



# Review of Contribution Levels

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Invested in your future

Since its formation in 1944 as a joint enterprise of the Union for Reform Judaism (then, the UAHC) and the Central Conference of American Rabbis, RPB's mission, as defined by our mission statement, has been to serve the Reform Movement:

*Committed to the values and vitality of Reform Judaism, we serve URJ congregations, their professionals and staff, as well as URJ professional associations and their members. We enable them to pursue their shared goal of financial security by providing retirement plans, life and disability insurance, and other programs that benefit participating organizations, individuals, and the Reform Movement.*

As a dynamic, reflective, and responsive organization, RPB engages in ongoing evaluation to assess how well our programs and services are achieving our fundamental goals. One of the key questions we periodically consider is: What annual contribution to the RPB retirement plan is required in order to provide a secure retirement?

## **Background**

Prior to 1967, when the expectation of an 18% contribution (15% from the congregation/employer and 3% from the participant) was jointly established by the URJ and CCAR, the normative retirement contribution rate was 13% (10% from employers and 3% from participants). This had proved inadequate. As a result, numerous rabbis and rabbinic widows (women were not yet ordained) in financial straits turned to the rabbi's last congregation to bear the unanticipated burden. The problematic legacy of underfunded pensions continued to plague the Movement well into the 1980's.

The "Great Recession" of 2007-2009 had a dramatic effect on individuals and organizations alike. Congregations worry about their ability to fund their commitments, and clergy and professionals worry that their assets may not suffice to obtain a secure retirement.

In light of these and related challenges, we undertook a review of the retirement contribution levels in the RPB plan and asked an independent investment consultant<sup>1</sup> to conduct an objective evaluation of the plan.

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<sup>1</sup> Summit Strategies Group

## Summary of Findings

Finding: The 18% contribution level should prove sufficient, when combined with income from Social Security, to provide a secure retirement (80% income replacement\*) for most participants. A 20% annual contribution level would reduce the risk that participants who live into their 80's will totally deplete their funds.<sup>2</sup>

An independent report published by the Center for Retirement Research (CFRR) at Boston College (called "the nation's leading center on retirement studies" by the New York Times), reached similar conclusions.

## Of Special Note

**Replacement rates are normally used** to determine the percentage of pre-retirement earnings that retired persons need to maintain their standard of living once they stop working. The RETIRE Project of Georgia State University, which has calculated required replacement rates for decades, has estimated that households with earnings of \$50,000 or more need about 80% of pre-retirement earnings to accomplish that goal. That percentage is employed in this analysis and in the Center for Retirement Research's analysis, which can be viewed by reading the Center for Retirement Research's "[How Much to Save for a Secure Retirement](#)" study.

**A Caution:** While this review uses the 80% replacement percentage as an indicator of retirement income adequacy, more recent research suggests that the percentage of replacement income required may be rising. A 2018 AON Hewitt study of retirement income adequacy, "[The Real Deal](#)" found that an average full-career contributing employee who retires at 67 needs resources equal to 11.1 times annual income, after Social Security, to expect to have sufficient assets to get through retirement.

## RPB Retirement Plan Difference

**The 18% expected contribution** under the RPB retirement plan exceeds levels commonly contributed in other employment settings. Why is that so? The difference is derived from the objective of the RPB retirement program, a secure retirement. That is a goal to which many employers either do not aspire or, as the research demonstrates, cannot reasonably expect to attain at the contribution levels involved.

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<sup>2</sup> **A "secure retirement" is not a guarantee** that a retiree's funds will suffice. If the rate of return earned on retirement assets is less than projected or a retiree lives longer than actuarial projections, it is possible to exhaust one's resources. Thus, the 18% prescribed contribution level is best seen as a floor, not a ceiling. RPB participants who can do so, should contribute more than 3% to the RPB plan. Moreover, participants who determine the amount of the overall retirement contribution as part of a "package" arrangement, are strongly encouraged to resist the temptation to maximize current income and to instead plan for at least an 18% annual contribution from the inception.

## **How RPB Serves the Reform Movement**

RPB is dedicated to benefitting participating organizations, individuals, and the Reform Movement, and its programs are structured to accomplish this fundamental goal. For more than seven decades, the RPB retirement plan and insurance programs have been a uniquely valuable Reform Movement asset.

- It is an expression of the values for which our Movement stands.
- It is a primary reason congregations give for joining and maintaining membership in the URJ.
- It is of critical benefit for Reform Movement congregations and organizations in recruiting, hiring, and retaining outstanding clergy and professionals.
- It enables employers to avoid the funding volatility and fiduciary risk of defined benefit programs and to predict and plan for retirement costs.
- It protects employers from exposure to belated financial requests from retirees whose retirement accounts have not been fully funded.
- It fosters peace of mind for participating clergy and professionals as well as lay leaders, allowing them to devote their full energy and concern to those they serve.
- It equitably distributes the cost of retirement benefits among the organizations that employ clergy and professionals over the course of their careers.
- It inspires loyalty and commitment to the URJ and the Reform Movement on the part of their rabbis and professionals.

If you have any questions,  
we're here to help.

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