows wherever the rabbi is employed and does not have to be changed because the person or firm managing the pension is not located in the rabbi's new community or is unavailable to service their plan.

Instant Access:

We have a website, www.pentrack.com, which provides instant information on the current status of member's accounts and allows them to change the allocation of their funds online. While we urge members to be deliberate in the changes they make in their investments, we allow them to switch funds at any time

Management with Your Interests:

The Pension Board consists of colleagues who are participants in the Plan. Their goal is to ensure that Plan members get the best possible benefits rather than enhancing their reputations or personal income. They are elected at the convention and can be replaced by the membership if they are not fulfilling their responsibilities.

Non-rabbis May Also Join:

While our Plan is primarily for our colleagues, it is also open to cantors, administrators, and educational personnel of synagogues headed by an RCA member. There are certain restrictions on these categories. Anyone interested should discuss their application with our administrator, Marvin Scherb, 908 709 1600 Extension 102.

Rabbis who have left the rabbinate or whose RCA membership has lapsed continue to be eligible members of the pension plan for an additional five years. After that period, their accounts retain all the regular benefits, but they are no longer able to make new contributions.

For further information about the plan, its investments, how to enroll in the plan, etc., please contact the RCA office at 212 807 9000.