



## FMCNA Defined Benefit Pension Plan Eligibility and Enrollment

Employees are eligible for enrollment in the Defined Benefit Plan on:

- 1) Their date of employment by a qualifying Annual Conference or organization; or
- 2) The date the Annual Conference or organization which employs them becomes an affiliated organization under the plan.

Employees are eligible to be enrolled in the Defined Benefit Plan if they are:

- 1) A person who is officially under appointment as a pastor, ministerial candidate, supply pastor, career missionary, or a superintendent of an Annual Conference or other participating group.
- 2) A person who is employed at least 25 hours a week, or who has worked full time at least five months out of each year, and ...
  - a) Is employed as part of an Annual Conference staff and who receives compensation from an approved Annual Conference budget (all income generated by conference activities including allocations);
  - b) Is an eligible employee of the World Ministries Center; or
  - c) If such election is approved, any person employed directly by an organization or institution which elects coverage for its employees.

If an employee is serving a church in a part-time supportive position (such as a music director, youth pastor, visitation pastor) and the local church has elected not to extend benefits to the position, this person should not be appointed by the conference (the individual should not be listed on the conference appointment sheet). A contribution is payable on behalf of an employee only if that employee is appointed by the Annual Conference and receives a cash salary and/or housing compensation. 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 contribution rules apply). Church plants pay at a rate of \$500 per year for as long as they are classified as 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). Effective January 1, 2004, contribution rates will begin to increase incrementally. This increase will apply to the minimum rate as well – see *Billing, Page 1* for more information on the increase.



## FMCNA Pension Plan

### Filling out the Pension Enrollment Form

**Purpose:** To enroll employees in the Free Methodist Defined Benefit Plan

**When to Use:** At the time the employee is appointed to a church (or hired by a participating organization). Both sides of this form should be completed upon appointment by the employee and returned to the Human Resources office at the Free Methodist World Ministries Center. **Please note** that, for any new pension plan participant who has not been enrolled in the pension plan by the end of the year they were employed, the conference or organization will be assessed the current delinquent fee on the amount of past due pension plan contribution. The conference or organization can, in turn, pass this delinquent fee on to the individual if he or she was at fault.

#### **Employee Information Section**

The employee should be sure to include the following: complete dates, Social Security number, compensation information (see the Pastor's Compensation Calculator on *Participation, Pages 3-4* to correctly figure compensation) and conference name and conference number. Although some employees may be hesitant to release their Social Security number, this information is necessary to enroll them in the plan. They can be assured that the Human Resources office will hold the information in the strictest confidence.

#### **Beneficiary Information Section**

The employee should complete each question in this section and should provide the beneficiary's birth date, Social Security number, relationship and address. If the employee is married and decides to name someone other than their spouse as their primary beneficiary, they must have the spouse complete the "Spousal Consent" section. (If the spouse is listed as the primary beneficiary, it is not necessary to fill out the "Spousal Consent" section.) The employee should be sure to date and sign the beneficiary designation. If the employee's marital status changes, causing their beneficiary to change, it is very important that they notify Human Resources as soon as possible so that an official beneficiary change can be registered.

#### **Biographical Information Section** *(on side 2 of the form)*

The employee should provide dates and names in each section. If they have served in other ministries, they should fill in the space under "Other Ministry." This information will help to confirm years of service. If more space is needed, the enrollee may attach an additional sheet of paper.



## Free Methodist Church of North America Pastor's Compensation Calculator

*For Use in Determining Compensation Information to Report for Pension Purposes*

**Note:** Please remember that there is no relationship between pension and taxes when reporting compensation to Human Resources. The two are governed by entirely separate sets of rules.

**Eligibility:** In order to be eligible for the pension plan, a pastor must be under appointment by the conference (not a direct hire by the church, which is sometimes the case with youth and music ministers, for example), and must be compensated by the church with a salary and/or some type of housing compensation. To determine eligibility for conference employees or non-pastoral employees of the church, please call the Human Resources office.

### Part One: Base Salary

Report the pastor's base salary (please specify weekly, monthly or yearly), plus or minus the following:

**Social Security:** If the pastor receives compensation for Social Security from the church, it may be reportable as salary for pension purposes. The answer is found in the church's official budget. If the pastor is responsible for his or her own Social Security payments out of the base salary (the budget will not show a "Social Security" line item), then report the entire base salary. If the Social Security compensation is listed as a reimbursement (in the same way that mileage, expenses, etc. are listed), then it cannot be reported as part of the pastor's income for pension purposes.

**TDA Payments:** If the church pays into a tax-deferred annuity plan on behalf of the pastor, this amount should be reported as part of the pastor's base salary for pension purposes. This includes contributions to IRAs, 403(b) accounts, etc. *Please note that the church's payments on behalf of the pastor to the Free Methodist pension plan cannot be counted as part of the pastor's salary for pension purposes.*

#### Do not include:

- ❖ Any insurance premiums paid by the church on behalf of the pastor.
- ❖ Direct reimbursements and/or benefit payments by the church for ...
  - Mileage and/or travel
  - Professional expenses
  - Educational expenses
  - Medical expenses – However, if the pastor designates a portion of the salary to be withheld as a tax-free reimbursement for medical, dental, or other expenses (such as a Section 125 cafeteria plan), this portion of the salary should be reported as part of the pastor's income for pension purposes (because the reimbursements are actually being made from the pastor's salary and not the church budget – they function as a tax shelter for the pastor).

## Part Two: Housing Compensation

**Note:** *If the pastor receives no salary (as defined above), but does receive housing compensation (as defined below), then the pastor is still eligible for the Free Methodist Church of N.A. Defined Benefit plan.*

How to report the pastor's housing for pension purposes depends on whether the pastor has a parsonage or receives a housing allowance. Please see the appropriate section below, based on the pastor's arrangement.

**If the pastor receives a cash housing allowance** (*pays own housing expenses*) ...

... then simply report the amount of the housing allowance as housing compensation (please specify either annually or monthly).

**If the pastor lives in a parsonage or other church-provided housing** (*church pays pastor's housing expenses directly*) ...

... then use the guidelines below to report the pastor's housing compensation:

1. The church should determine the fair market rental value of the parsonage.
2. The church should determine the average monthly amount of the utility bills paid on the parsonage.
3. Add the two amounts together and report the total as the pastor's housing compensation (please specify either annually or monthly).

**Please Note:** When any change in compensation and/or status occurs, it is important that Human Resources receive a "Change of Status" form within 30 days of the change. Below are some examples of changes that need to be reported:

- ❖ A pastor's marital status changes (this usually changes the beneficiary)
- ❖ A pastor transfers to another church and/or conference
- ❖ A pastor's salary either increases or decreases

The Change of Status form can be obtained via our Web site (<http://hr.freemethodistchurch.org>) – please click on the "forms" button on the home page, or by calling us for a faxed or mailed copy.

*The Change of Status notice is needed in addition to completing the Annual Report.*

***If you have any questions about the above information, please call the Human Resources office at the World Ministries Center (800-342-5531).***

# Pension Enrollment Form



# FMCNA Pension Plans

## Filling out the Notice of Change of Status Form

**Purpose:** This informs the Human Resources office of a change in status and/or salary for an employee enrolled in the Free Methodist Church of North America Pension Plans.

**When to Use:** This form should be filled out any time a compensation and/or other change occurs that affects the status of the employee's participation in the plan. Changes that should be reported include compensation changes (salary and/or housing), first-time appointments, changes in marital status, transfers to other churches and/or conferences, leaves of absence, terminations and retirements. *Sending in the completed forms as soon as possible helps Human Resources keep conference billing information up to date and avoids time-consuming adjustments to later billing statements.*

### **Section 1 – Employee Information**

Fill out this section with the employee's name, date of birth, Social Security number, and spouse information (if applicable). This information is important because the Human Resources office uses the date of birth and Social Security number to confirm the employee's identity.

### **Section 2 – Current Conference and Church Information**

Always fill out this section, including the name of the current or former conference served. If conference service does not apply, please enter the name of the employer under "Current Conference Name." If the employee is or was employed by a church, please complete the church address section and fill in the church I.D. number (the three-digit identifier found in the yearbook's church listings). *If this is a transfer being reported after the fact, this "current" section is where information on the former church should be entered.*

### **Section 3 – Change Effective Date**

Fill out this section with the exact effective date of the change. ***This is an extremely important piece of information – the Human Resources office cannot process changes of status without the effective date.***

### **Section 4 – New Church Information**

Fill out this section if the change is a first-time appointment or a notice of a transfer to a new church or conference. Please complete the church address section and the church I.D. number (the three-digit identifier found in the yearbook's church listings). If the employee will not be appointed to a church, his or her personal address should be entered on the church address line in this section.

### **Section 5 – Specification of Change and Compensation Information**

Mark the appropriate box to indicate the nature of the status change. If marking the box does not adequately explain the change, write comments in Section 6 to clarify the situation. In the box, please provide complete compensation information, even if compensation has not changed (this is very helpful for confirmation purposes). For assistance in determining how to correctly report compensation, please see the “Pastor’s Compensation Calculator” (*Participation, Pages 3-4*). Exact compensation amounts should be specified as this is the documentation used in determining pension benefits; **be sure to specify whether weekly, monthly, or annually for all compensation figures.**

### **Section 6 – Other Information**

Note any other information about the change that would help the Human Resources office better understand the nature of the situation.

### **Section 7 – Signatures**

Be sure to sign and date the form on the appropriate line (use “pastor” if the pastor is filing the form personally, or “conference official” if the form is being submitted by the conference office).

### **Section 8 – Submitting the Form**

Make sure that both the Human Resources office and the conference office receive copies of this form. **It is important that it be received within 30 days of the change.** Please mail or fax the form to the HR office, or the form can be filled out and submitted electronically via our Web page (<http://hr.freemethodistchurch.org>).

***Prompt filing of your Change of Status Forms saves time and resources!*** When the Human Resources office receives late notices, all of the quarterly statements issued since the change effective date must be reviewed and adjustments made to the current statement so that the difference can either be credited or charged to the employing organization.

# Change of Status Form