

# News & Notes

Winter 2021-2022

## What about roll-outs of funds from FCMM Retirement Plan? Factors to Consider

The FCMM Retirement Plan (RP), designated as a 403(b)(9) Church Plan, offers good value and flexibility for Members. In addition, FCMM cooperates with other types of retirement accounts to offer portability of tax-deferred funds.

Under certain conditions, RP funds may be directly “rolled out” (i.e. transferred to another retirement funding vehicle) without triggering a taxable event. Likewise, funds held by a Member in other retirement accounts may be “rolled in” to the Member’s RP.

This portability provides the opportunity to consolidate tax-advantaged retirement funds if desired by the Member. As with any financial decision, there are various factors to consider.

### **When can a Member roll out funds?**

The most common circumstances, called “qualifying events”, that open the opportunity to roll out funds are:

- Leaving employment of an employer participating in the FCMM RP and beginning employment with an employer who does not utilize the FCMM RP. (Note: moving to another church that participates in the RP does not constitute a qualifying event.)
- As a subset of the previous event, a Member with a small balance may choose to consolidate into a new retirement vehicle or employer plan.
- Reaching age 59 1/2. After this age, the IRS allows individuals to transfer funds to eligible vehicles if desired and if those fund custodians allow. These eligible vehicles may include 401(k) plans, 403(b) plans, and Individual Retirement Accounts (IRAs).

### **What is the procedure for rolling out funds?**

The FCMM RP member initiates a rollout by calling FCMM Client Services at (800) 995-5357 and confirming identity through specific questions. FCMM will then provide Form 10 Rollout Request for the Member to complete. Instructions on the form describe steps for submitting additional information and for contacting the entity that will receive the funds to file their relevant forms. The Member may choose a full rollout or a partial one (leaving some funds in the RP). When all steps have been completed, FCMM will transfer funds to the receiving entity. If all of a Member’s funds are transferred, the account with FCMM will be closed.

### **If I’m eligible to roll out funds, what factors would I consider before doing so?**

The FCMM RP is structured as a tax-advantaged retirement plan with

good value. Among the considerations may be ....

- Investment options: FCMM RP offers both FCMM-managed funds (Options C, D, E) that simplify choices and have comparable performance over time to broad indexes. The RP also offers investment in Christian Investors Financial, Option H, with performance similar to - or higher than - CDs, and an array of more than 120 mutual funds in four families (Option F: American Funds; Option G: Vanguard Funds; Option J: Biblically Responsible, including Timothy Plan and GuideStone Funds). Both FCMM-managed funds and Option J funds are screened for moral issues.
- Modest cost: Any investment vehicle has fees to operate, sometimes embedded and sometimes separately charged. The fees for FCMM RP are up to 74 basis points annually (.74 of 1%) on the balance. See Form 41 Retirement Plan Fees for 2022 for a more complete description.
- Advantage for clergy: As a denominational Church Plan, FCMM RP is authorized to designate housing allowance tax exclusion for eligible distributions. (i.e. For funds that were contributed while the Member was eligible for housing allowance, those funds are distributed as eligible for tax-free housing allowance.) For this reason, the form for rollouts includes

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## Rates and Fees for 2022

### **Option C Lifetime Fund**

The FCMM Board of Trustees has set the rate of earnings for the Lifetime Fund (Option C) at 4% for 2022. Additionally, a 2021 dividend payment of 6% has been authorized based on each Option C member’s 2021 year-end balance. This dividend will appear in December activity following the accounting close of the year, so Members will see it in online access by the end of January.

Option C is a collective investment fund that aims to provide steady long-term earnings to the member. Previous rates have been: effective rate of 8% in 2021 (2% rate plus year-end dividend of 6%), effective rate of 4.5% (including year-end dividend of 2%) in 2020, 3.5% in 2019, 4% in 2018, and 3% in 2017.

Because of the long-term nature of the Option C Lifetime Fund, invested funds can be transferred to other Options only once in a 12-month period. The Fund is structured to offer reliable value towards a monthly income benefit (“annuity”) for which 100% of accrued value can be converted. If

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## What about rollouts?

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a certification that a minister understands the rollout may result in loss of the housing allowance benefit on the transferred funds.

### Examples of these considerations

At FCMM, we have worked with many Members who are considering rollouts. The following are some examples of the factors they have looked at.

**Jane** recently left her employment. Her new employer does not currently offer a retirement plan. She wonders what she should do with her existing FCMM account. Jane considers the following:

- » It is important that my investments are in alignment with my faith. Can I find an IRA like that?
- » Opening an IRA at my local bank would allow me to continue making contributions toward my retirement savings. I could also rollover my FCMM account to the IRA and consolidate my retirement funds.
- » I value access to FCMM's investment guidance and speaking directly with FCMM staff when I have questions.

**Pastor James** has an existing FCMM retirement account through a previous employer. He has recently been hired as a pastor in an independent church. James was told that the church does not have a retirement plan in place and that the former pastor instead contributed to his personal IRA. Pastor James contemplates his available options:

- » I have a Traditional IRA to which I could contribute. I could also roll my FCMM account into it.
- » The contribution limits are higher in a 403(b) - Maybe I could encourage the church to look at offering a 403(b) plan.
- » Perhaps the church is open to adopting the FCMM Retirement Plan. I know FCMM allows like-minded independent churches to participate.

**Pastor Clark** is 61 years old. A member of his congregation solicited the pastor to move his retirement funds to the local firm where he works. Before deciding, Pastor Clark gathers the following information:

- » What fees will I be charged to work with the other firm and how do the fees compare with those of FCMM?
- » What types of investment options are available if I move my funds?
- » What types of arrangements does the other firm offer when I am ready to start receiving retirement income?
- » I want to take advantage of the housing allowance benefit in retirement, but I understand that only a church plan can designate distributions as eligible for the housing allowance exclusion.
- » Does it make sense to rollout my funds to a new firm when my current employer will continue to contribute to FCMM on my behalf?

### How about rolling funds into your FCMM RP?

Stay tuned for an upcoming issue of News & Notes with information on rollovers and transfers of retirement funds into your FCMM account.

## Rates and Fees

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funds are instead transferred or withdrawn, a fair market value (reduction) may be applied when accrued value is greater than current market value.

For more information on Option C and other Investment Options, see Form 31 Investment Option Descriptions. For information about performance and portfolio makeup for FCMM managed funds, see Form 40 Performance Report(s).

### Fees for Retirement Plan Accounts

As with any retirement investment account, FCMM incurs expenses to provide a compliant Retirement Plan that offers unique benefits for church staff and pastors. While many other retirement plans charge fees to the employer for providing a Plan Document and administration, there is no cost to the participating employer in FCMM's plan.

The Retirement Plan operating cost is funded by a fee assessed to member accounts. In the case of mutual fund Options (F, G, and J), the fee is directly deducted after the close of each quarter based on the average daily market value during the quarter. For FCMM managed collective funds (Options C, D, E, and H), the allocated cost is applied before returns are posted; that means returns are net of such fees (i.e. already included).

From time to time, the fees may be adjusted to reflect operating costs. For 2022, there will be no changes to member fees. For more information about fees, see Form 41 Retirement Plan Fees for 2022.

## 2022 Retirement Plan Contribution Limits

There are two types of contribution limits to the FCMM Retirement Plan: the overall limit and the salary deferral limit. The IRS has published the limits for 2022:

The overall limit includes both employer and salary deferral contributions to 403(b) and 401(k) plans. The 2022 year overall contribution limit is the lesser of \$61,000 (increased from \$58,000 in 2021) or 100% of includible compensation which excludes a housing allowance. This overall limit is also known as the 415(c) limit, and it applies separately to retirement plans of unrelated employers.

The salary deferral limit covers all pre-tax and Roth deferrals to all 403(b) and 401(k) plans. The 2022 annual limit is \$20,500 (increased from \$19,500 in 2021). This salary deferral limit is also known as the 402(g) limit.

A participant over age 50 can make catch-up deferral contributions, in addition to these limits, of up to \$6,500 (no change from 2021).

(Please note: These limits apply only to the maximum amount for contribution. The employer's calculation of percentage rate for all contributions to FCMM is based on the salary plus housing allowance and any other amounts that are excludable from gross income under the IRS Code.)

