



Free Methodist Church of N. A. Pension Plans Pension Benefits and How to Access Them

BENEFITS

The primary purpose of both pension plans is to provide retirement income. The plans also provide benefits to the participant or their beneficiary in the event of the participant's disability or death.

ANNUAL STATEMENTS

Defined Benefit Plan:

Participants receive an annual statement that shows their accrued benefit to date (see *Benefits, Page 5* for a definition of "accrued benefit to date") and also projected benefits at ages 60, 62 and 65. Using the participant's current level of compensation, the calculation applies current plan formulas to past service and projected future service until retirement age. As changes are made to the plan formula, the accrued retirement benefit listed on the statement will reflect the changes.

Defined Contribution Plan:

Participants receive a semi-annual statement showing their account balance as of the last plan valuation, any benefits paid to the participant, and their share of the investment income or loss for that time period.

DISABILITY

If a participant becomes disabled prior to their early retirement date and while still an employee, they will be eligible for a disability benefit. The benefit can start as soon as the Human Resources office and/or Benefits Committee approve a certification by an approved physician stating the reason for disability. Payments will equal the accrued benefit calculated as of the termination date and will be reduced to allow for the early retirement factor. (If a separate disability benefit is offered by the participant's conference, it may be advisable to use the conference benefit. This would preserve the pension as a normal retirement benefit.)

DEATH BENEFIT – BEFORE RETIREMENT

Defined Benefit Plan:

If a participant dies before retirement benefit payments begin, the designated beneficiary will have the following options:

1. *A monthly benefit beginning at the participant's earliest retirement age -- this benefit would be calculated as if the participant had retired and chosen the option that provides a joint-and-one-half-to-survivor income. This income would continue through the survivor's lifetime.*

2. *A payment of the lump-sum actuarial equivalent* – this benefit would be calculated using the participant's date of death, as if the participant had retired and chosen the option that provides a joint-and-one-half-to-survivor income.

Defined Contribution Plan:

If a participant dies, the beneficiary has the option of receiving monthly payments for their life expectancy, or receiving the lump sum of the deceased participant's remaining account balance. If a lump-sum option is chosen, a mandatory 20% federal tax withholding will be assessed.

DEATH BENEFIT – AFTER RETIREMENT**Defined Benefit Plan:**

If a participant dies after retirement benefit payments begin, a \$2,000 lump-sum death benefit will be payable to the surviving designated beneficiary or participant's estate upon the participant's death. This is in addition to any benefits payable in the form of the monthly benefit option that was selected at retirement.

Defined Contribution Plan:

If a participant dies after retirement benefit payments begin, the beneficiary may choose to receive the lump sum of the remaining account balance, or continue monthly payments if the participant had elected a full joint-and-survivor annuity.

RETIREMENT

The normal retirement date is the first day of the month coinciding with or following the participant's 65th birthday. When a participant who is still serving reaches their normal retirement date, the accrued benefit becomes 100 percent vested, regardless of their years of service. Early retirement may be taken as early as the age of 60 if the participant is credited with at least 10 years of vesting service. Defined Benefit participants may elect to receive an early retirement benefit, which will be equal to the accrued benefit reduced by a factor of 1/180 for each month that the benefit begins prior to the normal retirement date (age 65). A participant may choose to defer the start of their retirement benefit past age 65.

APPLYING FOR RETIREMENT

To apply for retirement, the participant should contact the Human Resources office at the Free Methodist World Ministries Center at least 60 days ahead of the actual retirement date. This can be done by telephone or mail. When calling for an estimate of their retirement benefit, they should be as specific as possible as to the planned retirement date and when payment of benefits is to begin. Participants should be aware that the Human Resources office can only provide a benefit estimate at the point of application for retirement.

When participants are ready to draw their retirement benefit, they should notify the Human Resources office. A retirement application along with a letter explaining the

retirement process will be sent to them. In order to begin the processing for benefits, the completed application, along with a copy of a driver's license or birth certificate for both the participant and the beneficiary, must be received by the Human Resources office.

After the completed retirement application is received by Human Resources, a final benefit calculation will be mailed to the participant. The participant should then select the benefit option desired and note when the benefit should begin. Included with the final calculation will be a W-4P federal income tax withholding form, a pastor's housing allowance form, and a direct deposit form. All of these forms must be completed and returned to the Human Resources office by the 20th of the month prior to the month the benefit is to begin. The participant will then receive a benefit certificate confirming the option chosen.

PAYMENT OF BENEFITS

Monthly benefit payments for the coming month are issued by direct deposit on the last business day of each month. The payment goes directly into the retiree's bank account on the pay date.

HOUSING ALLOWANCE

Participants who are ministers may declare their retirement benefits as a housing allowance based on Internal Revenue Service regulations. By action of the Benefits Committee, all eligible ministers drawing a pension benefit may designate up to 100% of their benefit amount as a housing allowance (this is done using an official form, which must be submitted to the Human Resources office). A declaration form will be sent with the participant's retirement information packet (see "Applying for Retirement" on *Benefits, page 2*). It is the minister's responsibility to determine the appropriate amount of their housing allowance.

CONTINUED EMPLOYMENT AFTER AGE 65

If a Defined Benefit participant works beyond age 65, their pension payment can (but does not have to) be deferred until they actually retire, in which case the participant will continue to receive credited years of service past the age of 65. If the still-working participant elects to begin receiving benefits at the age of 65, the benefit will be calculated in the same manner as a normal retirement benefit. If the participant elects to defer their benefit past the age of 65, they will be given the greater of either the normal payment or the amount arrived at by increasing the benefit at age 65 by three quarters of 1 percent for each month benefit payments have been postponed after age 65.

RETURNING TO SERVICE WHILE DRAWING BENEFIT PAYMENTS

If a Defined Benefit participant aged 65 or older is rehired, they may have an additional benefit added to their first retirement benefit. If this becomes the case, the second benefit will be based on the additional years served after their initial benefit payments began. The additional benefit will be calculated using the total years of service and the final average monthly compensation received throughout the participant's career. The participant must elect the same payment option for the second benefit as they elected for their first benefit. A participant who is drawing retirement benefits and has returned to work after the age of 65 is entitled to only one benefit recalculation, so is advised to carefully consider when they wish to request the recalculation.

TERMINATION

When a participant terminates employment, the conference must fill out a "Notice of Change of Status" form and send it to the Human Resources office. Be sure to list the termination date on section three of the form. Also, list the employee's personal address on the "church address" line in section four so that they can be contacted regarding their pension benefits.

FMCNA Pension Plans

Vesting, Accrual and Credited Service Years

ACCRUED BENEFIT TO DATE

Accrued benefits are those that are actually earned to date (the vesting schedule applies). If a participant terminates employment, the amount accumulated to that point is what is actually payable at retirement, providing the employee is at least 50% vested. Annual pension statements will reflect the benefit earned to date.

VESTING

Note that all who participated in the old Defined Contribution plan are 100% vested. The information below applies only to the Defined Benefit plan.

If an employee terminates employment with the church for reasons other than retirement, disability or death, that person's retirement benefit will be determined by their "years of vesting service." It is important to note that if an employee reaches the age of 65, dies or becomes disabled while still employed but before they are fully vested, as defined below, they will automatically become fully vested.

A "year of vesting service" refers to a complete 12-month period, beginning with the employee's date of employment, during which employment is continuous. A "vested benefit" is that portion of an accrued benefit to which a participant has a non-forfeitable right. A participant must have five complete years of vesting service in order to be eligible to receive any retirement benefit from the plan. At the completion of the five years, they would then receive 50% of their benefit upon retirement. As each year after five years is completed, the participant will receive 10% more of their benefit upon retirement, until they reach ten years of service, at which time they will be considered fully vested and will receive 100% of their benefit upon retirement.

Vesting for the Defined Benefit Plan is based on the following schedule:

Years of Credited Service	Vested Percent of Accrued Benefit
Less than 5 years of vested service	0%
5, but less than 6 years of vesting service	50%
6, but less than 7 years of vesting service	60%
7, but less than 8 years of vesting service	70%
8, but less than 9 years of vesting service	80%
9, but less than 10 years of vesting service	90%
10 or more complete years of vesting service	100%

If a participant terminates employment and is rehired within five years, their prior vesting and credited service years will be reinstated. If a person is not rehired within five years and has a vested benefit, they may request to withdraw the balance of the account, providing the actuarial lump sum balance is less than \$5,000. (Please call the Human Resources office to find out the actuarial lump sum balance.) The employee must have been terminated from employment for a minimum of five years before any amounts can be paid out.

If a participant is rehired after five years and a previous benefit was established (they have a vested benefit from their previous service), the employee will begin to accrue a new benefit. The previous benefit will remain and will be considered a separate benefit.

CREDITED SERVICE YEARS

“Credited Service Years,” which applies only to the Defined Benefit Plan, is the total of the years since January 1, 1981, during which contributions were made to the Defined Benefit Plan on the participant’s behalf.