

# UMC Retirement Plans

## **DB Plan = Defined Benefit Plans**

- Retirement plan funded by the employer
- Benefit is based on years of service
- Lifetime benefit for employee and spouse
- Employer carries all the risk

## **DC Plan = Defined Contribution Plans**

- Retirement plan funded by employee and employer contributions
- Contributions are invested in stock market with employee controlling the investment choices
- Retirement benefit is based on the value of the contributions plus earnings
- No lifetime income and any account balance at death goes to beneficiaries
- Contributions may be tax deferred, after-tax, or Roth contributions

## **Hybrid Plan**

- Retirement plan with a mixture of defined benefit and defined contribution plans
- Most of the UMC retirement plans are hybrid plans

## **Pre-1982 Plan**

- United Methodist Retirement Plan for years prior to 1982
- Each Annual Conference funds the plan and determines the Past Service Rate (PSR)
- The amount is determined by  $PSR \times \text{Years of Service prior to 1982} = \text{Annual Benefit}$
- Defined Benefit Plan with 100% to surviving spouse
- There is a feature where the benefit may be larger than the PSR rate – Wespath does this calculation, and the participant will always receive the better benefit

## **MPP = Ministerial Pension Plan**

- United Methodist Retirement Plan from 1982 – 2007
- MPP portion is funded by Annual Conference (11% or 12% of compensation)
- Wespath controls the investing
- At retirement, 65% of account balance converted to annuity (lifetime income)
- 35% becomes cash balance controlled by employee

## **UMPIP = United Methodist Personal Investment Plan**

- Defined Contribution Plan funded by individual contributions
- Investments controlled by the individual

## **CRSP = Clergy Retirement Security Program**

- United Methodist Retirement Plan from 2007 forward
- Hybrid Plan with both Defined Contribution and Defined Benefit pieces
- Defined Benefit
  - 2007 – 2013 Annual Benefit = Number of years x DAC in year of retirement x 1.25%
  - 2014 forward Annual Benefit = Number of years x DAC in year of retirement x 1.0%
- Defined Contribution
  - Annual Conference contributes 2% of compensation plus 1% match

# Abbreviations and General Terms

## **403(b)**

- Retirement Plans for workers in education, government, and religious organizations
- Defined Contribution Plans so funded with both employer and employee contributions
- Contributions may be pre-tax, after-tax, or Roth contributions
- Taxation of distributions depends on how the contributions were made
- UMC Retirement Plans are 403(b) Plans

## **CPP = Comprehensive Protection Plan**

- Death and Disability Plan for United Methodist
- Funded by Annual Conference with vesting rules maintained by Wespath

## **DAC = Denominational Average Compensation**

- An averaging of plan compensation across the United States
- DAC is used in determining defined benefit in the CRSP Plan

## **PSR = Past Service Rate**

- The benefit amount each Annual Conference determines to pay per year of service prior to 1982

## **RMD = Required Minimum Distribution**

- Amount is determined by the age of the owner and the account balance on December 31 of previous year

## **Rollover**

- Transfer of funds from a Deferred Savings Account to another Deferred Savings Account
- Not considered a distribution and the transfer is not taxed
- Direct Rollover
  - Funds transfer from one fund administrator to another
- Indirect Rollover
  - 80% of transfer is sent to owner
  - Owner has 60 days to deposit 100% of the funds to the new administrator to avoid taxes

## **Roth IRA**

- Defined Contribution Plan funded with after-tax contributions
- If first contribution is in Roth for 5 years, the entire Distribution is tax free

## **Traditional IRA = Individual Retirement Account**

- Defined Contribution Plan funded with tax deferred contributions
- Contributions do not count toward total compensation in the year given
- All distributions are taxable