



Free Methodist Church of North America Defined Benefit Plan Billing Information

PLAN CONTRIBUTIONS

Each participating church or organization contributes 8.5% of the annual compensation of each participating employee to the fund. Please see the Pastor's Compensation Calculator (*Participation, pages 3-4*) for more details on how "compensation" is defined for pension purposes.

Beginning January 1, 2004, the pension plan contribution rate will be increased from 8.5% of compensation, based on the following schedule:

Beginning ...	the contribution is ...
January 1, 2004	9.5%
January 1, 2005	10%
January 1, 2006	10.5%

The **minimum annual contribution** that must be made to the plan on behalf of any employee is \$500. (This rule applies to employees whose total annual compensation is \$5,882 or below, as 8.5% of their compensation would be under \$500 per year.) Please note that there is also a special contribution rate for church plants (only so long as they are classified as a church plant by the conference – once the congregation becomes a fellowship, regular pension plan contributions apply). Church plants pay at a rate of \$500 per year for as long as they are classified a church plant. Although actual compensation figures for low-income pastors and pastors of church plants should be reported, the Human Resources office will make an adjustment to the pension contribution report to bring the annual contribution up to \$500 (\$125 per quarter). The \$500 minimum annual contribution, which is based on the 8.5% contribution rate, will be increased as of January 1, 2004, and will continue to increase along with the normal contribution rate according to the schedule above.

The church or other employer pays into the plan on behalf of the employee – neither the employer nor the employee are allowed to make additional payments into the plan over and above the set contribution amount. Those who wish to invest funds in some additional way are encouraged to seek out a personal investment opportunity such as a 403(b) or IRA account. (For information about such investment vehicles, contact Human Resources, the Free Methodist Foundation or a personal financial advisor.)

The Human Resources office does not pro-rate quarterly contributions due for employees who work partial quarters. No contribution will be due for employees who begin working after the 15th day of the second month of the quarter, or for employees who terminate employment before the 15th day of the second month of the quarter. A

full quarter's contribution will be due for employees who begin working before the 15th day of the second month of the quarter, and for employees who terminate after the 15th day of the second month of the quarter. If a new or terminated employee's paperwork is submitted in time for the current quarter's billing, the change will be reflected in the billing. If the paperwork is submitted after the billing has been printed, a previous-quarter adjustment for that employee will appear on the next quarter's billing.

Billing Schedule for Newly-Hired Employees:

	Hire Date	Contribution	Hire Date	Contribution
Quarter 1	Jan. 1 to Feb. 15	full for qtr. 1	Feb. 16 to Mar. 31	none for qtr. 1
Quarter 2	April 1 to May 15	full for qtr. 2	May 16 to June 30	none for qtr. 2
Quarter 3	July 1 to Aug. 15	full for qtr. 3	Aug. 16 to Sept. 30	none for qtr. 3
Quarter 4	Oct. 1 to Nov. 15	full for qtr. 4	Nov. 16 to Dec. 31	none for qtr. 4

Billing Schedule for Terminated Employees:

	Termination Date	Contribution	Termination Date	Contribution
Quarter 1	Jan. 1 to Feb. 15	none for qtr. 1	Feb. 16 to Mar. 31	full for qtr. 1
Quarter 2	April 1 to May 15	none for qtr. 2	May 16 to June 30	full for qtr. 2
Quarter 3	July 1 to Aug. 15	none for qtr. 3	Aug. 16 to Sept. 30	full for qtr. 3
Quarter 4	Oct. 1 to Nov. 15	none for qtr. 4	Nov. 16 to Dec. 31	full for qtr. 4

PAYMENT PROCESS

A contribution report reflecting the quarterly contribution due for each church in the conference is prepared by the Human Resources office and sent to all conference superintendents and treasurers for review of personnel and salaries (a sample report with explanations is provided in this section). **This report is based on participants for whom enrollment forms have been received**, and the amount of the contribution due is based on the most current compensation information on file. It is impossible for Human Resources to bill and accept contributions for any employee who is not officially enrolled in the plan (i.e. their qualified, fully-completed pension enrollment form has been received by Human Resources) – our auditors will not allow us to bill for employees for whom we do not have enrollment forms on file. It is important that the conference office make sure that newly-hired qualified employees complete and submit their enrollment form as soon as possible. Late submissions result in billing adjustments and, in many cases, delinquency fees (see the policy on the next page under "Delinquencies").

Payment is due from the conference office on the last business day of each quarter. It is the responsibility of the conference office to collect contributions from each individual church under their jurisdiction. If there are any errors on the billing statement, the

conference office should notify the Human Resources office as quickly as possible so the records can be corrected and the contribution amount can be adjusted.

DELINQUENCIES

Pension plan contribution statements are mailed to each conference superintendent and treasurer during the first week of the third month of each quarter. Payment is due on the last day of each quarter. After a one-month grace period, any unpaid amounts are subject to interest charges. It is in the best interest of the pension plan and all of its participants that contributions be received in a timely manner.

Delinquent fees are also assessed for any new pension plan participant for whom no pension enrollment form has been received in the Human Resources office by the last day of the year they were employed. In these cases, the conference will be assessed the current delinquent fee on the amount of past due pension plan contribution. The conference can, in turn, pass this delinquent fee on to the individual if he or she was at fault.

AMOUNT OF INTEREST CHARGED ON PAST DUE AMOUNTS

Interest charges are based on the amount of interest income generated by the plan the previous year, up to a maximum of 15 percent, but not less than 5 percent, of the contribution due. When a payment is received on a delinquent account, it is applied to any outstanding interest first, then to any delinquent principal, and lastly to current amounts due.

Defined Benefit Plan Billing Schedule:

Quarter	Approximate Billing Mail Date	Payment Due Date	Delinquency Date (<i>interest charged</i>)
1 – Jan/Feb/March	First week of March	March 31	May 1
2 – April/May/June	First week of June	June 30	August 1
3 – July/Aug/Sept	First week of Sept.	September 30	November 1
4 – Oct/Nov/Dec	First week of Dec.	December 31	February 1

Sample Contribution Statement



Free Methodist Church of North America Completing Annual Reports

Each year, all FM churches must complete an annual statistical report. The “Pension Information” section is the source of the figures that are used to determine the pension plan contribution amount for each church, as well as to calculate the benefit the employee will receive at retirement.

- ❖ DO read the instructions carefully. Please be sure to list annual amounts for compensation figures (or, if there was a pastoral change during the year, list each pastor’s compensation for the partial-year period in which they were employed, i.e. their compensation from Jan. 1 to June 30 if there was mid-year change, so that the total of the two pastor’s compensation amounts equals what the church paid out in total for compensation for the year for that position).
- ❖ DO include only personnel eligible for the pension plan (must be appointed by the conference) on the “pension information” section of the report.
- ❖ DO include compensation, housing allowance, and Social Security numbers on the appropriate lines. (Be assured that Social Security numbers are kept confidential.) Also, be sure that data for each staff member is listed clearly and separately from that of other staff members.
- ❖ If the church has had a pastoral change during the year, DO list each eligible pastor separately.
- ❖ DO NOT combine multiple pastors’ salaries or housing figures into one when reporting more than one pastor.
- ❖ In order to accurately report conference-appointed staff compensation information, DO consult the “Pastor’s Compensation Calculator” (*Participation, Pages 3-4*).

Sample Annual Report Form