

**Unitarian Universalist Association**  
**Compensation, Benefits, and Pension Committee**  
25 Beacon St., Boston, MA 02108, 617/948-6404

**Minutes of Meeting: September 27, 2005**

**Present:** Robert Messing, Chair: Dan Brody, Vernon Blodgett, Florence Einhorn, Jerry Gabert, Paul Rickter, Rev Paul Johnson, Rev Ralph Mero, Joyce Stewart.

**Regrets:** John Bush, Charles Sandmel, and Rev Victoria Weinstein.

**Guests:** Pete Rogers, UUA HR Manager;  
Rick Hart, Andrew Collari, and George Mellman, Fidelity;  
Bill Thompson and Steve May, Milliman and  
John Greenbaum, Mazonson LLC

- Introductions and Check-Ins
- Agenda reviewed and approved
- Minutes of March 11, 2005 meeting amended and approved. Brody suggested the wording, "The cost of aggregate stop loss insurance often exceeds its value in practice," in that section of the minutes.
- UU Organizations Retirement Plan, Annual Review by Hart, Mellman, and Collari

The UUA Plan seems healthy and well used as compared to other religious clients. A 4% increase in plan assets and participants was noted over the prior year. The number of congregations and individual participants continues to grow each year. Fidelity has been helpful to UUA staff in preparing and mailing information to participants encouraging diversification and use of international funds as well as funds concentrating on US stocks.

Review of fund performance. The Plan has a broad mix of fund types, especially so for a plan sponsored by a religious organization. The Fidelity Fund has not performed as well as some others in the portfolio in return on investment. The UUA should also expect that the bond funds may not be do as well in the near term with rising interest rates under way. Mellman suggests that the Committee consider adding a Value fund to the investment options, perhaps replacing the Fidelity Fund. More information on possible value funds was requested.

Copies of the Fidelity report and charts are available. The three Fidelity representatives were thanked for their presentations. Stewart noted with pleasure the excellent customer service our participants have enjoyed.

- Retirement Plan Interest Rate on Loans

A discussion was held on the appropriate interest rate to charge plan participants borrowing from their account from the purchase of a home or a medical emergency, the only two approved purposes of loans. The current policy is to charge the prime rate plus two percent.

Brody recommended changing to a loan rate of the ten-year US Treasury Note plus two percent, and this change was Moved, Seconded and Passed.

Further discussion resulted in this new rate applied to both types of loans.

- UUA Openness Policy

The Committee was informed of the UUA policy that official agendas, meetings, contact information, and committee rosters should be placed on the UUA website for public review. The Committee agreed to this policy, and in the future, Joyce Stewart will post the information as requested.

- Health insurance feasibility study, part 1.

Mero distributed the memo he had just received from Charles Kerby of the law firm of McDermott Will & Emery on the uncertain advisability of creating a separate trust to own and operate a self-funded health insurance plan if the UUA intends to be responsible for the plan finances. The Committee members will consider the subject for discussion at the next meeting. No action taken.

- UUA Compensation Guidelines

The Compensation Guidelines adopted at the 1995 General Assembly recommended that congregations provide fully paid health insurance for all “religious professionals,” For several years congregations have been urged to provide health insurance for all staff working half-time or more, with “half-time” defined by the congregation. In keeping with benefits changes in the US, congregations are now generally expected to pay 80 percent of premiums for employees and dependents, with the remaining 20 percent paid by the employee on a pre-tax basis. This is the policy followed by the UUA for its own personnel.

Some congregations have noted that many employers now pay 80 percent of premiums for employees and 50 percent or 0 percent for dependents. The District Compensation Consultants have formed a task force to examine the original Compensation Guidelines and determine which ones need to be updated. A recommendation will be requested for the next meeting. No action taken.

- Health insurance feasibility study, part 2.

Guests Bill Thompson and Steve May from Milliman Inc, the actuarial firm used for this project reported on a follow up study with 500 enrolled church employees and 400 dependents instead of the larger number used previously. This study was requested after learning that some other denominations had achieved a lower percentage of potentially eligible ministers and staff than expected. A copy of their report adapted in Q&A format is attached.

Milliman concludes there is still a 67 percent probability of a UUA plan being financial viable with this reduced enrollment, assuming that all reasonable steps are taken to avoid adverse selection, i.e. persons with greater medical costs than expected. Risk is mitigated by strict adherence to the enrollment eligibility requirements and claims policy that will be

administered by the third party administrator hired for this role. An aggressive marketing strategy that leads to enrolling a good cross-section of employees, and excellent communication to the local congregations is key.

Teichert asked about the financial impact of early or late enrollment. Thompson replied that early enrollment should be encouraged with financial incentives. A 15% anti-selection load can be added to the premium cost of late enrollees, but even with a 15% load, the rates should still be about 6.4 percent lower than the national average for this type of plan.

It is reasonable to assume a \$169,000 profit in the first year, however, there is also a 25.7% chance that the program could lose about \$90,000 in the first year.

One member asked, “Are we concerned about the one big claim or the aggregate claims that come in during the normal course of business?” Thompson replied that it is possible to design a high deductible plan to cover catastrophic events, but add-in riders for extra levels of coverage.

Greenbaum noted the advisability of including UUA staff and current enrollees in the Eastern Mass UU Ministers and Employees Group currently covered under a plan with Harvard Pilgrim. This population would provide a strong base for enrollees who work for other congregations. The former idea has not been discussed by the UUA administration.

Brody asked about the cost of aggregate stop loss insurance. Thompson indicated it will be difficult for the UUA to buy aggregate SLI since we have no claims experience for the past seven years, and carriers would refuse to bid on coverage for an unknown population. Individual SLI will be researched by Greenbaum.

#### Summary comments:

Messing – a daunting task – would like to compare what we can offer for congregations with the plan for UUA staff.

Rickter – nervous that the numbers are assuming that all goes according to plan. Perhaps if there were some type of District incentive to participate.

Johnson – need to see the actual premium rates

Blodgett –we can contact offer congregations with real cost and benefit descriptions. Only that will give us a real sense of where we are going.

Mero: This will be a UUA trustee decision in the end.

The meeting adjourned at 3:15 pm.

Future meeting dates: Tuesday, January 24<sup>th</sup> and Tuesday, April 25<sup>th</sup>, 2006.

- end -

# Unitarian Universalist Organizations Retirement Plan

## November 1993

### Loan Procedures

#### ***With Changes as Approved by the Compensation, Benefits and Pension Committee April 5, 2002 and September 27, 2005***

Participants in the Unitarian Universalist Organizations Retirement Plan (the “Plan”) may borrow from the Plan subject to certain rules and procedures that are set out in the Plan document and in these “Loan Procedures” which have been adopted by UUA Board and which are considered part of the Plan.

1. Administration of the Loan Program. The participant loan program is administered by the Administrator, who assists the Pension Committee under the Plan with the administration of the Plan. At the current time the Administrator is the Treasurer of the UUA.
2. Procedural steps for obtaining a Loan. In order to obtain a loan from the Plan, a Participant should call the Office of Church Staff Finances at (617) 948-6421 to determine the approximate amount of funds available for a loan and to obtain the loan documents to be completed. The loan documents must be given to the Administrator at least two weeks prior to the loan’s proposed closing date. The loan application must be sent to Fidelity for processing.

The Administrator generally will consider the approval of loans upon receipt of satisfactorily completed loan documents and payment of the loan fee, if applicable. The Administrator reserves the right to deny a loan if, for example, he is not satisfied that the Participant will be able to repay the loan.

3. Purposes for Loans. At the present time, loans may be taken only for the following reasons:
  1. To pay expenses resulting from an extraordinary medical emergency of the Participant, his or her spouse, children or dependents; or
  2. To pay for the purchase of a primary residence for the Participant.
4. Permissible Loan Amount. The maximum amount that a Participant may borrow from the Plan, may not exceed the lesser of:
  - a) one-half of the Participant’s Accounts in the Plan (the “Accounts”), or
  - b) \$50,000 (reduced by the amount, if any, by which the highest outstanding balance of all plan loans from the Plan and all qualified plans maintained by the Affiliated Employers during the prior twelve months ending on the day before the loan is made exceeds the amount outstanding on the date of the proposed loan).
5. Minimum Amount. The minimum amount that a Participant may borrow from the Plan is \$1,000. A Participant may only have one loan from the Plan outstanding at any time.
6. Security required for a Loan. A loan from the Plan must be secured by the Participant’s interest in the Plan.
7. Interest Rate. The interest rate for all loans under the Plan has been set by the Administrator at the current interest rate of a 10-year Treasury Note determined as of the date of application for the loan, plus two percentage points. This interest rate charged on new loans may be changed from time to time by the Administrator.

8. Source of Funds for a Loan. The funds held in the Participant's Employer Contribution Account in the Plan will be used for the loan. The Participant's investments in such Account will be liquidated on a *pro rata* basis for this purpose. The Note evidencing the loan is treated as an asset of the Participant's Accounts in the Plan until the loan is repaid.
9. Repayment Terms. Loans must be repaid within five years after the date of the loan, unless the loan is for the purchase of a primary residence for the Participant. (A loan for the purchase of a primary residence must be repaid within ten years after the date of the loan.) Loans must be repaid on a basis coincident with the payroll cycle, but not less than monthly, in equal installments over the term of the loan, through deductions from the Participant's regular pay, or monthly by check if the Participant is disabled, or on an approved leave of absence of no longer than a year, or otherwise is currently paid through a payroll system. The regular payment amount is the amount necessary to pay interest and to amortize principal in equal payments over the term of the loan. All payments of principal and interest are allocated to the Participant's Accounts in the Plan and invested as the Participant directs among the investments permitted under the Plan.

If a Participant who is a minister leaves the employ of one Affiliated Employer, he or she may continue to make loan repayments monthly by check until employed by another Affiliated Employer provided such period does not extend more than twelve months. If the minister is re-employed by another Affiliated Employer within the twelve-month period, he or she must have the new Affiliated Employer agree to have loan repayments made by payroll deductions or the loan will become due and payable. If the minister is not re-employed at the end of the twelve-month period by an Affiliated Employer or if the Affiliated Employer refuses to allow the loan repayments by payroll deduction, all amounts outstanding on the Participant's loan will become due and payable and must be repaid at that time.

If any other Participant's loan is outstanding when the Participant's employment with the Affiliated Employer terminates for any reason, all amounts owed with respect to the loan will become due and payable and must be repaid at that time.

If any of the amounts that are due and payable as described above are not repaid, any distributions of the Participant's Accounts will include the note representing the unpaid loan and the balance of his or her Accounts in cash. The Participant will be treated as having a taxable distribution equal to the cash received and the value of the unpaid loan.

10. Events of Default. The Administrator may declare the loan to be in default, by giving the Participant 14-days' notice of the default, if any of the following occur:
  - a) Failure to make principal or interest payments not less frequently than quarterly.
  - b) Separation of service from all Affiliated Employers in accordance with the terms of the Plan.
  - c) Death of the Participant.
  - d) Involvement by the Participant as debtor in any bankruptcy proceeding or assignment for the benefit of the creditors.

After the Administrator declares default, and the Participant fails to remedy the default, the principal of the loan and all unpaid interest will be immediately due and payable, and be treated as a taxable distribution, and in some cases a premature distribution. The Administrator may exercise his rights with respect to any security but will not foreclose on the Participant's Accounts under Plan if to do so would cause a distribution from such Plan prior to the time a distribution can properly be made to the Participant from such Plan. Such foreclosure may result in taxable income to the Participant and, in some cases, a penalty for premature distribution.

11. Expenses. The loan fee is currently \$35, and may be changed from time to time. There will also be small administrative fees charged. All fees will be disclosed by Fidelity prior to the issuance of a loan.
12. Formal Requirements. All loans from the Plan must be evidenced by the following documents:

- a) Promissory Note. A Secured Installment Loan Note must be signed by the Participant as borrower. This Note includes the Participant's promise to repay the loan, the term of the loan, the interest rate, the terms of repayment and description of the security and of the events of the default.
  - b) Spousal Consent. If married, the Participant must obtain his or her spouse's consent to the pledging of the Participant's Accounts under the Plan as collateral for the loan.
  - c) Truth in Lending Disclosures. In certain circumstances, the Administrator is required to give the Participant a Truth in Lending Disclosure showing the average percentage interest rate and certain other information required by law.
  - d) Affidavit of Extraordinary Medical Emergency. The Participant must file an affidavit with the Administrator certifying to the extraordinary medical emergency that necessitates the loan.
  - e) Agreement with Employer Concerning Payroll Deduction. The Participant must file with the Administrator an agreement signed by the Participant authorizing the deduction from his or her pay the amounts required for repayment of the loan, and by the Participant's Employer agreement to deduct such amounts and to forward them to the Administrator to be applied to the loan.
13. Tax Reports and Deductibility of Interest Payments. Interest on a Plan loan secured by Plan Accounts does not qualify for a federal income tax deduction.