

Since 1969 the Free Methodist Church of North America has provided a pension plan for pastors, superintendents, conference personnel, and World Ministries Center employees.

This plan was created for the exclusive benefit of church-related workers and their beneficiaries and is designed to help participants gradually build up a secure source of retirement income.

The denomination currently administers two pension plans. The [Defined Contribution Plan](#) began in 1969 and was frozen as of 1980. While no more participants are being added to the plan, existing accounts are maintained for those who were enrolled in it.

The current pension plan began in 1981 and is called the [Defined Benefit Plan](#). All new eligible participants who serve in the United States are enrolled into this plan.

Administration of both plans is the responsibility of the Benefits Committee, which in turn reports to the FMCNA Board of Administration, which governs the plans. It is the goal of the Benefits Committee to keep in mind participants' best interests and to continually improve the current plan's benefits, as funds allow, for those who have served the denomination during their working years.

The day-to-day management of the plans is handled by the Human Resources office at the World Ministries Center. Dale Hill, CFO and executive director of Administration and Finance, along with staff members Willadean Duncan, Director of Human Resources, Debbie Jenkins, Malissa Bradburn and Theresa Portwood, Human Resources assistants, are available to help participants with whatever their needs may be.

Hay Group, Inc. of Philadelphia, PA, serves as the actuary for both plans. The actuary continually reviews the plans to determine funding assumptions and maintains all existing and future benefits.

The Free Methodist Foundation handles the investments for the pension plans. The Foundation's board of directors manages and supervises all investments based on the investment objectives set forth for the funds.

Also provided by the denomination, for anyone who is a participant in either pension plan, is the opportunity to receive a comprehensive Financial Profile at no cost to the participant. The Human Resources office is working along with Guidestream Financial., a subsidiary of the Free Methodist Foundation, to help develop personalized profiles. The Financial Profile addresses specific questions or concerns participants may have about their finances. This service is provided for participants, no matter what their stage of life or financial situation, to help guide them in considering financial and retirement planning, insurance needs, education funding, investment allocation, and estate planning.

Defined Benefit

What is the Defined Benefit Plan?

The Defined Benefit Pension Plan offers each participant benefits based on a predetermined (defined) formula. This formula takes into consideration years of credited service and final average monthly compensation (an average of the salary for the five highest consecutive salary years in a career) at the normal retirement date (age 65). Individual accounts are not maintained

(although this was the case under the old Defined Contribution Plan). Benefits paid to each person as a retirement benefit are based on the formula. Therefore, the funds in a defined benefit pension fund are all working together in a pool. The Defined Benefit Plan is based on the promise to pay and absorbs the risk for investment performance whether it's good or bad (the plan actuary monitors all factors to ensure that the plan is able to pay as promised). Any investment earnings help support the plan in paying benefits and improving benefits for plan participants.

What benefits can be expected from the Defined Benefit Pension Plan?

The primary purpose of the pension plan is to provide retirement income needs. However, other situations require additional income as well. The plan also provides benefits to participants and/or their beneficiaries in the event of disability or death.

How is the Defined Benefit Plan funded?

Each participating church or organization contributes 10.5% of the annual compensation of each participating employee to the fund.

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 under \$4,762, as 10.5% 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 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 an IRA or 403(b) account. (For information about such investment vehicles, contact Human Resources, the Free Methodist Foundation or a personal financial advisor.)

Eligibility Information

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

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

Effective January 1, 2008, employees are eligible to be enrolled in the Defined Benefit Plan if they are:

- receiving compensation - **AND** -
- an ordained, appointed Pastor to a local church or church plant, a Superintendent of an Annual Conference, or a Conference Ministerial Candidate appointed as a Senior Pastor to a local church or church plant. - **OR** -
- 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... - 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);- Is an eligible employee of the World Ministries Center; or- 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.

In addition, those who were employed and eligible for the pension program prior to January 1, 2008 will continue in the plan. Anyone who was employed and eligible for the pension program prior to January 1, 2008 and has not yet submitted their enrollment form should do so immediately.

Participation Waiver

A new option now available is that an employee shall be permitted to irrevocably decline to participate in the plan if they are or will be entitled to receive benefits from a retirement plan maintained by an employer that is not the Church. An employee may also decline to participate in the plan based on cultural traditions, patterns or expectations that are based on non-discriminatory procedures and rules established by the Pension Board.

The right of an employee to decline to participate is optional and voluntary. An employee who has the right to decline participation, but who fails to do so in a timely manner shall be eligible to participate in the plan. An employee who timely and properly elects to decline to participate in the plan shall not thereafter be permitted to revoke such declination. Individuals who waive participation based on the options need to understand there will not be another opportunity to come back into the program. This will also apply to all other Free Methodist local church, employer-sponsored retirement programs.

For Use in Determining Compensation Information to Report for Pension Purposes

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:

Effective January 1, 2006, Social Security should be included as part of compensation for pension reporting purposes – regardless of how it is listed in the church budget.

Social Security (Prior to January 1, 2006): 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).

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

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

Download the [Change of Status form](#) here or call/fax us for a mailed copy.

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