

Appendix

Estimates Providing for a Non-Contributing Spouse

Appendix - Estimates Providing for a Non-Contributing Spouse

This workbook addition is designed to account for the retirement income needs and income required for a non-contributing spouse. The term non-contributing spouse means two things:

1. Your spouse is not earning substantial income prior to retirement that will need to be replaced during retirement. This would be the case if your spouse is not in paid employment, or if your spouse's income is used for savings rather than for maintaining your standard of living.
2. Your spouse has not earned a pension in prior employment that will provide retirement income.

If your spouse is working, please use the PlanAhead For Retirement Internet Model at www.cpg.org/planahead

This appendix tells how you can adjust the numbers in the workbook to better fit your marital status. The workbook adjustments occur in the following areas:

1. Your need for retiree medical coverage will increase, because two people are being insured.
2. Your pension will be adjusted down to reflect the cost of extending 100% of the pension payment for your spouse's lifetime after your death.
3. The value of the Church Pension Fund (CPF) assistance with retiree medical costs will increase, because it covers your spouse.
4. Your Social Security income will be increased to include your spouse's Social Security benefit.
5. The life expectancy used to spread out your savings will be lengthened to reflect the expected years remaining until the last death. Note the average life expectancy of the last person to die among a married couple is longer than the average life expectancy of either person separately.

These adjustments are approximate. They work best when your spouse's age is close to your age.

But, first, complete the Personalized Financial Planning Workbook for yourself. Then proceed with this appendix.

Step 1 Update Your Retirement Income Replacement Goal

Go to page 5 of the workbook. Using the age your spouse will be when you retire, find the Additional Medical Needs Replacement Ratio for your spouse in the table. You will need to use your Current Annual Compensation (Section 1, line 7) and Years to Retirement (Section 1, line 6) to access the table. The sample spouse will be 62 when the retired participant is 65. The sample participant has compensation of \$45,000 and 30 years to retirement. This makes the Spouse's Additional Medical Needs Replacement Goal between 15% and 11%; we shall use 13%. (See below.)

Note: The Total Retirement Income Replacement Goal is assumed to be maintained over the life expectancy of the last person to die among a married couple.

	Your Information	Example
*1. Enter the Spouse's Additional Medical Needs Replacement Ratio		13%
2. Enter your Total Retirement Income Replacement Goal (from Section 2, line 3)		113%
3. Add line 1 to line 2. This is your revised Total Retirement Income Replacement Goal. (example: 13% + 113% = 126%)		126%

*Detail on Line 1, Example		
Current Annual Compensation	Retire at 55 30 Years to Retire	Retire at 65 30 Years to Retire
\$40,000	15%	14%
\$50,000	12%	11%

⊖ \$45,000

Ⓜ
Retire at 62

In the example, we are looking for a factor part way between retirement at age 55 and 65, and halfway between retirement at age 55 and 65, and halfway between compensation of \$40,000 and \$50,000. We chose 13%.

Step 2 Adjust Pension to 100% Joint and Survivor Option

In the table below, choose the factor that most closely matches your age at retirement and the difference between your age and your spouse's age. If your age at retirement or age difference falls between those in the table, choose an appropriate factor in between the table values. The sample participant has a retirement age of 65 and an age difference of $65 - 62 = 3$ years.

Age Difference Your Age Minus Your Spouse's Age	Your Age At Retirement			
	55	60	62	65
-10	.95	.94	.94	.94
-5	.94	.93	.92	.92
-3	.93	.92	.91	.91
0	.92	.91	.90	.89
+3	.92	.90	.89	.88
+5	.91	.89	.89	.87
+10	.90	.88	.87	.85

This makes the adjustment factor .88.

Note: We are using the 100% Joint and Survivor option in the plan to continue the full amount of your benefit to your spouse after your death. This is conservative, in that it provides the greatest continuing level of income to your surviving spouse. At retirement, you will have the option of selecting lower levels of continuing income to your spouse, at lower cost to your pension amount. This could improve your retirement income prior to your death, but will lower the amount paid to your spouse after your death. While this appendix is more approximate than the PlanAhead Internet Model, it is expected that the overall measure of your retirement income adequacy will still produce similar results.

	Your Information	Example
1. Write your factor here		.88
2. Enter your Pension Plan Replacement Ratio (from Section 3, line 12)		74%
3. Multiply line 1 by line 2. This is your adjusted Pension Plan Replacement Ratio. (example: $.88 \times 74\% = 65\%$)		65%

Step 3 Update Your Assistance With Retiree Medical Costs*

Go to page 7 of the workbook. Using the age your spouse will be when you retire, find the Assistance with Retiree Medical Costs for your spouse in the table. You will need to use your Current Annual Compensation (Section 1, line 7) and Years to Retirement (Section 1, line 6) to access the table. The sample spouse will be 62 when the sample participant is 65. The sample participant has compensation of \$45,000 and 30 years to retirement. This makes the Spouse's Retiree Medical Costs Replacement Ratio between 10% and 5%; we shall use 7%.

	Your Information	Example
1. Enter the Spouse's Retiree Medical Costs Replacement Ratio here		7%
2. Enter your Retiree Costs Medical Replacement Ratio (from Section 4, line 1)		9%
3. Add line 1 to line 2. This is your revised Retiree Medical Costs Replacement Ratio. (example: 7% + 9% = 16%)		16%

* The health benefits described in this appendix are sponsored and administered by The Episcopal Church Medical Trust, a business unit of the Church Pension Group Services Corporation. The plans that are self-funded are funded by The Episcopal Church Clergy and Employees' Benefit Trust, a voluntary employees' beneficiary association within the meaning of section 501(c)(9) of the Internal Revenue Code. We do not provide health care services and therefore cannot guarantee any results or outcomes. Health care providers and vendors are independent contractors in private practice and are neither employees nor agents of ours. The availability of any particular provider cannot be guaranteed, and provider network composition is subject to change.

In certain locations, The Episcopal Church Medical Trust offers health maintenance organization or point-of-service plans that are sponsored by a local health carrier. In this situation, the local carrier is the insurer and is responsible for all benefits and claims administration under the terms of the plan.

Step 4 Adjust Social Security to Include The Spouse's Benefit

Find the factor in the table below that best fits your age difference (your age minus your spouse's age). Use an intermediate value if your age difference falls between entries on the table. The sample participant has an age difference of $65 - 62 = 3$, which makes the factor 1.32.

Age difference	-10	-5	-3	0	3	5	10
Factor	1.62	1.64	1.59	1.48	1.32	1.28	1.19

	Your Information	Example
1. Enter your factor from the table above		1.32
2. Enter your Social Security Replacement Ratio (from Section 8, line 5)		36%
3. Multiply line 1 by line 2 to get a revised Social Security Replacement Ratio (example: $1.32 \times 36\% = 48\%$)		48%

Step 5 Adjust Your Life Expectancy and The Value of Your Savings

	Your Information	Example
1. Enter your life expectancy from Section 1, line 13		23
2. <i>Add 7 years if you are male Add 4 years if you are female</i>		7
3. If your spouse is younger than you are, enter the age difference. If your spouse is older than you are, enter 0.		3
4. <i>Add lines 1, 2 and 3. This is the adjusted life expectancy for spreading your retirement savings. (example 23 + 7 + 3 = 33)</i>		33
5. Enter your Total Value of Current Savings and Future Savings from Section 11, line 3		2.85
6. Using the adjusted life expectancy from line 4 above and your post-retirement asset allocation (Section 1, line 12), choose an appropriate conversion factor from the table on page 14 of the workbook.		18.97
7. Revised Retirement Savings Replacement Ratio. <i>Divide line 5 by line 6. (example: $2.85 \div 18.97 = .15$)</i>		.15
8. Convert this ratio to a percentage <i>(example: $.15 \times 100 = 15\%$)</i>		15%

Step 6 Putting It All Together With a Non-Contributing Spouse

We'll add up all of your replacement ratios (line 1 + line 2 + line 3 + line 4). These replacement ratios represent your sources of retirement income. Then, we'll compare the grand total of replacement ratios to your retirement income goal. The last step is to divide line 5 by line 6. This step gives you an estimate of how close you are to achieving your Retirement Income Replacement Goal. We call this Your Score. If your answer is 100% or higher, you are likely to achieve your goal.

	Your Information	Example
1. Enter the Pension Plan Replacement Ratio from Step 2, line 3		65%
2. Enter the Retiree Medical Costs Replacement Ratio from Step 3, line 3		16%
3. Enter the Social Security Replacement Ratio from Step 4, line 3		48%
4. Enter Your Total Retirement Savings Replacement Ratio from Step 5, line 8		15%
5. Grand Total Replacement Ratio <i>Add lines 1, 2, 3 and 4 (example: 65% + 16% + 48% + 15% = 144%)</i>		144%
6. Enter your Retirement Income Replacement Goal from Step 1, line 3		126%
7. <i>Divide line 5 by line 6 (example: 144% ÷ 126% = 1.14)</i>		1.14
8. Convert this ratio to a percentage (<i>example: 1.14 x 100 = 114%</i>)	Your Score	114%



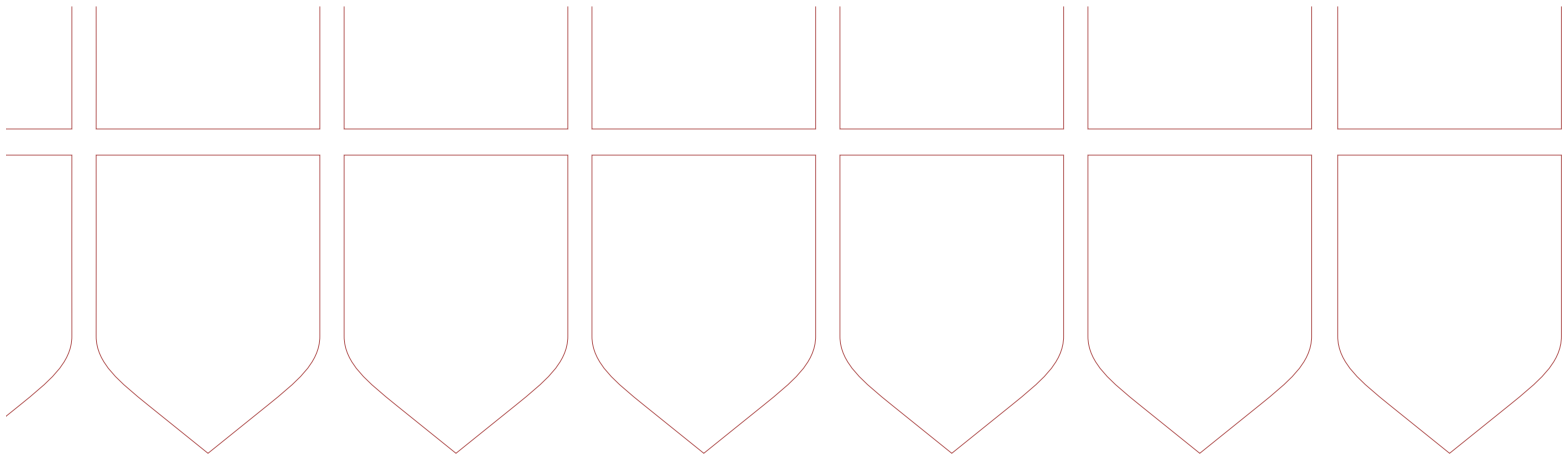
Important -Take Action: How to Interpret Your Results

If Your Score on line 8 is more than 100%, you are on track to reach your Retirement Income Replacement Goal. Your expected pension and Social Security benefits, your savings to date and your savings plan all add up to an expected income after retirement that probably will provide sufficiently for your needs. However, if your answer on line 8 is less than 100%, you may want to consider taking action to increase the replacement ratio of your retirement income. The possible actions discussed on page 16 of the workbook apply to your situation.

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