fcmm BENEFITS & RETIREMENT
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News & Notes

Fall 2016

Legacy Pension Plan ("Option A") To Be Merged into Retirement Plan

~ Action marks end of defined benefit plan ~

With enactment of legislation by Congress late in 2015, church retirement plans were provided an overdue opportunity to "fix" older defined benefit pension plans. The FCMM Board of Trustees has subsequently taken action to merge the Pension Plan into the Retirement Plan at the end of 2016. In summary, the Pension Plan will be brought into balance with invested assets and the resulting values will be transferred into the Retirement Plan.

Pension Plan "Retirement Annuity Credits" will be converted to a current dollar value for each Pension Plan member under age 80, whether or not the member is currently in benefit pay status. Upon a member's choice, this adjusted value may be (1) turned into a monthly benefit payment, (2) invested in the various Options of the Retirement Plan, (3) rolled out to an eligible retirement plan or IRA (losing minister housing allowance designation if not re-invested in a church plan), or (4) taken as a taxable distribution.

Each Pension Plan member has been mailed complete information along with a response form to select his/her choices.

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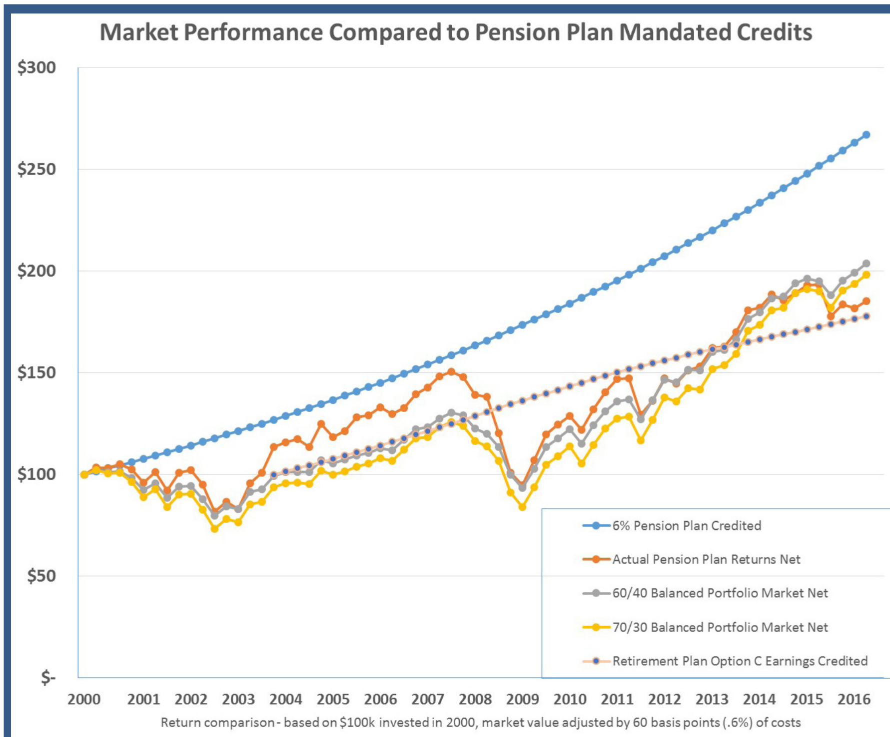

Comparison of balanced market investments, performance of Retirement Plan Option C, and earnings credits required by Pension Plan design.

Added In-Plan Retirement Benefit Available: Annuity by Thrivent

In addition to FCMM's monthly income benefit from the Retirement Plan (comparable to an annuity), we are pleased to announce access to Thrivent Financial's immediate annuities. Thrivent's fixed income products offer optional added features such as increasing future monthly payments by an inflation factor.

Important for ministers, only a church plan like FCMM can designate retirement distributions as housing allowance eligible. Both FCMM's monthly benefit and the new Thrivent annuity offer this feature.

How do the two monthly benefits compare? While many factors affect the payouts, and market conditions cause annuity calculations to change, here's an example. Current approximate monthly income amounts resulting from "annuitizing" $100,000 by a married couple, both age 65 on 1/1/2017, choosing the "joint and full" option (income as long as either lives) – FCMM monthly benefit: $490. Thrivent annuity monthly payout without optional features: $420.

FCMM Thrivent annuities are not available through agents but are only available by contacting FCMM. One of our adviser staff members will discuss your circumstances with you and then refer you to a special Thrivent team.

Legacy Pension Plan (“Option A”)

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Established in 1971 as a defined benefit retirement plan, the Pension Plan based benefits on higher growth assumptions than have been exhibited in the last two decades. The inflexible requirements of the Plan, such as a certain rate of growth credits and a now-superseded actuarial basis (underestimating longevity of participants), led the FCMM Board to close the Plan to new contributions after 2003 and then to discontinue increases to member accounts after 2014. While at that time some hope remained that a robust market could return the plan to being fully funded, recent market experience and long-term projections do not support this prospect. Current projections show that the plan would run out of funds to pay benefits in as soon as ten years if no action is taken

The FCMM Retirement Plan (a defined contribution 403(b)(9) church plan launched in 2004) is solvent and Option C, the successor to the Pension Plan “Option A”, is fully funded and is structured to be sustainable through economic cycles.

With the merger alternative, the Board has applied fiduciary responsibility with prayerful concern for all members and made available the widest range of choices for individual circumstances.

Marketplace Commentary...

This is the conundrum facing pension funds, many of which already aren’t fully funded on existing assumptions. A typical 7.5% investment target is used to discount liabilities, so a lower number would mean a bigger gap. In a traditional portfolio of 60% stocks and 40% bonds, though, that looks nearly impossible to achieve, at least over the next decade.

For instance, a basket of 10-year treasury and corporate bonds yields roughly 1.75%. That means equities would have to return about 11.4% annually for pensions to meet their targets in the next 10 years. That far exceeds the average at times like these, when valuations are least favorable.

The power of positive thinking can only take investors and taxpayers only so far.

-Wall Street Journal, August 14, 2016

FAQ’S

Q: What are “Required Minimum Distributions”?

A: Funds invested in a tax-advantaged retirement account, like FCMM, cannot be held there indefinitely. After you turn 70 ½, you generally have to start receiving some of this deferred income and subjecting it to taxation. The IRS has an age-based formula to calculate your required minimum distribution (RMD). There are significant penalties for failing to withdraw the RMD.

If you have converted all of your retirement investment funds to an annuity (referred to as monthly benefit within FCMM), you no longer have RMD concerns. But if you annuitize only a portion, the remaining funds are subject to RMDs.

Your first RMD must be withdrawn by April 1 of the year following the year you turn 70 ½. If you keep working beyond 70 ½ for an employer who continues your participation in the FCMM retirement plan, you can wait until April 1 of the year after you terminate employment to receive your first RMD. Your second RMD, however, must be withdrawn by December 31 of the same year. For that reason – to avoid two RMD amounts stacked in the same year – FCMM encourages participants to take their first RMD in the year they turn 70 ½. Each subsequent year’s RMD must be withdrawn by December 31.

Converting to an annuity partway through the year after you turn 70 ½ will result in an RMD liability for that year. RMDs are calculated on the previous year’s December 31 non-annuitized balance, starting with the year you turn 70 ½.

Your RMD withdrawal will be reported as income (unless designated as eligible for housing allowance by a church retirement plan) via a Form 1099R. Monthly “annuity” benefits are also reported through a 1099R.