

News & Notes

Winter 2017-2018

Increase in Option C Earnings and Name Changes for Options C, D, and E



The FCMM Board of Trustees has authorized an increase in earnings for Option C participants to 4% starting January 1, 2018.

Option C is a collective investment fund that aims to provide steady long-term earnings to the participant. The name has also been updated to **FCMM Lifetime Fund** to better reflect its long-term character and strategy.

Since inception in 2004, Option C has returned between 3% and 6% each year and is fully funded.

Two other FCMM-managed funds have also been given updated names: Option D: **FCMM Managed Stock Fund** and Option E: **FCMM Managed Bond/Income Fund**. Both of these funds directly reflect market gains and losses monthly.

For complete descriptions of these and other Options, see “Retirement Plan Investment Options” at the Products & Services tab of FCMM’s website. And review “Understanding Option C: The Steady Approach” for more information on the FCMM Lifetime Fund.

Ministers’ Housing Allowance Development by Jerry Rich

On October 6, 2017 the U.S. District Court Judge for the Western District of Wisconsin, Barbara Crabb, ruled in favor of a Freedom from Religion Foundation suit that challenged the constitutionality of the housing allowance exemption for ministers. In effect since 1954, the exemption has allowed a "minister of the gospel" to exempt from income tax the portion of compensation that can be designated as housing costs; however, the housing exemption does not apply to payment of Social Security tax which ministers incur at the self-employment rate (combined rate of employer and employee SS tax).

In the current case, the judge issued a ruling similar to the one she made in 2013 before the case was dismissed on appeal due to an issue of "standing" by the complainant. "I adhere to my earlier conclusion that [the minister's housing exclusion]

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GuideStone Health Insurance Makes Personal Plans More Available

In a welcome development, GuideStone has announced their previously-closed Personal Plans for healthcare are now available for coverage at any time through an “Evidence of Good Health” application.

Since 2015 EFCA churches, as well as other churches and ministries who are clients of FCMM, have had access to the group health insurance programs of GuideStone Financial Resources (the church benefits board that serves Southern Baptist and select evangelical ministries). The GuideStone health plans are self-insured but are administered by Highmark (the Blue Cross medical network) and Express Scripts pharmacy network.

In conjunction with the denominational partnership, GuideStone has developed insurance solutions that provide group health

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2018 News



Retirement Plan Contribution Limits for 2018: Overall and Deferral Limits Increased

There are two types of contribution limits to the FCMM Retirement Plan: the overall limit and the salary deferral limit. The IRS has announced increases for both limits for 2018:

The overall limit includes both employer and salary deferral contributions to all 403(b) and 401(k) plans. The 2018 year overall contribution limit is the lesser of \$55,000 or 100% of includible compensation which excludes a housing allowance. This overall limit is also known as the 415(c) limit.

The salary deferral limit covers all pre-tax and Roth deferrals to all 403(b) and 401(k) plans. The 2018 annual limit is \$18,500. This salary deferral limit is also known as the 402(g) limit.

A participant over age 50 can make a catch-up deferral contribution, in

addition to these limits, of up to \$6,000.

Tax Booklets Available for Download

Two PDF tax booklets are available free for download from FCMM's website: *Ministers' Taxes Made Easy* and *Church Reporting Made Easy*. The booklets are based on the two full-sized 2018 versions of books published by Zondervan annually.

Notify Employees Annually of Eligibility to Participate

Each employee working 20 hours/week or more for a FCMM Retirement Plan-participating organization is eligible to (at minimum) contribute via voluntary salary deferrals, unless the employer's Adoption Agreement specifies a different minimum. The best practice is to notify eligible employees annually of their opportunity to participate. Contact FCMM for a sample letter you can use. Review the annual FCMM Employer Guide (Form 21) at the Forms & Documents link of the FCMM website.

1099-R Tax Form Basics

See the article on FCMM website: *Quick Guide to Tax Reporting for Retirement Distributions*.

Health Insurance

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plans to any size group, starting with two eligible employees. And for churches with fewer than ten employees who may not be ready to offer group insurance, the Personal Plans can fill the gap.

See "Health Insurance Solutions" at the Products & Services tab of FCMM's website for information about obtaining a quote or learning more.

Housing Allowance

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violates the establishment clause" by providing an unfair benefit to religious persons.

It will likely be some time, in terms of years, before appeals of the decision are adjudicated.

A statement by CapinCrouse, one of the leading accounting firms for nonprofit organizations, advised: "It is expected that the case will be appealed to the Seventh Circuit Court of Appeals in Chicago. For now, there is no change in how churches or ministers should act."

Even if the ruling should prevail through appeals, it is not known how the outcome would be enacted or what transitional rules might be adopted by the Internal Revenue Service.

An adverse ruling could affect both active ministers and those drawing housing-allowance-designated retirement distributions that are unique to church retirement plans. In any event, the Retirement Plan of FCMM will continue to be a good choice for churches and church staff members as a tax-advantaged, simple to administer, flexible, and reasonable-cost benefit plan.

FCMM has made changes to our forms for 2018. As a reminder, always use our website to obtain the most recent version of the form(s) you need.

