

# News & Notes

Spring 2022

## Morally Responsible Investing with Retirement Plan Funds

by Ric Stanghelle, FCMM President

At FCMM, we take seriously our fiduciary responsibility to act in the best interests of our members. We also take seriously a moral responsibility to invest in a manner that is consistent with our moral values. This is one of the unique features of our FCMM managed funds and it is our relationship with Graystone Consulting, a business of Morgan Stanley, that allows us to do so.

In our investment policy, we state that we do not directly invest in securities in which the corporate entity is recognized by the FCMM Board to have significant involvement in products, services, or activities that are incompatible with the moral and ethical tenets and values of the Evangelical Free Church of America. These positive values include pro-family and pro-life matters and exclude direct investment in companies significantly involved in beverage alcohol, tobacco, pornography, gambling, and abortion. (FCMM's

policy, including "Morally Responsible Investment Strategy", may be viewed by downloading Form 34 Retirement Plan Investment Policy from our website.)

Graystone Consulting, has sophisticated tools to screen investments and flag entities that are significantly involved in these areas. The names of those entities are brought to the FCMM Board for review. The Board recognizes that it does not have influence over the holdings of mutual fund investments, so this screening applies to active management where the Board can give direction to our investment managers.

There are "socially conscious" mutual funds, but they usually do not screen for the specific moral concerns of FCMM/EFCA. So, if you have interest in investment choices that offer morally responsible features, you may want to consider

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## Payroll Service to be Phased Out

by Jerry Rich

To better serve our churches, FCMM will close the Payroll Service this year in favor of providers who have in recent years addressed the specific needs of church staff pay processing.

Launched in 2014 with the processing assistance of a payroll bureau, the FCMM Payroll Service uniquely bundled payroll with the FCMM Benefit Plan (Long Term Disability and Life/AD&D Insurance) in a single package. In addition, the Service automated Retirement Plan contributions. During these years, FCMM assisted participating churches with organizing their staff compensation and complying with labor standards for classification. Valessa Caspers, FCMM's Manager of Benefits and Client Services, has given many hours to this service along with her work with both retirement and benefit programs.

However, in the years since FCMM began the payroll service, there has been considerable improvement in

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## Considering Employee Contributions?

There are good reasons to do so...

With a new year underway, and tax season wrapped up for many of us, it is a natural time to reflect on how decisions over the past year are shaping financial health. Whether you are seeking to decrease tax liability this year, wanting to start a savings "habit", or looking for additional ways to supplement your retirement savings before those golden years are on the horizon, you may want to consider making elective deferral contributions to your FCMM account.

### Pre-Tax and Designated Roth Contributions

In addition to contributions provided by one's employer, a Member may elect to have the employer deduct either a percentage or a dollar amount from compensation each pay period. The employee contribution, also known as a "salary deferral", can be set up as either a pre-tax deduction, a Roth (after-tax) deduction, or both. Pre-tax contributions reduce one's gross income for the year of deduction and are taxed when distributed in the future. Designated Roth contributions are included in gross income but once qualified, will result in

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## Considering Employee Contributions?

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tax free distributions for the Member.

### Contribution Limit

The IRS is quite a bit more generous with the 403(b) limits compared to IRA contribution limits. With an IRA, one is limited to annual contributions totaling \$6,000 (\$7,000 if age 50 or older). However, the IRS limit on employee contributions to 403(b) plans, like FCMM, is more than three times greater! For 2022, employee salary deferral contributions are capped at the lesser of \$20,500 (\$27,000 if age 50 or older) or one's includible compensation (housing allowance is not part of includible compensation).

It is important to note two key points about these limits:

- Apart from income thresholds, contribution limits for IRAs and 403(b)s are **unrelated**. For example, a Member under age 50 could contribute up to \$20,500 to FCMM and \$6,000 to an IRA account in 2022.
- Contribution limits for 403(b)s, 401(k)s, SIMPLE plans, and SARSEPs all **share** the same employee contribution limit. This limit must be aggregated across all plans and *includes both pre-tax and Roth deferrals under the same limit*. For example, a Member under age 50 contributes \$5,500 to a 401(k) with Employer X. Later in the year, the Member begins working for Employer Y and participates in its 403(b) plan. The Member may contribute up to \$15,000 in salary deferral contributions to the 403(b) for the balance of the year.

### Initiating Elective Salary Deferrals

Members ready to start contributing through elective deferral contributions, can initiate a salary deferral agreement by completing FCMM's Form 03 – Investment Selection Form, which includes the necessary salary deferral agreement. This form can be resubmitted any time the Member wants to increase, decrease, or stop deductions. The new Form 03 will always replace the one on file. The completed form should be submitted to both FCMM and the employer to ensure the Member's elective contribution is applied.

## Morally Responsible Investing

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our FCMM managed funds.

The FCMM Retirement Plan, which includes seven different investment Options comprising both FCMM managed funds and mutual funds for investment selection, is administered in accord with the tenets and polity of the Evangelical Free Church of America. Of the investment Options, three are FCMM managed funds: Options C (Lifetime Fund), D (Stock Fund), and E (Bond/Income Fund). Assets of these funds are pooled and managed according to fund objectives. Each participating investor has a proportionate share of the fund, which value is calculated monthly. An annual performance report for Options C, D, and E, (Form 40), is available at the FCMM website.

Options F, G, and J contain families of mutual funds (American, Vanguard, Timothy Plan, and GuideStone). Option H is an adjustable rate investment with Christian Investors Financial.

## Payroll Service

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vendors understanding the unique characteristics of church payroll and clergy tax treatment. We have concluded that churches can be better served by using a provider with both expertise and scale of operation that is even more effective.

During 2022, FCMM Payroll Service will assist client churches in transitioning to new providers, with a termination of our service no later than December 31. While there are other payroll services available, FCMM has evaluated the capabilities and growing market of MinistryWorks and recommends this church-specialized service to EFCA churches. See the FCMM website "Payroll Service" section for more information.

While FCMM focuses on Retirement Plan and Benefit Plan services, we continue to be available to assist churches with questions concerning compensation and benefits. Please see our website for resources on church compensation as well as retirement planning and disability protection.

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Retirement Plan: [fcmmbenefits.org](mailto:fcmmbenefits.org)

Long Term Disability Insurance, Payroll Service: [benefits@fcmmbenefits.org](mailto:benefits@fcmmbenefits.org)

FCMM serves as the church benefits organization of the Evangelical Free Church of America

