



# **Minister's Retirement Plan Plan Summary**

Church of God Benefits Board, Inc.  
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# **Ministers' Retirement Plan**

(2015 Edition – Updated July 2015)

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# MINISTERS' RETIREMENT PLAN

## PLAN SUMMARY

### INTRODUCTION

This Plan Summary summarizes important things you should know about the Church of God Ministers' Retirement Plan (the "MRP" or "Plan") and the benefits that you may receive as a Plan participant.

This document is intended to provide a clear, helpful overview of the Plan and how it works. However, if there is ever any question about your benefits, or any inconsistency between this Plan Summary and the Plan document, then the language of the Plan document takes precedence over this Plan Summary. Because this document is summary in nature, it cannot describe how the Plan works under every conceivable set of circumstances.

A copy of the most recently adopted Plan document is available upon request to the Church of God Benefits Board, Inc. (the "Benefits Board" or "Board").

### Background



The beginnings of Church of God of Cleveland, Tennessee (the "Church") care for aging ministers in a formal process began at the 1929 Annual Assembly with the creation of a committee to look after the needs and to provide comfort to older and retired ministers. The Council of Twelve established what became the *Aged Ministers' Fund* at the 1930 Assembly. That committee had oversight over the fund until 1932 when the Council of Twelve took over the administration. A formal payment process was implemented at the 1934 Assembly, and in 1935 eligibility requirements were established for receipt of benefits. The Church continued to enhance the processes in succeeding Assemblies.

In 1980, the General Assembly directed the General Overseer of the Church of God to appoint a task force to study the Aged Minister's Pension Plan, prepare a report and present recommendations at the 1982 General Assembly. The five-member task force presented a recommendation for a new retirement plan. This recommendation was adopted by the 1982 General Assembly.

In January 1983, the new and separate plan, the Ministers' Retirement Plan, was established under Section 403(b)(9) of the Internal Revenue Code as a separate retirement income account plan, initially administered by the Executive Council of the Church of God.

In January 1993, the General Overseer of the Church appointed a committee to study the creation of a separate entity to oversee the pension funds and resolve concerns about retirement plan assets being commingled with other Church funds. The Executive Council of the Church approved the resulting report and directed that work be done to prepare an incorporation document for presentation to the January 1994 session of the Executive Council.

In its 1994 meeting, the Executive Council authorized the incorporation of the Benefits Board and directed the Executive Committee of the Church to appoint an eight (8) person Board of Trustees to lead the corporation that was to be established as a controlled affiliate of the Church, and which was to administer and protect plan assets separate and apart from Church assets.

In the spring of 1994, the assets of the Ministers' Retirement Plan were transferred to the Benefits Board for administration, investing, and safekeeping. Since that time, the Benefits Board has continued in that role, administering the MRP and providing investment services and record-keeping for the Plan. The Church retained the assets and administrative responsibilities for the Aged Ministers' Fund.

## Church Plan Status

As previously mentioned, the Plan is intended to satisfy the applicable requirements of Section 403(b)(9) of the Internal Revenue Code of 1986, as amended (the "Code"), and other applicable provisions. The Plan is also established and maintained as a Church Plan as defined in Code section 414(e) and in section 3(33) of the Employee Retirement Income Security Act of 1986, as amended ("ERISA").

The Ministers' Retirement Plan is a defined contribution plan. Contributions are credited to individual accounts, together with appropriate investment gains or losses.

## Plan Administrator

The Benefits Board serves as administrator of the Plan and can be contacted as follows:

*Church of God Benefits Board, Inc.*  
*Post Office Box 4608*  
*Cleveland, Tennessee 37320-4608*  
*(423) 478-7131; toll free (877) 478-7190*  
*(423) 478-7889 facsimile*  
[www.benefitsboard.com](http://www.benefitsboard.com)

# ELIGIBILITY

## Eligible Participants

All credentialed ministers in the Church are eligible to participate in the Ministers' Retirement Plan, regardless of their position. In addition, any employee of the Church or any of its' related entities (a local church, department, institution, college or university, etc.) may participate in the Plan. Any minister or church-related employee receiving compensation from the Church or a related entity may contribute to the Plan from his or her "ministerial compensation," regardless of the number of hours worked.

A self-employed minister (an evangelist) with credentials with the Church may also contribute to the Plan.

Chaplains with credentials with the Church and who are employed with other entities (military, government, or businesses) may also contribute to the plan.

Contributions can only be made from ministerial related income.

## Enrollment in the Plan

Enrollment in the Plan is accomplished by completing an application form provided by the Benefits Board or available on-line at [www.benefitsboard.com](http://www.benefitsboard.com). Upon review of the application form and acceptance into the Plan, the Benefits Board will issue a certificate of membership to the new participant. The certificate of membership gives the participant full rights of membership into the Ministers' Retirement Plan. Upon receipt of the certificate of membership, the new participant may make contributions to the Plan.

## Active Participation

The Board defines an active participant as one who has contributed to the Plan during at least twelve (12) out of the last fourteen (14) months. Should an active participant in the Plan die, the Benefits Board makes available a special death benefit and provides for special monthly benefits to minor children of the active participant. These benefits, above and beyond the funds in the participant's account, are only available to active participants.

## TYPES OF ACCOUNTS

### Traditional “Before Tax” Accounts

Contributions to the traditional account are made before taxes are charged against the employee’s income. Therefore, salary reduction contributions made to the traditional account immediately reduces the employee’s taxable income. Contributions to the traditional account can be made by either salary reduction contributions or employer contributions, or both. All contributions to the traditional account must come through the church/employer, unless the participant is a chaplain or an evangelist.

Distributions from the traditional account are subject to federal and state income taxes. If the participant is a minister, some or all of the distributions may be eligible for exclusion for income tax liability if such is used for ministerial housing expenses in retirement.

### Designated Roth “After Tax” Accounts

Contributions to the designated Roth account are made with after tax income. The contributions are calculated in the employee’s tax liability – and then the Roth contributions are made into the Plan. Contributions to the Roth account may **only** be made by salary reduction contributions. The employer is not permitted to contribute to the participant’s Roth account but the employer can make matching contributions into the participant’s traditional account. All contributions to the Roth account must come through the church/employer, unless the participant is a chaplain or an evangelist.

Distributions from the Roth account may be tax free if such is a “qualified distribution.” A qualified distribution is generally a distribution that is made after a 5-taxable-year period of participation and is either made on or after the date you attain age 59½, made after your death, or made because of you being disabled.

## CONTRIBUTIONS

### Making Contributions

Contributions to the Plan may be made with “before tax” dollars, going into the traditional accounts, OR with “after tax” dollars, with those contributions going into the designated Roth accounts. (NOTE: The after-tax “Roth” retirement accounts were made available in April 2015.) In most situations, contributions may only be made through the employer/church to both the traditional and Roth accounts. Under the Internal Revenue Code, an exception is made for evangelists and chaplains so that they can contribute by personal contributions and then adjust their tax returns to show such. This special provision for evangelists and chaplains is addressed in IRS Publication 571, Tax-Sheltered Annuity Plans.





Other than the exception for evangelists and chaplains, all contributions made on behalf of a participant to the Ministers' Retirement Plan must currently come through the employer/church.

In addition, while both employer and employee contributions can go into the traditional before tax accounts, by law only employee contributions (often called salary reduction or elective deferrals) can go into the designated Roth accounts.

## Types of Contributions

Contributions to the Plan may be made in two different ways: by the employer for the participant **and/or** by the participant through salary reduction.

*Traditional, Before-Tax 403(b) Retirement Plan:* Contributions to the traditional retirement plan may be made by Salary Reduction Agreement **or** by direct contribution from the employer, i.e. the church or church-related entity. The employer (church/ church agency) is permitted to contribute to the participant's retirement account as an added compensation benefit without such being taxable to the participant.

- All contributions to the traditional retirement plan are tax deferred and are not to be included in gross "reportable" income for tax purposes. Since the contributions and interest are tax deferred, they will only be subject to taxes when the money in the participant's account is distributed.

*Roth 403(b) After-Tax Retirement Plan:* Contributions to the Roth after-tax retirement plan may be made by Salary Reduction Agreement **only**. The employer (church/ church agency) is NOT permitted to contribute to the participant's Roth 403(b) retirement account but can make matching contributions into the participant's traditional, before-tax account. Although the Roth 403(b) account is an after-tax account, a participant may NOT make personal contributions into the Roth 403(b) retirement account.

- For Roth 403(b) after-tax contributions, the employer must assure that all amounts are designated as taxable income to the employee and are properly reported as such on the employee's tax information. All distributions of original contributions to the Roth 403(b) account are non-taxable and distributions of earnings are also non-taxable if such are a "qualified distribution."

*Employer contributions* are made by the employer/church on behalf of an employee. As noted above, employer contributions can only be made to the traditional accounts. The amount contributed is generally based upon a percentage of the participant's compensation package. For pastors, the General Assembly *Minutes* of the Church of God recommends that the local church contribute an amount equal to at least five percent (5%) of the minister's compensation to the Plan. However, there is no requirement within church polity or within the Plan that requires a local congregation to contribute on behalf of the minister. If resources are available and the church so agrees, they may contribute well in excess of the five percent (5%) recommended in the *Minutes*.

*Employee contribution* through salary reduction – often called elective deferrals – is also available to the participant. Through the use of a salary reduction agreement available from the Benefits Board, a participant, either a minister or a church-related employee, may contribute to the Plan’s traditional or Roth accounts, or both. The salary reduction agreement allows the participant to select a certain percentage or portion of their compensation to be contributed to the Plan.

- Salary reduction contributions to a traditional account reduce the participant’s current taxable income by the amount of the contributions for the year, saving taxation on those funds. Since the participant does not actually receive the money, he or she does not have to pay taxes on those funds that are reduced. For ministers, the amount reduced through a salary reduction agreement is not taxable for federal income tax purposes and, generally, is not subject to self-employment taxes either. However, for church-related employees, salary reduced contributions are not subject to taxation for federal income tax purposes but are subject to Social Security and Medicare taxes.
- Salary reduction contributions to a Roth account have no immediate tax savings to the participant. Whether the participant is a minister or a church-related employee, salary reduction contributions to the Roth accounts are subject to federal and state income taxes, as well as Social Security and Medicare taxes. The tax savings come when qualified distributions are made in retirement.

## Minimum Contribution Amount

There is no minimum amount that a participant must contribute each month to the Plan. While the Benefits Board would encourage a participant to contribute at least \$25 per month, there is no requirement that you must contribute a certain amount each month.

## Maximum Contribution Limits

The tax laws determine how much a participant can contribute to the Plan. These laws are often very complex and you may need the assistance of your tax adviser to determine your maximum contribution limits.

However, there are essentially two basic limits on the amount of contributions that can be made to a participant’s account. The first limit only applies to the participant’s contributions through salary reduction. The other limit applies to all contributions made to the Plan on your behalf, either by employer contributions or employee contributions through salary reduction. Neither limit may be exceeded.

## Salary Reduction Limit

The first limit, dealing with the participant's contributions through salary reduction, in 2015 is \$18,000 annually, or, if less, the amount of the participant's taxable income. This amount may be contributed to the participant's traditional account or Roth account, or divided among the two.

The Internal Revenue Service may increase this limit from time to time to adjust for cost-of-living increases.



## Overall Contribution Limit

The second limit is an overall limit, including salary reduction amounts and employer contributions. A participant's overall contribution limit in a calendar year cannot exceed 100% of the participant's taxable ministerial compensation **or** \$53,000, *whichever is less*, in 2015.

It is important to note that, for this purpose, compensation does not include any amount that is excluded from the minister's income and designated as tax-exempt housing allowance.

## Special "Catch-Up" Provisions

In addition to the overall limit, there are two special "catch-up" provisions provided for within the Internal Revenue Code. Both "catch-up" provisions apply only in limited circumstances and certain criteria must be met to activate them.

### Over Age-50 Catch-Up

This provision applies in the year that you turn 50 and in every year thereafter. It allows you to make contributions in addition to those contained in the salary reduction and overall limits discussed above. A participant who is 50 years of age or older may contribute \$6,000 *additionally* in 2015 towards this catch-up provision.

The Internal Revenue Service may increase this limit from time to time to adjust for cost-of-living increases.

For example, a participant in the Plan who turns 50 in 2015 (or who is already older than 50 years of age) may use this provision to make "catch-up" contributions in addition to his or her other limits discussed above. For example, just through salary reduction in 2015 the participant would be eligible to contribute \$24,000 - \$18,000 under the salary reduction limit plus \$6,000 under the "Age-50 catch-up" provision. This example assumes that the person had at least \$18,000 in taxable ministerial income other than housing allowance. (NOTE: While the regular salary reduction contribution limit cannot exceed the participant's taxable ministerial income, the "over 50" catch-up provision is not so limited.)

## Church Plan Catch-Up Provision

This special catch-up provision is only available to participants in a “church plan,” such as the Ministers’ Retirement Plan. If a participant in the Ministers’ Retirement Plan has had ministerial credentials (or has been a church-related employee) for 15 or more years, he may be eligible to make additional “church plan” catch-up contributions up to \$3,000 each year (with a \$15,000 lifetime maximum limit). This catch-up provision is included as a part of the overall contribution limit discussed above.



## Using Both “Catch-Up” Provisions

If you qualify, a participant can use both catch-up provisions. Both the “Age-50” provision and the “Church Plan” catch-up provision are available to participants in the MRP. While the church plan provision has a lifetime maximum limit of \$15,000, the “Age-50” provision does not and can be used every year until retirement. Under the IRS regulations, if a participant is using both catch-up provisions, the “church plan” catch-up provision must be used first before the participant is eligible to use the “Age-50” catch-up provision.

## Missionaries

A missionary can contribute to the Plan. The Benefits Board encourages missionaries to contribute to the Plan. Under the Internal Revenue Code, missionaries have a special contribution limit, provided the missionary’s adjusted gross income for the taxable year does not exceed \$17,000. Under this alternative limit, a missionary can contribute up to \$3,000 each year to his or her retirement account even if he or she has no taxable compensation. This alternative limit may only be used by missionaries, it may not be used in conjunction with other provisions (such as the Age-50 catch-up provision), and it should only be used if the regular contribution limits are not applicable. (NOTE: Missionaries should carefully consider the advantages of investing in a Roth account. The tax consequences of the Roth accounts may be more advantageous to missionaries.)

## Vesting

Vesting is a term used to mean that the participant’s interest in the retirement account is non-forfeitable. All contributions made by or on behalf of a participant in the Plan are 100% vested to the participant. Even if you change jobs or employer/churches, your MRP account is held for you. In addition, all contributions and investment earnings are held by the Benefits Board in the MRP for the participants. Simply put, the participant’s account in the Ministers’ Retirement Plan is fully vested to the participant from the first day of participation. In case of the death of the participant, the benefits from the account pass to the participant’s named beneficiaries.

**EXCEPTION TO VESTING:** In 2015 the Benefits Board is offering an enrollment incentive of up to \$500 to new participants who join the plan. Under the incentive program, contributions made to a new member's account will be matched up to \$500, with the matching amount being contributed in December 2015. All matching amounts contributed by the Board will not immediately "vest," or fully become the property of the participant until five years after the matching contribution is made. If the account is closed or the participant tries to withdraw the funds, the Board will recover the matching funds and such will be forfeited by the participant.

## Deferred Taxation on Traditional Account Contributions

In regards to contributions made to the traditional before tax accounts, the participant does not pay federal income taxes on the contributions, whether the contributions were made by the participant's employer or by the participant through a salary reduction agreement. All taxes are deferred until benefits (distributions) are paid to the participant (or the participant's beneficiary), generally in retirement. In many situations, the taxes paid in retirement will be less than those paid while fully employed.

For ministers, contributions to a traditional account, whether made by the employer or through a salary reduction agreement, are not subject to federal income taxes **or** subject to Social Security taxes. However, if the minister does not pay Social Security taxes on the contributions, they are also not creditable towards his or her Social Security benefits.

For the church-related employee (non-credentialed), contributions made by the employer are not subject to federal income taxes or subject to Social Security taxes. However, contributions to a traditional account made by salary reduction are not subject to federal income taxes *but are* subject to Social Security taxes.

State and local taxation issues vary by jurisdiction. You should contact your tax advisor to determine your state and local tax liability on deferred income. It should be noted that at least one state does not defer state taxation on certain contributions that are considered tax deferred for federal tax purposes. Because of the constant changing of state laws, your local tax advisor should be consulted for advice on state and local taxation issues.

## Taxation on Roth Contributions

Since contributions made by a minister or church-related employee to a designated Roth account are made with after tax income, those contributions are subject immediately to federal income taxes, Social Security and Medicare taxes, and state income taxes, if applicable.

## Accounting for Contributions

All contributions made to a participant's account must be accounted for on a voucher approved by the Benefits Board or through the Board's electronic payment system. The voucher and the electronic payment system allows the participant to show the source of the funds, whether from the employer or by salary reduction, and to designate whether the contributions are to a traditional account or a Roth account.. Following the voucher designation, in 2015 the first \$18,000 designated as salary reduction will be applied against the standard salary reduction limit automatically by the Benefits Board. The next \$3,000 of salary reduction will be applied by the Board against the "church plan" catch-up provision, and up to \$6,000 more will be applied to the "over 50 years of age" catch-up provision, assuming that the participant has checked the appropriate boxes certifying to the Board that he or she is eligible to contribute toward those allotments. The maximum contribution by salary reduction in 2015, assuming entitlement to both catch-up provisions, is \$27,000.

If the account to which the contribution is not clear, the contribution by default will be placed in a traditional before tax account.

If a voucher is not completed (or is not completed properly), the contribution will be posted as though it were made by salary reduction.

## Statements

The Benefits Board will provide the participant with a statement of his or her account on a regular basis. Statements are currently being provided quarterly. At the Board's election, statements may be provided to participants electronically.

If a discrepancy is noticed on the statement, the participant has thirty (30) days from the receipt of the statement to ask for a correction from the Plan's administrator, the Benefits Board. Although the Benefits Board will seek to rectify any problem, the Board is not bound to correct a problem that was not timely brought to its attention within the thirty-day period.

## On-Line Access



As the administrator of the MRP, the Benefits Board currently makes available on-line access to participants' accounts. To gain on-line access to his or her account, a participant must make an electronic request for a password that will allow access to the secure server. The on-line information is updated daily and reflects transactions, gains, and losses as of the previous business day.

While a password is needed to view your account, one is not needed to make a change in your investment selections or to submit updated contact information.

## INVESTMENT OPTIONS

### Investment Options in the Plan

The MRP currently offers participants four different investment options. A participant can invest in one, two, three, or all four of the different options available. Investment selection is accomplished electronically or on a form provided by the Benefits Board. Investment in the different options can be done in minimum increments of 5% or in specific dollar amounts.

All funds are socially screened to make sure that no investment is made in companies that derive a substantial portion of their revenues from beverage alcohol, tobacco, gambling, or pornography. The following investment options are currently available to participants in the Plan:



### ***Trustees' Fund***

The Trustees' Fund has been available since the beginning of the Plan in 1982. This fund is a fixed income fund that provides a set rate of return. The rate is subject to change from time to time based upon the actions of the Board.

As of January 1, 2015, the Trustees' Fund was providing a return of 4.00%. Since inception in 1982, the Trustees' Fund has provided an average return of 7.13% (as of December 31, 2014).

The Trustees' Fund is primarily invested in fixed income type investments. Those investments include:

- Church Loan Fund, Inc. – As an investment, the Benefits Board has in times past loaned money from the Trustees' Fund to churches within the Church of God (Cleveland, TN) denomination that met criteria set out by the Church of God General Assembly *Minutes*. Now the retirement fund has hired the Church Loan Fund, Inc., a separate entity, to manage a portfolio of church loans on its behalf.
- Bond Funds – The Trustees' Fund invests in government, government agency, and investment-grade corporate bonds through outside professional bond managers.
- Real Estate Investment Trust – The Trustees' Fund invests in professionally managed REIT accounts.
- Other Investments as directed by the Board of Directors of the Benefits Board

The Trustees' Fund's primary goal is to protect principal – and investment earnings are in addition thereto. Because of its longevity and fixed rate of return, the Trustees' Fund is the most active of the investment options offered within the MRP.

The Trustees' Fund seeks to provide a high level of current income with limited capital appreciation and low price volatility levels.

The Trustees' Fund is the default investment option for participants who have not properly completed an investment selection form.

### ***Large Capitalization Stock Fund***

Since July 2000, participants in the Plan have had the opportunity to contribute to a large capitalization stock fund. This equity account fund is privately managed for the Benefits Board by outside professional managers.

The account fund operates similar to a mutual fund in that all contributions are pooled into the account and the participant's value in the fund is based upon net asset valuation (NAV). However, the account is "privately managed" for the Benefits Board, meaning that the fund does not trade on the stock exchange as a whole and cannot be tracked by a stock exchange symbol. The managers of the account fund have the right to hold as many stocks as they deem necessary within the portfolio. However, the large capitalization fund will generally have 50-75 different companies represented in the holdings.

The large capitalization stock fund generally buys stock in companies with a net capitalization of at least \$10 billion. Representative companies in that group, although not necessarily in the portfolio, would be Wal-Mart, Exxon-Mobil, General Electric, etc.

The large capitalization stock fund is compared to the Russell 1000 for analysis purposes.



### ***Small Capitalization Stock Fund***

Since July 2000, participants in the Plan have had the opportunity to contribute to a small capitalization stock fund. This equity account fund is privately managed for the Benefits Board by professional outside managers.

The account fund operates similar to a mutual fund in that all contributions are pooled into the account and the participant's value in the fund is based upon net asset valuation (NAV). However, the account is "privately managed" for the Benefits Board, meaning that the fund does not trade on the stock exchange as a whole and cannot be tracked by a stock exchange symbol. The managers of the account fund have the right to hold as many stocks as they deem necessary within the portfolio. However, the small capitalization fund will generally have 50-65 different companies represented in the holdings.

The small capitalization stock fund generally buys stock in companies with a net capitalization of at least \$100 million and up to \$10 billion. Representative companies in that group, although not necessarily in the portfolio, would be KB Home, Pennzoil-Quaker State, Payless Shoesource, etc.

The small capitalization stock fund is compared to the Russell 2000 for analysis purposes.

### ***International Stock Fund***

Since July 2000, participants in the Plan have had the opportunity to contribute to an international stock fund. This equity account fund is privately managed for the Benefits Board by professional outside managers.

The account fund operates similar to a mutual fund in that all contributions are pooled into the account and the participant's value in the fund is based upon net asset valuation (NAV). However, the account is "privately managed" for the Benefits Board, meaning that the fund does not trade on the stock exchange as a whole and cannot be tracked by a stock exchange symbol. The managers of the account fund have the right to hold as many stocks as they deem necessary within the portfolio. However, the international stock fund will generally have 50-75 different companies represented in the holdings, with those holdings representing different companies and different countries around the world.

The international stock fund buys stock in foreign companies through American Deposit Receipts (ADR). This basically allows for ownership in companies in foreign and emerging markets but all trades are accomplished through exchanges within the United States. Representative companies in that group, although not necessarily in the portfolio, would be Nestle, BP, Nokia, etc.

The international fund is compared to the MSCI EAFE Index for analysis purposes.

## Choosing Funds

The staff of the Benefits Board cannot recommend an account or accounts in which a participant should invest. However, before making an investment selection, the participant should be familiar with the level of risk that he is taking. The Benefits Board makes performance information available on each of the investment options, including recent performance as well as historical performance information. Further, a risk tolerance questionnaire is also available for participants to use.

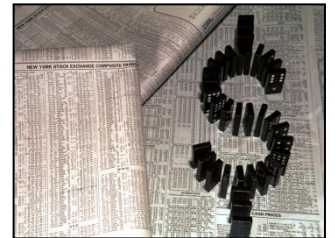
When reviewing performance information, it should always be remembered that past results are not a guarantee of future performance.



## MAKING INVESTMENT CHOICES

### Initial Investment Choices

When a participant joins the Ministers' Retirement Plan, he or she must complete an Investment Selection form to provide the Benefits Board with direction on the investment of the participant's contributions. The participant may designate in any combination among the four investment options and in any percentage in increments of 5% or in specific dollar amounts. There is no minimum amount that must be contributed to any fund, as long as you invest at least 5% of your contributions in each fund you select.



### "Default" Selection

If a participant does not file an Investment Selection form (or files an improper Investment Selection form), all contributions made on behalf of the participant will be invested in the "default fund." According to Board action, the default fund is the Trustees' Fund.

## Changing Investment Selection

A participant may change his or her investment selection each month. The change must be accomplished electronically or on a form approved by the Benefits Board. Participant's completed investment selection form must be received by the Benefits Board *before* the 1st day of the month in which the participant wants the change to become effective. (*NOTE: Due to high market volatility, the Board in October 2008 began to allow participants to make investment selection changes weekly on a date set by the Board's administration. That action will remain in effect until further notice by the Board.*)

When making an investment selection change, the participant has three options to choose from in allocating his or her contributions. The participant can choose to reallocate

- only their future contributions,
- both future and existing allocable contributions, or
- their existing allocable contributions only.

If the participant makes no choice, only his or her future contributions will be reallocated.

Participants should be aware that they may have a different investment allocation for their traditional account and their designated Roth account. The investment allocation does not have to be the same for each.

## Allocable Contributions

*(NOTE: When the Board began the process of allowing for self-direction of investment options within the Ministers' Retirement Plan, the decision was made to allow for complete self-direction of all contributions made on or after July 1, 2000. All contributions made before that date were temporarily "locked" in the Trustees' Fund. However, the Board committed to participants that as soon as possible they would begin to make portions of those "locked in" funds available for self-direction. The Board of Trustees determined that 2.5% per quarter (10% per year) of the pre-July 2000 contributions would be available for self-direction (or allocable) beginning the third quarter of 2002 (July 2002). Therefore, under this process allocable accumulations included all contributions made after July 1, 2000 **plus** the additional 2.5% per quarter of accumulations as of July 1, 2000 as they become allocable, beginning July 1, 2002.*

*The Board's ultimate goal was to make all contributions available to the participant to allocate as he or she so desired. However, the decision was made to initially use the gradual process as explained above to prevent a massive movement of funds out of the Trustees' Fund that could have possibly jeopardized the Board's church mortgage portfolio. )*

Effective January 1, 2007, the allocable accumulation process was accelerated and all funds in the participant's Ministers' Retirement Plan account were made completely allocable by the participant. With the Board's decision, all accumulations in the Ministers' Retirement Plan were made allocable and the confusing "allocable accumulations" process was eliminated effective January 1, 2007, thereby making all contributions 100% allocable by the participant.

Without specific action on the participant's part, all accumulations stay where they are currently allocated. Unless the participant takes action to reallocate existing accumulations that have been in the Trustees' Fund, those funds will stay in the Trustees' Fund.

## Making Wise Choices

When it comes to investing, there is no "one-size-fits-all" approach. The right investment choice for one person may not be the right choice for another. For example, if your risk tolerance is low, or you have relatively modest investment goals, you may want to consider more conservative investment options. However, if your investment goals in terms of income needed in retirement are high, and you are not planning on retiring for many years, you may want to invest more aggressively.



A participant should have sufficient information to make a wise choice. If you do not have such information, please contact the Director of Membership Services at the Benefits Board to obtain additional information.

## WITHDRAWALS

### Starting Distributions

Some participants look forward to retirement and plan to draw benefits as early as possible, generally after obtaining the age of 59½. Others prefer to wait until they absolutely have to start drawing from their account. In most cases it is best to defer distributions as long as possible.

### Required Minimum Distributions

The Tax Reform Act of 1986 made required minimum distributions at age 70½ applicable to the Ministers' Retirement Plan. However, members of the MRP may delay required distributions beyond age 70½ if the member remains employed by the Church, or remains active in ministry. In this situation, required distributions must begin by April 1 of the calendar year following the actual date of the member's retirement. *The law imposes a 50% penalty (plus any applicable taxes) on distributions that fail to meet the minimum distribution requirements.*

## Distribution Options



The Plan currently makes five different distribution options available to participants. A participant should consult his or her tax advisor before making a decision on his or her distribution options. Further, any option selected by the participant must have the consent of the participant's spouse. The five distribution options are:

### Lump Sum Distribution

The participant may receive all contributions and earnings in a single lump sum check upon election at retirement. Due to the potential tax liability incurred by choosing such, this option is generally not recommended. Under the Internal Revenue Code, the Benefits Board is required to withhold twenty percent (20%) of any lump sum distribution for federal income taxes. This mandatory withholding may or may not be enough to satisfy the participant's federal income tax liability. Any state tax liability is the responsibility of the participant.

### Partial Distribution

The participant, upon reaching retirement age, may receive an amount he or she designates from the Plan, such being less than the total amount available in the account. A participant may take a partial distribution to fund a retirement home, provide for transportation, to meet unexpected health care costs, etc. A partial distribution can occur only before another distribution option is selected. Any partial distribution is subject to the mandatory twenty percent (20%) withholding for federal income taxes.

### Annuity

Upon reaching retirement age, and at the participant's choice and direction, an annuity can be purchased with the participant's funds from an insurance company that pays a monthly income for life. There are several types of annuities (fixed and variable) that can be specially packaged to meet the participant's need. An annuity guarantees that a participant will never out live his retirement income. However, that guarantee may provide a reduced amount that the participant receives on a monthly basis (when compared to other available distribution options).

### Installment Payments

By far the most selected distribution option under the Plan, installment payments allow the participant to receive a monthly, amortized distribution for a specified period of time, up to a maximum number of years based on single or joint life expectancy. This option meets the applicable required



minimum distribution requirements since it is based upon the life expectancy of the participant or jointly with his or her spouse. Installment payments are calculated on a period specific, but no more than single or joint life expectancy. Payments are calculated based upon the current interest rate being provided in the Trustees' Fund. If the interest rate on the Trustees' Fund changes during the installment payment period, installment payments are adjusted to reflect the new interest rate.

*Participants should be aware that installment payments could fluctuate based upon the return of the Trustees' Fund.*

For a retired minister to be able to claim his distributions from the Plan as a part of his ministerial housing allowance, his or her installment payments must be over a period of at least ten (10) years.

## Choosing Installment Payments

Most retiring participants in the Ministers' Retirement Plan choose installment payments. Installment payments generally provide a much better return on their retirement investment than an annuity. Further, installment payments provide certainty in the fact that the participant knows that he or she will be receiving payments, such as for 10, 12, 15, 20, or 25 years. Installment payments also allow ministerial participants to use their distributions as tax-free ministerial housing allowance. The Internal Revenue Code allows "church plans," such as the Ministers' Retirement Plan, to designate as ministerial housing allowance distributions that are set up to be received over a period greater than ten (10) years.

## Changing Terms

Generally, after a participant has begun to receive installment payments, the participant may not change the term of the distribution. When applying for retirement benefits the participant is advised that his decision to take installment payments is irrevocable. The Internal Revenue Code generally prohibits any change in the terms for the first five years that the participant is receiving payments. After that time, the Plan administrator (the Benefits Board) will consider a request to modify the installment arrangement under conditions of dire hardship.

## Death of Participant

If distributions have begun and the member dies before his entire account has been distributed, the remaining portion of his account must be distributed to the spouse, at least as rapidly as under the method of distribution as it was to the member. If there is not a surviving spouse, the member's accumulations shall be paid in a lump sum to the designated beneficiaries. The Pension Protection Act of 2006 does allow for non-spousal beneficiaries to roll over funds into "inherited" retirement accounts. Advice from a tax professional should be sought to accomplish such.

## Beneficiaries



Under the Ministers' Retirement Plan, the spouse of the member has to be the primary beneficiary unless the spouse waives that right through a spousal waiver acceptable to the Benefits Board. Any other natural person or entity can be named as secondary beneficiary.

### Name All Beneficiaries

For a participant who wants all their children to be equal beneficiaries to the account in the event of death and the death of the spouse, the participant should name all the children as beneficiaries rather than name only one child that the participant trusts to divide the assets equally with his or her siblings.

Again, all the children should be named as beneficiaries. This procedure allows the Benefits Board to segregate the account into beneficiary accounts in the name of each of the children. Each child will then be able to decide how to deal with their individual inheritance – and their actions will not be dependent upon the other beneficiaries. Further, each beneficiary will receive a tax notification of their distribution. If only one child is named, that child will receive the assets and the tax notification. Since he or she has probably already disbursed the funds by the time the tax notification arrives, he or she may have a difficult time getting the siblings to pay their portion of the tax bill. Further, designating all your children as beneficiaries assures that your wishes are carried out.

### Charitable Beneficiary

A participant should consider leaving a portion of his or her retirement account to their local church or favorite charity. You can make a lasting gift to your local church by remembering it in your retirement planning.

### Regularly Update Beneficiaries

The Benefits Board recommends that at least every three years a participant should review his or her choice of beneficiaries.

### No Designated Beneficiary

If the participant fails to properly designate a beneficiary or no named beneficiary survives the participant, the balance of the account shall be distributed in the following order of priority: first, to the participant's surviving spouse, if any; second, to the participant's surviving children, if any, in equal shares; third, to the participant's estate.

## Disability

If the participant becomes disabled, and is recognized as disabled by the Social Security Administration or by a doctor's certification to the Benefits Board, he or she may begin distributions from the account prior to reaching age 59½ under a procedure approved by the Internal Revenue Service. A participant that is determined to be disabled may elect the same options for disbursement as a participant receiving normal retirement benefits. The disability must be supported by medical evidence.

## Leaving Service – Minister

The question is often asked about what happens to the minister's account in the Plan if the participant/minister's credentials are revoked or if the participant/minister leaves the Church. By regulations adopted by the Board, the participant's account can be maintained to allow the minister to regain his credentials. If the participant does not regain his credentials, the funds in his account can be rolled to another qualified pension account, disbursed to the participant (subject to taxes, fees, and early withdrawal penalties), or maintained in an inactive status if the participant's account balance is in excess of \$1,000. If the account is maintained in an inactive status, the former minister can make investment allocation decisions regarding the account, but he cannot make contributions to the account unless he regains his credentials or he becomes an employee of a church or church-related entity.

## Leaving Service – Employee (non-minister)

If a participant/employee (non-minister) leaves the employment of the church, agency, etc. prior to retirement, the participant is not necessarily required to withdraw all contributions. If the participant's account balance is in excess of \$1,000, the participant may maintain the account at the Benefits Board. Smaller accounts will either be rolled over to an account of the participant's choice or cashed out. However, to make contributions to the account, the participant must be employed by a church or church-related entity.

## SPECIAL WITHDRAWALS

### Hardship Withdrawals

Generally, under Internal Revenue Service regulations, withdrawals from the Plan may not begin until you have reached the age of 59½. In very limited circumstances provided for in the Plan and the Internal Revenue Code, a participant may elect to receive hardship distributions from his or her account prior to age 59½. A hardship distribution will only be made after the participant has provided



proper documentation to the Benefits Board that he or she has an immediate and heavy financial need. The hardship distribution, if approved by the Benefits Board, will only be to the extent necessary to satisfy that immediate and heavy need.

### “Immediate and Heavy Financial Need”

The Plan, following the guidance provided in the Internal Revenue Code, recognizes six needs that qualify as “immediate and heavy financial needs.” They are as follows:

- Uninsured medical expenses (as described in Section 213 of the Internal Revenue Code and Treasury Regulations) incurred by the participant, his or her spouse, or any of his or her dependents;
- Costs related to the purchase of participant’s principal residence (not including mortgage payments);
- Payment of tuition and related educational fees for the next 12 months of post-secondary education for participant, his or her spouse, his or her children or dependents;
- Payments necessary to prevent participant’s eviction from his or her principal residence or foreclosure on the mortgage on that principal residence;
- Funeral expenses for participant’s spouse, children, parents, or dependents; or
- Payment for the repair of damages caused to participant’s principal residence by a natural disaster.



### Additional Hardship Withdrawal Requirements

If the need qualifies as an “immediate and heavy financial need,” all the following steps must also be met:

- The hardship withdrawal can not be in excess of the amount needed to satisfy the “immediate and heavy financial need.”
- The participant must have tried to obtain the funds from all available sources, including a loan from the plan if available.
- The participant will not be allowed to make employee salary reduction contributions to the Plan for six (6) months after receiving the hardship distribution.

- A participant is not entitled to a hardship withdrawal to pay off any other debts, even debts incurred in order to pay off uninsured medical expenses or one of the other approved hardship expenses.

## Qualified Domestic Relations Orders

As previously discussed, the participant's spouse is the primary beneficiary of his or her account, unless the spouse signs a waiver of his or her rights under the Ministers' Retirement Plan. Therefore, to transact any business relative to the participant's account, the spouse's signature is generally required. A divorce filing or judgment of divorce greatly impacts the participant's interest in making decisions about his or her own account.

A qualified domestic relations order (QDRO) is utilized to provide the participant control over his or her account either during a legal separation or a final divorce decree. The QDRO is an order entered by the Court to provide direction to the Plan in regards to a division of the participant's account.

Any participant or spouse of a participant facing a divorce action should contact the Benefits Board to obtain a domestic relations order package. The package provided by the Board gives specific instructions on what type information must be included in the court order to be acceptable to the Benefits Board. A draft court order is included for use by the participant's attorney. A court order not meeting the requirements may be rejected by the Benefits Board.

An acceptable domestic relations order allows the Benefits Board to segregate the funds as directed by the court. If such an order is not entered, or if the spouse does not sign a spousal waiver form acceptable to the Benefits Board, the Benefits Board may require that the spouse (or ex-spouse) sign for any and all changes or withdrawals made by the participant.

## Rollovers



In certain situations provided for under federal law, you may be eligible to rollover all or a portion of your funds in the Plan to another eligible retirement plan or IRA. Rollovers may be accomplished by directly sending the funds from the Plan to another eligible retirement plan or IRA, or by making the distribution to the participant who can place it within an IRA or eligible retirement plan within sixty (60) days. The distribution is subject to a mandatory twenty percent (20%) federal withholding tax *unless* the money is rolled directly to another eligible retirement plan or IRA.

Rollovers are only allowed if a “distributable” event has occurred. “Distributable” events include obtaining the age of 59½, participant's death, disability of participant, participant retires and is 55 years of age or older, or the participant is no longer credentialed or employed by the Church of God, Cleveland, Tennessee. To accomplish a rollover, the participant must sign a certification as to the “distributable” event.

**NOTE:** Ministerial participants should be aware that they will lose the ability to have all or a portion of their distributions designated as ministerial housing allowance if they roll their funds to a “non-church plan.”

If a participant decides to rollover funds from the Plan to another account, the participant can roll the funds to a

- Individual Retirement Account (IRA),
- Another 403(b) plan,
- A qualified 401(a) plan (including a 401(k) plan), or
- A ROTH IRA.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001, the Plan can accept roll-ins from some retirement plans as well. All roll-ins may be placed into separate sub-accounts for record-keeping purposes. Under current regulations, ROTH IRA accounts cannot be rolled into your designated Roth “after tax” account in this Plan.

Because of the complexity of the regulations involving rollovers, a participant is urged to seek competent professional tax assistance before proceeding with a rollover.

## Surrender Charges

The Plan does provide for one of two small surrender charges to be applied in the event of an early withdrawal, rollover, transfer, loan default, or hardship withdrawal from the MRP.

**Primary Surrender Fee:** The primary surrender fee is based upon how long the participant has been in the Plan. The assessment is to recover the costs of liquidating the participant’s investments and the associated costs of cashing out a participant’s account or a portion thereof, whether the participant is invested in the equity accounts or the Trustees’ Fund. The primary surrender charge was instituted early in the life of the Ministers’ Retirement Plan when the administration of the Plan was directed by the Executive Council of the Church. The declining surrender charge scale is as follows:

<u>Year</u>	<u>Primary Surrender Charge</u>
1	6%
2	5%
3-5	4%
6-7	3%
8-10	2%
10 or later	1%

The primary surrender fee does not apply to withdrawals or rollovers that occur after the participant turns 59½ years of age, regardless of how long he or she has been a participant.

**Secondary Surrender Fee:** The secondary surrender fee is based upon a market-based adjustment. Obviously all withdrawals, transfers, redemptions, etc. from the different equity (stock) funds are based upon market-based valuation on the day of the transaction. However, in addition, if a participant takes a partial or total withdrawal (including, but not limited to, rollovers, transfers, loan defaults, and hardship withdrawals) in the amount of \$5,000 or more in any one year from the participant's Trustees' Fund account, the Benefits Board will make a market-based adjustment in valuing the participant's account based upon the differential between the market value of the total assets held within the Trustees' Fund and the cost value of those assets, subject to adjustments for depreciation, etc. of fixed assets. This secondary surrender fee, or market-based adjustment fee, was instituted because assets within the Trustees' Fund must be sold (just as they are in the equity funds) to finance the partial or total liquidation of a participant's account in the Trustees' Fund.

The market-based adjustment for participants within the Trustees' Fund only applies to those participants who take a distribution in the amount of \$5,000 or more in any one year for any purpose, exclusive of a member loan. All other participants, including those who are amortized to draw on a regular basis, are not impacted by this market-based adjustment provision.

**Application of the Surrender Fees:** The market-based adjustment surrender fee will work in conjunction with the primary surrender fee discussed above, with the greater of the two fees applying. As noted, the primary surrender fee is based upon longevity of the holdings while the market-based surrender fee is based on movement in the valuation of the assets. The primary surrender fee will continue to apply to all distributions, including those under \$5,000, while the market-based adjustment surrender fee will only potentially apply to those distributions in excess of \$5,000 annually from the Trustees' Fund.

In preparing for a distribution, both surrender fees will be calculated by the staff of the Benefits Board, with the higher of the two fees being assessed against the distribution. However, only the higher fee will be charged and the other will be waived.

It must be remembered that the market-based adjustment surrender fee **only** applies to those participants who take a distribution from the Trustees' Fund in the amount of \$5,000 or more in any one year for any purpose, exclusive of a member loan. All other participants, including those who are amortized to draw regularly regardless of the amount, are **not** impacted by the market-based adjustment surrender fee.

## Plan Loans

In November 2004, the Board of Trustees of the Benefits Board approved an amendment to the Ministers' Retirement Plan to allow participants in the plan to borrow against their retirement accounts. In general, the loan program follows the basic guidelines established by the Internal Revenue Service for such programs. The minimum loan amount is \$1,000 while the maximum loan can not exceed \$50,000 or one-half of the participant's account balance, whichever is less. In addition, the loan must be repaid by monthly bank drafts within five years. An application fee of \$100 will be charged to all applicants. Those drawing out of their accounts by installment payments are not allowed to apply for a loan.

The interest rate for Member loans will be fixed for the life of the loan at the rate approved by the Board of Trustees of the Benefits Board and in effect at the time the loan is approved. Any interest collected above and beyond the amount stated by the Board to be returned to the participant's account will be used by the Benefits Board to cover the expenses of administering the loan program.

While a Member loan will not be a wise financial move for some participants, for others it will eliminate the need for a hardship withdrawal and the tax consequences that comes with such a move.

Additional details on the Member loan program are available by visiting the Board's web site or by contacting the Board's office.

## ADMINISTRATIVE PROVISIONS

### Limitation of Liability

All benefits under the Plan are contingent upon and payable solely from the contributions and investment income received on those contributions. Earnings and payments can only be made to the extent there are assets sufficient to provide for payment. To assure that there are sufficient assets to pay participants, the Board may, from time to time, adjust the rate of return paid to participants invested in the Trustees' Fund.

### Administration by Board

The Benefits Board is responsible for the administration of the MRP and the interpretation of the Plan document. The Board has the sole task of administering the Plan in the best interest of the participants. In the administration of the Plan, the Board has the authority to promulgate and implement rules and regulations to carry out the intent of the Plan document.

### Amendment and Termination of the Plan

While it is expected that the Ministers' Retirement Plan will continue indefinitely, the Benefits Board may modify, amend, or terminate the Plan. Termination of the Plan is subject to approval by the Church acting through the General Assembly or through the Executive Council of the Church. Amendments or modifications to the Plan in order to comply with applicable laws will be acted upon by the Benefits Board, with notice provided to the Church.



## Forms

All transactions involving the Ministers' Retirement Plan must be on forms provided by, or approved by, the Benefits Board. Any transaction not on such forms may be rejected by the Plan administrator.

## Securities Notice

The National Securities Markets Improvement Act (the "Act"), signed into law on October 11, 1996, exempts church plans from federal and state securities laws, except for anti-fraud provisions. In order to qualify for the exemption, church plans must satisfy eligibility requirements under Code Sec. 414(e) and the assets of church plans must be used exclusively for the benefit of plan participants and beneficiaries. Church plans continue to be subject to the Internal Revenue Code and its regulations regarding eligibility, governance, and operations of such plans.

The Act requires the Benefits Board to notify participants that the Ministers' Retirement Plan is not subject to and the participants are not covered by state and federal securities laws. The following notice is required by the Act and is provided in accordance with such:

*The Ministers' Retirement Plan or any company or account maintained to manage or hold assets of the Plan and interests in such Plan, companies, or accounts (including any funds maintained by the Church of God Benefits Board, Inc.,) is not subject to registration, regulation, or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title 15 of the United States Code, or State securities laws. Therefore, the Plan participants and beneficiaries will not be afforded the protections of those provisions.*

## Claims Procedure

The Benefits Board will make every attempt to resolve issues involving a participant's account in the Ministers' Retirement Plan. However, should the resolution not be favorable to the participant, the participant may petition the entire Board of Trustees of the Benefits Board for a reconsideration of his or her claim. The reconsideration (or appeal) must be in writing, setting out all pertinent information, and addressed to the Chairman of the Board. The request may be mailed to the corporate offices of the Benefits Board. At the next regularly scheduled meeting of the Board after receipt, the request for reconsideration will be placed on the Board's agenda for action. A written decision of the Board's action will be provided to the participant.

## SUMMARY

This Plan Summary is provided to participants as a summary of the Plan document. Should there be conflict between this document and the Plan document, the Plan document is controlling.

Any questions, comments, or clarifications needed after reviewing this summary should be directed to the President and Chief Executive Officer of the Benefits Board at the following address:

*Church of God Benefits Board, Inc.*  
*Post Office Box 4608*  
*Cleveland, Tennessee 37320-4608*  
*(423) 478-7131; toll free (877) 478-7190*  
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**The Benefits Board is committed to *making a difference one person at a time!***



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