



FREE METHODIST CHURCH USA

Human Resources

August 1, 2014

Dear Pension Plan Participant,

The Free Methodist Church – USA has provided a pension plan for its retirees since 1969. Through the years, many of our pastors, beneficiaries, and other denominational employees have been and are presently being supported by our denominational pension program. Throughout those years, many improvements have been implemented to serve all of the plan's participants. What a blessing the pension plan has been to so many!

The oversight of the pension plan and policy recommendations are the responsibility of the Benefits Committee, which reports to the FMCUSA Board of Administration — the governor of the plan. The committee's primary goal is to keep in mind the participants' best interests as funds allow. The plan's day-to-day management and administration are handled by the Human Resources office at the World Ministries Center. The investment manager is the Free Methodist Foundation.

During the past several years, there has been a constant review of the viability of the Defined Benefit Pension Plan. The Benefits Committee, Free Methodist Foundation, and the plan's actuarial firms have worked together to ensure our Defined Benefit Plan was able to ride the varying investment peaks and valleys to sustain the plan for supporting all participants.

An extensive review of the Defined Benefit Plan structure has occurred with the help of our plan actuary, Nyhart. The review used different variable elements of the contribution rate, benefit formula, compensation averaging, participant growth, investment returns, grandfathering certain groups, and retirement ages to maintain sustainability moving forward. Based on the results of this review, the Benefits Committee determined a restructure of the Defined Benefit Plan would be necessary to keep the plan sustainable in the future. At the April 2014 Board of Administration meeting, the following was approved:

Restructure of the Defined Benefit Plan for the FMCUSA effective January 1, 2015.

The active participant group will be divided into two groups.

- ***Active participants who are at least 60 years old, or are at least 50 years old with 15 or more years of service as of January 1, 2015, will be "grandfathered" into the current version of the plan.***
 - *The employees in this group are grandfathered, which means their pension benefit is in **NO way changed**. Their benefit is based on the current formula in place and the current retirement age.*
- ***All other active participants will experience the following changes:***
 - ***The normal retirement age will be moved to 67 from 65.***
 - ❖ *Early retirement may begin as early as 62 instead of age 60.*

- ***The current plan formula will remain in place for benefits earned through December 31, 2014. Benefits earned through December 31, 2014, will be calculated using the current formula – 1.85% x years of service x monthly salary with average of 5 highest years.***
- ***Benefits earned on/after January 1, 2015, will be calculated using the career average approach at 1.5%. The new formula – 1.5% x years of service x career average salary beginning January 1, 2015.***
 - ❖ *Beginning January 1, 2015, and moving forward each year, 1.5% of the annual earnings will be added to the prior accrued benefit to get the total benefit due. (This is the same percentage used prior to the year 2000.)*
 - ❖ *Instead of using a 5-year compensation average, the salary used with the number of years worked will be changed to a career-based average.*
 - ❖ *Contributions will continue at 10.5% of compensation.*

With these changes in the Plan, we are continuing to employ the best possible practices to maintain a viable DB Plan for the future. The retirement formula will not change for people closer to the retirement age. Younger people will have a formula change, but they will have many years moving forward to earn their benefit. We want to ensure a retirement benefit exists for everyone.

As the plan moves forward, the Benefits Committee will continue to look for improvements that will support you in your retirement years.

If you have questions or concerns, please feel free to give Willadean Duncan a call at 800-342-5531 or email willadean.duncan@fmcusa.org.

May God bless you as you continue to serve in ministry.

Sincerely,

Pearson Miller

Pearson Miller
Benefits Committee Chairman