



## SPECIAL NOTICE REGARDING CONTRIBUTION LIMITS

### PRIMARY CONTRIBUTION LIMITS

While many provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) are being phased in over a period of years, the most sweeping change was the immediate enactment of new increased contribution limits. As of January 1, 2008, a participant in the Ministers' Retirement Plan may contribute up to 100% of his or her *taxable compensation* **or** \$46,000, *whichever is less*. The old rule of 20% of your compensation has been dispensed with for future years.

While this provision greatly increases contribution limits for participants, advance planning must occur for the participant to take full advantage of the increased limits. Under the regular contribution limits, salary reduction contributions may not exceed \$15,500 in 2008. The remainder, either up to 100% of the participant's taxable compensation or the \$46,000 limit, must come from the employer's contribution.

For contribution limits, taxable compensation does not include ministerial housing allowance. As an example, assume that a minister has a compensation package of \$40,000, of which \$10,000 is designated as ministerial housing and \$3,000 is designated for reimbursement of accountable expenses. Under this example, the minister would have taxable compensation of \$27,000. Out of that amount, the minister could use a salary reduction agreement (available from the Benefits Board or our web site) to contribute up to \$15,500 towards his retirement account in 2008. The minister's taxable compensation, or the amount reported in Box 1 of his W-2 form, would then be \$11,500 in 2008. Through other funds, the employer could contribute up to \$11,500 to the minister's retirement account. However, his total contribution as per this example could not exceed \$27,000, and no more than \$15,500 could come from the minister by salary reduction in 2008.

While expansive, these rules are very complicated. The Benefits Board will provide general guidance for your specific situation as requested.

### ARE YOU CAUGHT UP?

The framers of the tax relief legislation of mid-2001 realized that many, if not most, pension participants have not contributed the maximum allowed into their pension funds over the years. The lack of contributions was either caused by the failure to adequately plan for retirement or more likely the lack of financial resources to make such contributions.

*Over 50 Catch-Up Provision:* Therefore, the EGTRRA permits additional catch-up contributions for individuals who are age 50 or older. In 2008, participants that are over 50 years of age or those who turn 50 during the year will be allowed to contribute an additional \$5,000 into their pension account. The catch-up contributions can be made by salary reduction as an addition to the regular contributions discussed above.

*Church Plan Catch-Up Provision:* Notwithstanding this new "50 or older" catch-up provision which is available to everyone 50+ years of age participating in a pension plan, the "Church Plan" catch-up provision is also available to the participants in the Ministers' Retirement Plan who meet the requirements. If a participant in the MRP has had ministerial credentials (or has been a church-related employee) for 15 or more years, he can make additional "church plan" catch-up contributions up to \$3,000 each year (with a \$15,000 lifetime maximum limit).

Both the "50 or older" 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, the "50 or older" provision does not and can be used every year until retirement.

## SPECIAL MISSIONARY CONTRIBUTION LIMIT

The technical corrections legislation for EGTRRA, which was enacted in the spring of 2002, reinstated a previous provision allowing missionaries to contribute to a retirement account like the MRP regardless of their taxable compensation. Under this alternative limit, a missionary can contribute up to \$3,000 each year to their retirement account even if they have no taxable compensation. This alternative limit can only be used by missionaries, it can not be used in conjunction with other provisions (such as the 50+ catch-up provision), and it should only be used if the regular contribution limits are not applicable.

### CONTRIBUTING TO YOUR PENSION PLAN WHEN YOU HAVE NO TAXABLE COMPENSATION

Even with the increased contribution limits to pension plans, some participants are unable to take advantage of such because they have no taxable compensation. The “Lifetime Annual Addition” provides a vehicle for participants so situated. This limit is often referred to as the “\$40,000 lifetime provision,” or the “10/40 provision.” If a participant has no taxable compensation, the participant can contribute up to \$40,000 in their lifetime. However, no more than \$10,000 in any one year may be contributed towards this limit.

To make a “lifetime” contribution into the Ministers’ Retirement Plan, the amount must come from ministerial income and must also be “before tax” income. This alternative limit can not be used in conjunction with other provisions (such as the 50+ catch-up provision) and it should only be used if the regular contribution limits are not applicable. The 10/40 provision should only be used in very limited situations where, for example, the participant’s taxable compensation has been reduced to zero by claiming all compensation as ministerial housing. Since this alternative limit has a lifetime cap of \$40,000, it should be used sparingly. **Note specifically that the 10/40 provision, as per the technical correction legislation to EGTRRA, is considered an alternative limit to the regular contribution limit, rather than an addition thereto.**

### ROLL-IN OR ROLLOVER – MAKING YOUR PENSION PLAN PORTABLE

A “rollover” involves the process of moving one’s pension account from one fund to another. In times past, such rollovers were only allowed to be accomplished between funds with the same designation, i.e. from a 403(b) fund to another 403(b) fund. Any account could be rolled over to an Individual Retirement Account (IRA) - but an IRA could not be rolled to another fund, such as a 403(b) account. The rules became awfully confusing.

Under the tax relief legislation (EGTRRA), rollovers were greatly simplified. Since January 1, 2002, participants may roll account balances from one type of retirement plan to another type of retirement account if a “distributable” event has occurred. For instance, a participant with a 401(k) account or an IRA account from a previous secular job may now be able to roll those funds into his 403(b) account at the Benefits Board. There are still a few exceptions but generally the new legislation makes all pension plans portable.

To accomplish a “rollover,” a participant must receive an “acceptance form” from the plan in which the participant seeks to roll the funds into and the participant must complete a “roll-out form” provided by the current administrator of the account. It should be noted that some pension funds may limit or even prohibit the roll-in or rollout of funds in accounts they administer. The Ministers’ Retirement Plan has no such limitations. Roll-in contributions do not count against the contribution limits mentioned above.

*The Board of Trustees and/ or the staff of the Benefits Board are not engaged in rendering financial advice, legal advice, or other financial planning services. If such advice is desired or required, the services of a competent professional should be sought.*

*(Revised 11/07)*