BENEFITS & RETIREMENT

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News & Notes

Winter 2016-2017

When it's time to draw retirement benefits…

Distribution Options within FCMM Retirement Plan

Your Retirement Plan allows several methods for receiving your accumulated funds. The contributions you and/or your employer made over the years can be taken as income distributions (after minimum age of 59 1/2) to provide for your living expenses in later years.

A popular form of distribution is the monthly income benefit (MIB, often referred to as an "in-plan annuity"), which converts a sum of money in your retirement account to a level payout each month. The MIB can be used to provide consistent retirement paychecks to you and, if you choose at the time of commencement, to the surviving spouse. See Form 36 Monthly Income Benefit and Annuity Descriptions in the Forms & Documents section of the FCMM website for more information.

While many retirement plans don't offer such an in-plan annuity, the FCMM Plan has always offered this option. And it's not just available for Option C (the Conservative Growth with Annuity Benefit Fund), but for <u>any funds in any investment Option of FCMM</u>. You may take any sum of money from one or more Options to fund a MIB. (Please see the Summer 2016 issue of News & Notes for an article on Option C as it relates to MIB/annuity and lump sum distributions.)

Another form of in-plan annuity was announced in the last quarter of 2016: a fully-insured annuity from Thrivent Financial but remaining in the Retirement Plan to keep a housing allowance designation. Currently this annuity offers a smaller monthly payout than the FCMM MIB. Thrivent in-plan annuities are available only through FCMM.

The MIB/annuity approach offers level income, but it does not provide cash liquidity outside of monthly payouts; once an amount is converted to an annuity there is no cash balance. For that reason, some participants prefer to "self-annuitize" by requesting recurring cash withdrawals to meet income needs. Each monthly payout reduces the cash balance, meaning there is no assured lifetime income since a person may outlive the resources. As long as a cash balance remains, a member may access it for one-time distributions as well.

When funds are not converted to MIB or an annuity, they are subject to IRS rules for Required Minimum Distributions (RMDs). (See the Fall 2016 issue of News & Notes for a description of RMDs.) If recurring or other cash withdrawals don't at least equal RMD calculations, then an additional distribution must be taken for the difference.

However, if you are employed by an FCMM-participating church past the age of 70 1/2, you are not subject to RMDs until you leave that employment.

For ministers whose contributions were made while eligible for housing allowance, your distributions may be designated by FCMM as housing allowance, subject to the normal IRS guidelines. When you sign up for <u>any</u> form of distribution, you have opportunity to indicate whether you request such designation.

Funds that are rolled out from FCMM Retirement Plan typically lose the housing allowance benefit.

Forms of Retirement Plan Distributions:

- **In-Plan Monthly Income Benefit** ("annuity")
- **In-Plan Thrivent Financial annuity**
- **Recurring monthly cash withdrawals**
- **One-time** (or from time-to-time) **cash withdrawals**
- **Cash withdrawals to meet IRS Required Minimum Distributions**

Timely Updates!

1099R Tax Form Basics

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

New (Limited) Relief for Small Employers to Pay Individual Health Insurance

A new Qualified Small Employer Health Reimbursement Arrangement (QESHRA) allows small employers to reimburse (or directly pay) health insurance premiums obtained individually by employees, along with other medical expenses. However, there are several qualifiers that generally render this an inadequate answer to Affordable Care Act restrictions on healthcare reimbursement.

Tax Booklets Available for Download (2017)

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 2017 versions of books published by Zondervan annually.

Retirement Plan Contribution Limits for 2017: Overall limit increased; others remain same.

There are two types of contribution limits to the FCMM Retirement Plan: the overall limit and the salary deferral limit. Limits for 2017 remain the same as 2016 and 2015, with the exception of an increase of $1,000 in the overall limit:

> The ***overall limit*** includes both employer and salary deferral contributions to all 403(b) and 401(k) plans. The 2017 year overall contribution limit is the lesser of ***$54,000*** or 100% of includible compensation which excludes a housing allowance. The 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 current annual limit is ***$18,000***. The 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***.

Find more information on these topics, and others, at fcmmbenefits.org

End of Legacy Pension Plan ("Option A") Marked by Merger into Retirement Plan

As mentioned in the last issue of News & Notes, and as communicated to Pension Plan participants, the former Pension Plan has been merged into the Retirement Plan by adjusting retirement annuity credits to current market values and offering Retirement Plan Monthly Income Benefits in lieu of the cancelled Pension benefits. Because the plan was merged rather than terminated, a number of options other than Monthly Income Benefits could be offered as well for re-investing, taking recurring withdrawals, or rolling out funds. The current FCMM Retirement Plan is unchanged and fully funded. All affected Pension Plan participants have been contacted and provided with information for making their choices. The merger became effective January 2017.

FCMM Contacts
(800) 995-5357
fcmm@fcmmbenefits.org

Valessa Caspers, Manager HR Benefits & Cust. Svc.
valessa.caspers@fcmmbenefits.org

Karen Giles, Customer Svc. Representative
karen.giles@fcmmbenefits.org

John Herman, Customer Relations Manager
john.herman@fcmmbenefits.org

Bud Smith, Customer Relations Manager
bud.smith@fcmmbenefits.org

Jeff Englin, Advisory Services Manager
jeff.englin@fcmmbenefits.org

Jerry Rich, Vice President – Client Services
jerry.rich@fcmmbenefits.org

Ross Morrison, President
ross.morrison@fcmmbenefits.org