MISSOURI DISTRICT - LCMS
RESOURCES FOR DEVELOPING
EARLY RETIREMENT
GUIDELINES
(06-13-14)

INTRODUCTION

At different times in the life of a church, school, or organization (hereafter referred to as "Employer), leaders may find the Employer to be in the position of having to reduce the workforce. Providing early retirement incentives involves inviting employees to voluntarily retire and in turn provide them with some sort of benefit. While saving money is the typical reason for this need, there may be many other reasons to develop early retirement incentive guidelines.

This document is not an official policy of the Missouri District but is to be used as a study document or resource as congregations and schools develop their own guidelines. The following resources have been gathered from a variety of sources. As an Employer develops its own guidelines, it should choose, modify, and develop the statements that best fit the local environment. It is important that careful discussion and deliberation is done to insure the appropriate early retirement guidelines for the Employer. All personnel policies and guidelines, especially early retirement guidelines or offers, should be reviewed by legal counsel with expertise in human resource law prior to being instituted or implemented.

It is especially important to commit all things to God in Bible study and prayer. Some Bible passages to consider using include but are not limited to: John 20:21-23; Acts 20:28; Ephesians 4:11-13; Ephesians 6:9; Colossians 4:1; I Peter 4:10, and 1 Corinthians 4:1.

Early retirement situations should be beneficial for both the worker and the Employer. In all situations the worker should be honored for their service to the Lord and His Church.

PROCEDURES

1. Determine what will be accomplished by offering an early retirement package.

2. Determine how this objective can best be reached or implemented. It is important to seek a balance. If the offer is too good, valuable talent may be lost. If the offer does not offer enough incentive, the objective may not be achieved.

3. Decide which groups of employees are eligible for the early retirement incentives and which groups of employees are excluded from participation (i.e. hourly, exempt, non-exempt, and executive).

4. Determine a time frame or window when the early retirement incentive will be available.

5. Establish the minimum ages to participate in the incentive program.

6. Determine the minimum number of years of continuous service necessary to be eligible.

7. Give employees adequate time to consider participation in the program.

8. Determine how unused vacation days and personal days will also be paid to the employee.

9. Establish the incentive. Incentives may vary and may include but not be limited to:
   - severance pay
   - health insurance benefits (check with health insurance carrier)
   - pension enhancements (check with Concordia Plan Services)
   - incentive bonuses (lump sum or over time)
   - part-time employment

10. Calculate the current and long-range costs of the program. Ensure that the incentive program will result in a benefit to the Employer.

11. Determine the future effect on the financial status of the Employer.

12. Establish the termination dates for benefits to each employee.

13. Determine the effect on the early retirement agreement if the worker returns to work on a part time, consulting, or full-time basis.

14. Contact the health care insurance carrier to determine appropriate procedures for benefits.

15. Consider how dependents may or may not be included for continuing health coverage at the expense of the worker.

16. Seek opportunities to celebrate the ministry of workers at their retirement.

17. Encourage the employee to attend a retirement planning workshop and talk to a financial planner.

18. Determine whether employees eligible for early retirement incentives will be required to execute a release of any claims the employee may have against the employer under the Age Discrimination in Employment Act (“ADEA”) or otherwise.

19. Determine how many employees the employer employs on a regular basis. The ADEA and the Older Worker Benefit Rights Act only apply to employers employing 20 or more workers although some employment discrimination laws enacted by states may have a lower threshold for coverage.

APPENDIX A: LUTHERAN EDUCATION ASSOCIATION OF HOUSTON

IV.2.3.8 EARLY RETIREMENT

A. The Lutheran Education Association of Houston provides an early retirement benefit of continuing health coverage for the early-retired worker until the worker is eligible for Medicare coverage, provided the worker meets the following conditions:

1) Has reached at least the age of 62 and has a minimum of 15 years of continuous service with the Lutheran Education Association of Houston at the time of retirement. (i.e. if a worker retires at an earlier age they will not be eligible for the benefit when they reach the age of 62)

2) Has reached at least the age of 63 and has a minimum of 10 years of continuous service with the Lutheran Education Association of Houston at the time of retirement,

3) Has reached at least the age of 64 and has a minimum of 5 years of continuous service with the Lutheran Education Association of Houston at the time of retirement,

B. Additionally, the worker will have the option of including dependents for continuing coverage at the expense of the worker.

C. LEAH will pay the worker’s premium directly to the health care insurance carrier and the worker will reimburse LEAH for any dependents covered.

D. Benefits are accessed through the guidelines established by the health care insurance carrier.

E. There is no requirement that the worker remain in the Houston area in order to receive this benefit

APPENDIX B: LUTHERAN HIGH SCHOOL OF ST. LOUIS

VIII. Early Retirement

At age 62 a teacher or senior administrator currently serving and with 20 years service to the Lutheran Church, of which at least 10 are to the Association, may retire with financial support as outlined below.

This policy is effective July 1, 2010 and expires June 30, 2015.

Objective
To provide some financial support for veteran teachers who wish to step down ahead of their normal retirement time.

Process

a. The applicable age is determined by the age the teacher will be on June 30 in his or last year of service.
b. By January 30 of the last year of service, the teacher submits in writing his/her intentions to retire effective at the end of the academic year, or at the next contract anniversary, if not June 30.
c. Health insurance will be paid up to the date Medicare takes effect for the employee. The maximum level of coverage (individual, family, etc.) shall be that in effect the final year of employment. The applicable health plan policies and their administration are those in effect for active employees each year. If a premium waiver option is available, that is also available to the retiree. Family or spousal coverage will not be extended beyond the employee's eligibility date.
d. Part-time teaching opportunities (less than 50%) may be available, depending on the needs of the school.

Note
Anyone considering this retirement plan should speak with a customer service representative from Concordia Plans concerning their eligibility for retirement benefits. Concordia Plans uses the "rule of 85" – age plus years of service to LCMS organizations.

APPENDIX C: EVALUATING AN EARLY RETIREMENT OFFER
(AXA EQUITABLE, www.axa-equitable.com)

What's the severance package?

Most early retirement offers include a severance package that is based on your annual salary and years of service at the company. For example, your employer might offer you one or two weeks' salary (or even a month's salary) for each year of service. Make sure that the severance package will be enough for you to make the transition to the next phase of your life. Also, make sure that you understand the payout options available to you. You may be able to take a lump-sum severance payment and then invest the money to provide income, or use it to meet large expenses. Or, you may be able to take deferred payments over several years to spread out your income tax bill on the money.

How does all of this affect your pension?

If your employer has a traditional pension plan, the retirement benefits you receive from the plan are based on your age, years of service, and annual salary. You typically must work until your company's normal retirement age (usually 65) to receive the maximum benefits. This means that you may receive smaller benefits if you accept an offer to retire early. The difference between this reduced pension and a full pension could be large, because pension benefits typically accrue faster as you near retirement. However, your employer may provide you with larger pension benefits until you can start collecting Social Security at age 62. Or, your employer might boost your pension benefits by adding years to your age, length of service, or both. These types of pension sweeteners are key features to look for in your employer's offer--especially if a reduced pension won't give you enough income.

Does the offer include health insurance?

Does your employer's early retirement offer include medical coverage for you and your family? If not, look at your other health insurance options, such as COBRA, a private policy, or dependent coverage through your spouse's employer-sponsored plan. Because your health-care costs will probably increase as you age, an offer with no medical coverage may not be worth taking if these other options are unavailable or too expensive. Even if the offer does include medical coverage, make sure that you understand and evaluate the coverage. Will you be covered for life, or at least until you're eligible for Medicare? Is the coverage adequate and affordable (some employers may cut benefits or raise premiums for early retirees)? If your employer's coverage doesn't meet your health insurance needs, you may be able to fill the gaps with other insurance.

What other benefits are available?

Some early retirement offers include employer-sponsored life insurance. This can help you meet your life insurance needs, and the coverage probably won't cost you much (if anything). However, continued employer coverage is usually limited (e.g., one year's coverage equal to your annual salary) or may not be offered at all. This may not be a problem if you already have enough life insurance elsewhere, or if you're financially secure and don't need life insurance. Otherwise, weigh your needs against the cost of buying an individual policy. You may also be able to convert some of your old employer coverage to an individual policy, though your premium will be higher than when you were employed.

In addition, a good early retirement offer may include other perks. Your employer may provide you and other early retirees with financial planning assistance. This can come in handy if you feel overwhelmed by all of the financial issues that early retirement brings. Your employer may also offer job placement assistance to help you find other employment. If you have company stock options, your employer may give you more time to exercise them. Other benefits, such as educational assistance, may also be available. Check with your employer to find out exactly what its offer includes.

Can you afford to retire early?

To decide if you should accept an early retirement offer, you can't just look at the offer itself. You have to consider your total financial picture. Can you afford to retire early? Even if you can, will you still be able to reach all of your retirement goals? These are tough questions that a financial professional should help you sort out, but you can take some basic steps yourself.

Identify your sources of retirement income and the yearly amount you can expect from each source. Then, estimate your annual retirement expenses (don't forget taxes and inflation) and make sure your income will be more than enough to meet them. You may find that you can accept your employer's offer and probably still have the retirement lifestyle you want. But remember, these are only estimates. Build in a comfortable cushion in case your expenses increase, your income drops, or you live longer than expected.

If you don't think you can afford early retirement, it may be better not to accept your employer's offer. The longer you stay in the workforce, the shorter your retirement will be and the less money you'll need to fund it. Working longer may also allow you to build larger savings in your IRAs, retirement plans, and investments. However, if you really want to retire early, making some smart choices may help you overcome the obstacles. Try to lower or eliminate some of your retirement expenses. Consider a more aggressive approach to investing. Take a part-time job for extra income. Finally, think about electing early Social Security benefits at age 62, but remember that your monthly benefit will be smaller if you do this.

What if you can't afford to retire? Finding a new job

You may find yourself having to accept an early retirement offer, even though you can't afford to retire. One way to make up for the difference between what you receive from your early retirement package and your old paycheck is to find a new job, but that doesn't mean that you have to abandon your former line of work for a new career. You can start by finding out if your former employer would hire you as a consultant. Or, you may find that you would like to turn what was once just a hobby into a second career.

Then there is always the possibility of finding full-time or part-time employment with a new company.

However, for the employee who has 20 years of service with the same company, the prospect of job hunting may be terrifying. If you have been out of the job market for a long time, you might not feel comfortable or have experience marketing yourself for a new job. Some companies provide career counseling to assist employees in re-entering the workforce. If your company does not provide you with this service, you may want to look into corporate outplacement firms and nonprofit organizations in your area that deal with career transition.

Note: Many early retirement offers contain noncompetition agreements or offer monetary inducements on the condition that you agree not to work for a competitor. However, you'll generally be able to work for a new employer and still receive your pension and other retirement plan benefits.

What will happen if you say no?

If you refuse early retirement, you may continue to thrive with your employer. You could earn promotions and salary raises that boost your pension. You could receive a second early retirement offer that's better than the first one. But, you may not be so lucky. Consider whether your position could be eliminated down the road.

If the consequences of saying no are hard to predict, use your best judgment and seek professional advice. But don't take too long. You may have only a short window of time, typically 60 to 90 days, to make your decision.

APPENDIX D: RESOURCES

Older Workers Benefit Protection Act

www.eeoc.gov

Implementing Early Retirement Incentive Programs: A Step-by-step Guide

www.strategichrlawyer.com

Make It Easier to Say Goodbye (HR Magazine October 2012)

www.shrm.org

Early Retirement: Important Rules to Remember

www.biblemoneymatters.com

How to Implement Early-Retirement Incentive Programs

www.ehow.com

Caution: Although the Missouri District of the LCMS ("Missouri District") believes the above resources are accurate and up to date, the Missouri District takes no responsibility for their accuracy. By providing these resources, the Missouri District is not providing legal advice or counsel. Any employer or employee making or receiving a severance offer, agreement, or package should obtain the advice of an attorney and rely on his or her advice as opposed to any of the resources sited above.