

APRIL

This is our fourth monthly emailing. We would especially like treasurers or those handling your pension contributions to receive our emails so please make sure their email addresses are placed in The Wesleyan Church Portal system and wpf@wesleyan.org is added to contacts lists to avoid spam/junk folders. The portal lists are downloaded for each email sent because addresses change so, I apologize, but unsubscribing is not possible.

**We are using "treasurers" to mean all personnel your ministry uses to handle WPF business.*

Our topic today is: EMPLOYER AND EMPLOYEE CONTRIBUTIONS

The DC Plan is a Defined Contribution Plan. Plan contributions come from employer contributions and contributions you make voluntarily. All contributions are credited to your account in the Plan. The tax laws limit the amount of contributions which both you and your employer can make to the Plan on your behalf.

EMPLOYER (ER) CONTRIBUTIONS

There are two types of contributions that may be made to the Plan. The first is an **"Employer" or ER Contribution**. Although there is no requirement that your employer contribute to the Plan, all Church employers are encouraged and expected to contribute an amount equal to 12% of your gross salary plus housing. You should check with your employer to find out whether you are eligible to receive employer contributions and, if so, how much those contributions will be.

One-twelfth of the Employer Contribution (typically 1% of your gross salary) is used by WPF to purchase disability and death protection (insurance) for you and for such other purposes as the WPF board may determine. The rest is invested in your account in the Plan. If your employer provides you with a parsonage, your actual salary is hypothetically increased by 30% in calculating the amount of contributions made to the Plan on your behalf.

EMPLOYEE (EE) CONTRIBUTIONS

These are Voluntary, Salary Reduction Contributions which are made by you by means of payroll salary reduction by your ministry treasurer, called **"Employee" or EE contributions**. All eligible employees are permitted to make EE contributions to the Plan, whether or not they are eligible to receive "Employer" contributions. This type of contribution allows you to contribute a certain portion of your compensation to the Plan on a pre-tax basis. You may choose how much you want to contribute up to the Internal Revenue Code (IRS) maximum for this type of contribution. This type of contribution reduces your current taxable income by the amount of your contribution, saving you current tax dollars. The idea is that, since you are not actually receiving a portion of your salary now, you are also not taxed on it now. However, non-ministerial employees do pay Social Security taxes on their salary reduction contributions.

If you are participating in another retirement plan or if you have been contributing to another 403(b) tax-sheltered provider through your employer, you may also be able to make a Rollover Contribution to this Plan. A Rollover Contribution is a direct rollover of a distribution made from another retirement plan into your account in this Plan. You can roll contributions over from a variety of different retirement plans, including 403(b), 401(a), 401(k), governmental 457(b) plans and IRAs. (*Note: WPF does not accept rollovers or roll into Roth IRAs.*) There are several restrictions that apply to direct rollover contributions. Therefore, if you are a participant in another retirement plan, you should check with the administrator or the provider for that plan, as well as with WPF, to determine if you can make a Rollover Contribution.

You should understand this Plan is not intended to be a liquid savings account. Rather, it is a long-term retirement account. **It is expected that all contributions made to the Plan will remain in the Plan until you retire, (no earlier than age 62) or terminate employment. If you terminate employment before you attain age 62, there is a five-year waiting period from the date of termination before you are permitted to take a distribution from the Plan**

(and ministers must relinquish their credentials). (See the *Pre-Retirement Termination of Benefits* section in the *Summary Plan Description*.)

Note: The tax laws limit the amount of contributions (not including Rollover Contributions) that may be contributed on an employee's behalf, as described below under "*How Much to Contribute*." If you are participating in another retirement plan, contributions made on your behalf to that other plan may need to be considered when determining the maximum contribution limits under this Plan. Because determining these limits depends on your own financial circumstances, WPF cannot be responsible for complying with them; that must be your responsibility.

HOW MUCH TO CONTRIBUTE

The determination of how much you can contribute each year is a complex area of the tax laws and you should consult your tax advisor about this.

Basic Limits: There are essentially two limits on the amount of contributions that can be made to your account. One limit only applies to your Voluntary Salary Reduction (EE) Contributions. The other one applies to all contributions made to the Plan on your behalf, the Employer or ER contributions. **You cannot exceed either of these limits.**

- **Limit on Salary Reduction Contributions (Elect Deferral):** The first limit on contributions is that your Voluntary Salary Reduction Contributions (not counting any Employer contributions) cannot exceed the statutory dollar limit. The IRS may increase this dollar limit from time to time, if not annually, to account for cost-of-living increases.
- **Limit on Total Contributions:** The second limitation on how much you can contribute is the total of your Salary Reduction and Employer Contributions in a calendar year cannot exceed 100% of your compensation or the statutory dollar amount, whichever is less. The IRS may increase the limit from time to time, if not annually, to account for cost-of living increases. Please note, for this purpose, "compensation" cannot include any tax-exempt housing allowance (if you are a minister).

Note:

- Rollover Contributions do not count towards either of these two basic limits.
- The IRS Limits are posted on the WPF website annually in January or as soon as they become available from the IRS. You will need to scroll down to the *Plan Benefits & Information* section.

We hope these emails are helpful. If you missed one or need to refer to one, we now have them on our website. Scroll down to the navy-blue box under the *Online Payment System Login* and *First-Time Users Info*. Click on the **MONTHLY EMAIL** toggle and the light blue month links are documents that can be downloaded to view or print.

We encourage you to peruse our website and especially the *Summary Plan Description (SPD)*. The SPD can be found at the top of our webpage under "*Keeping You Informed*" and clicking the "*Summary Plan Description*" tab. It is also under "*Resources*" and the "*Various Resources*" tab at the bottom of the page.

***Tax Season Note: 2021 Minister's and Church & Profit Tax & Financial Guides are now available on our website in the "Resources" section.**

Serving HIM for your benefit,

DEBRA LEVITE
DIRECTOR OF BENEFITS

WESLEYAN PENSION FUND INC

P: 317.774.3954 T: 800.595.4131 F: 317.774.3955

NEW ADDRESS: 13300 Olio Rd, Ste 340, Fishers, Indiana 46037

wesleyanpensionfund.com — wpf@wesleyan.org