

*“From Where I Sit ...”*



## **The Life Insurance Benefit ... Of the Retirement Plan**

Most retirement plans (401(k)'s, 403(b)'s and IRAs) have one thing in common. They accumulate funds for the benefit of a participant “for retirement.” If a participant should suffer the misfortune of dying before retirement, his or her beneficiaries would be entitled to the amount in the participant’s account that had accumulated from contributions and interest earned. If the participant had been in the plan a short time, the accumulations in the account would be quite meager. For a young participant with a young family and without other forms of life insurance, this could be tragic.

But this is not the case for participants in the CME Retirement Plan and Trust. Our Plan is designed, balanced, and structured so participants and their families may enjoy the benefit of life insurance, short-term disability income insurance, and accidental death and dismemberment insurance in addition to the accumulation of retirement benefits. And the latest feature added to this arsenal of protective resources is “life insurance after retirement.”

The insurance aspect of the CME Retirement Plan is presently underwritten by the Principal Financial Group. Enrollment for life insurance is included in the enrollment form for the CME Retirement Plan which can be found on the Personnel Services webpage of the CME website ([www.c-me.org](http://www.c-me.org)). In 2009, two bound copies of Group Booklet-Certificates for Members, one covering Group Member Life Insurance and the other covering Group Short Term Disability, were sent to each participant of the CME Retirement Plan. The focus of this article will concentrate on some of the general points of the Group Booklet-Certificate for Members concerning Group Life Insurance (print date: 04/14/2009). [Hopefully this article will move you to dig deeply into your files and find your “booklet-certificate” and give it a detailed review!]

- 1) **Life insurance** – is probably the most familiar feature of our Plan apart from the Retirement accumulation. The amount of life insurance provided for a participant was intended to be equal to the annual salary of the participant. The actual amount of the life insurance provided for a participant is based on the amount of the annual contribution paid by the participant’s congregation (i. e. the 12% payment or portion thereof). The Plan is designed with the expectation that each church will pay annually the full amount of the contribution of the congregation based on 12% of the participants annual salary. When such is the case the participant is insured for an amount equal to the participant’s reported salary as represented by the contribution received. *For example, the congregation of a participant whose annual salary is \$30,000 is expected to pay to the annual conference an amount equal to 12% of the \$30,000 or \$3,600 for the Retirement Plan. When the \$3,600 is received by the Retirement Plan, the administrators of the Plan adjust the insurance level of the participant to \$30,000 at the next enrollment period (either January 1<sup>st</sup> or July 1<sup>st</sup>). However, if the participant’s annual salary is \$30,000, but \$2,400 instead of \$3,600 was received, then the participant will be insured for \$20,000 instead of \$30,000. This difference could create a significant hardship for a family at a difficult time.*
- 2) **Spousal Insurance** – is that coverage intended to cover the life of an eligible spouse of a participant in the Retirement Plan. The only criteria for the coverage is the legal status of the spouse and the spouse having been named or identified as such to the Plan by the participant, usually through a disclosure on the application form. To change the covered spouse in the case of a divorce or death, it is usually customary to provide a copy of the divorce decree or death certificate. Similarly to add a covered spouse it is customary to provide a copy of the marriage license. Covered spouses are insured for 50% of the amount of the insurance provided for the participant and the amount of spousal insurance increases or decreases in proportion to the amount provided for the participant. *In the previous example where the participant, through an annual payment of \$3,600, was insured for \$30,000, a covered spouse would be insured for \$15,000; and for an annual payment of \$2,400, a covered spouse would be insured for \$10,000.*

- 3) **Beneficiaries** – Whether named beneficiaries are up to date is vital to this process; but it is more important that beneficiary designations are current rather than not designated at all. The enrollment form for the Retirement Plan has designated areas for listing beneficiaries for the Retirement Plan and Life Insurance. Each section includes a designation for a Primary Beneficiary and a Secondary Beneficiary. Although the same process would apply for the Retirement Plan; for the purpose of life insurance, at the death of a participant, if the primary beneficiary is living, that person(s) would be identified to receive the life insurance proceeds of the participant. However if the primary beneficiary pre-deceases the participant, then the secondary beneficiary would be the next in line to receive the life insurance proceeds of the participant. If the named beneficiaries pre-decease the participant or no beneficiary has been named, then the insurance company will determine, per company provision or applicable law, the appropriate beneficiary(ies). However, this process may take up to a year depending on the complexity of the circumstances. It is imperative to review the names of the beneficiaries on all insurance policies each year and to have them changed when necessary.

I am writing this particular article for two important reasons, one personal and one professional. On the personal side, 26 years ago (nearly half a lifetime) when I was much younger, I lost my wife. At the age of 37, I had no expectation of needing to make a claim for life insurance. But the provisions of the Retirement Plan provided for me the sum of \$7,500 to address final expenses and I was very appreciative. Although it may not seem to be a lot of money, 26 years ago a dollar went much further. On the professional side, I want to urge participants to make sure that their beneficiary choices are up-to-date, especially when it involves a divorce. It may seem harsh to have to say this in print, but history has proven that ex-spouses who remain as beneficiaries are under no obligation to be generous or caring at the death of a participant; thereby creating an emotional and financial strain on the remaining members of the family. The Life Insurance segment in the Retirement Plan is a significant benefit that has come to the participant through his or her labor of service to the Church. It is your benefit and it should be received and used as you have intended, so it is equally important that the beneficiary(ies) you have chosen is the best person(s) to insure your wishes are honored. It's your benefit, it's your choice, it's your wishes. It's a simple thing but it can make a world of difference to a family in grief. Or at least that is the way it looks to me ...

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(Copies of earlier articles may be found on the  
Personnel Services Webpage of the CME Website at [www.c-m-e.org](http://www.c-m-e.org))