



“From Where I Sit ...”

“Safe Harbor ...” - A Retirement Option

Someone in the CME Retirement Plan once asked me, “What is Safe Harbor and how does it really work?” For the background on the answer to this question, we have to go back to the 2000-2002 period when I served as assistant to the General Secretary (my predecessor - Dr. N. Charles Thomas). During this two-year period, earnings in the CME Retirement Plan and Trust declined 19.60% (8.03% at December 31, 2000 and 11.57% at December 31, 2001). It was during this same period that I was also revamping my personal retirement accounts to align with the downsizing of my overall income after having relocated from Washington, DC where I was employed with a national non-profit ecumenical organization.

As I analyzed my accounts and considered my options, I discovered that one option that was not open to me with my CME Retirement Plan account was the option to proactively protect the funds contributed to my retirement account as I neared retirement age. Although I understood that these funds were 100% employer contributed and that the intent of the plan was to invest these funds to maximize the potential returns in both the long-term (and the short-term), I also recognized that participants who were obliged to retire because of having reached the mandatory retirement age of 74 did not have the option to prepare for the unexpected and, to some degree, protect the hard earned accumulation that had been contributed for their benefit.

The other characteristic that I discovered was that unlike typical retirees who retired at or near age 65, most participants in the CME Retirement Plan, for several reasons, chose to wait until mandatory retirement at age 74 to retire instead of age 65. This is facilitated by the CME Discipline (2010) ¶450, §2, page 131 which states the following: *“Members of the Judicial Council, General Officers, Presiding Elders, Pastors and all other of the clergy rank, shall be automatically retired at the Conference of authority nearest their seventy-fourth (74) birthday; provided, that any Minister who has been in the itinerant service for ten (10) years or more, upon reaching the age of sixty-five (65) and upon expressing a desire to do so in writing may have the right of retirement.”*

From the above what became abundantly clear was the great degree that a CME retiree relied upon his or her retirement benefits when he or she generally retired at age 74. Hence it was my opinion, and an opinion that I shared with Dr. Thomas, that some additional consideration ought to be offered to active participants, something like a safe harbor. As I sought to describe it at that time, I likened active participants to boats on the open water who were subjected to either calm seas or the buffeting of the winds and the storms of day-to-day investment strategies; however participants enrolled in the safe harbor option were likened to those same boats who instead were at anchor in a “safe harbor” and more protected during periods of buffeting winds and storms. In light of our mandatory retirement age of 74 and the general practice of most participants to retire at that age, I also suggested that the option for enrollment in safe harbor ought to be extended to all active participants who were within five years of mandatory retirement. This option was included in Dr. Thomas’ report to the General Conference of 2002, it was put in place for 2003 and the rest is history.



Now that I have answered the “What is Safe Harbor?” question let me answer the “How does it work?” question. During the year a participant becomes 69 (five years before the mandatory retirement age of 74) an option form is mailed to the participant on a date during the latter part of the year at their last known address of record (this is another reason to be certain a participant’s address of record is current). The exercise of the option form affirms or initiates the following six actions:

- 1) That the participant is at least or will become sixty-nine years of age on or before January 1st of the following year;
- 2) That all of the participant's retirement balance, along with any future contributions will be transferred into a fixed rate investment;
- 3) That the rate of interest will be determined and paid to the participant's account annually and reported on the participant's annual statement;
- 4) That once the option is exercised, the participant will not be able to withdraw or transfer any funds from the Safe Harbor account until the participant formally retires;
- 5) That during the option period in which the participant exercised his or her option to participate in Safe Harbor, and on a one-time basis, the participant has the right to cancel his or her participation on or before a specific date (normally within 30 days) specified on a form furnished by the CME Retirement Plan and Trust; and
- 6) That all other rules and regulations of the CME Retirement Plan and Trust will remain the same and the participant will be governed accordingly.

As indicated in the foregoing, the cancellation form is also enclosed with the safe harbor enrollment option form. The cancellation form must be received in the Plan office by the designated date.

Finally, if a participant chooses not to enroll in Safe Harbor in the first year of eligibility, forms will continue to be sent to the eligible participant each year thereafter until the participant either enrolls or retires.

Without intending to provide counsel to any participant, the primary goal and intent of Safe Harbor is to provide an option that would offer a greater degree of protection of a participant's account balance as the participant nears mandatory retirement age. Because continued enrollment in the Safe Harbor becomes permanent beyond the cancellation period, participants are encouraged to consider this as a deliberate part of their retirement planning and not let this decision be a knee-jerk response to abrupt changes in investment markets. In any case, when considering the exercise of this option, participants are especially encouraged to seek adequate investment counsel to advise them based on their individual circumstances.

Safe Harbor is an excellent planning tool for retirement purposes. It affords participants an aspect of individual control that is intended to protect a participant's accumulated contributions and earnings at a crucial time prior to actual retirement. This feature coupled with the additional benefits of the retirement plan such as life insurance, short-term disability income, accidental death and dismemberment insurance and limited life insurance after retirement is just another reason why the CME Retirement Plan is the envy of many other denominations. Or at least that is the way it looks to me ...

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which sponsors the CME Retirement Plan & Trust