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# Adventist Retirement Defined Contribution Plan

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Administrative Manual

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Updated April 2012

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# Introduction

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## Responsibilities of Various Parties

In addition to providing certain basic information about the Adventist Retirement Plan (ARP), the sections of this Manual also describe the various responsibilities and duties of the different parties involved in the Plan's administration (e.g., the employee-participant, the employer, VALIC and the Adventist Retirement Plan). It is each party's responsibility to ensure that these duties are fulfilled in a timely and appropriate fashion. Any questions about any of the various responsibilities and duties described in this Manual should be directed to the individual who serves as the Daily Administrative Contact listed in chapter 1, of this Manual.

It is important for employers to understand that, because they are involved in handling the employer and employee contributions made to the Adventist Retirement Plan, they must fulfill this fiduciary responsibility in the proper manner. It is therefore important that employers transmit *all* contributions and data to the Adventist Retirement Plan within seven calendar days after the completion of payroll. An employer who fails to forward all contributions in a timely manner may cause an employee to lose earnings on the contributions credited to the employee's account.

It is also important that employers not place themselves in the position of offering investment advice to participants. An employer providing investment advice could be liable to a participant for any investment losses the participant incurs as a result of following this advice. Any participant inquiries that involve the provision of investment advice should be directed to a VALIC representative.

Again, if you have any questions about your employer's responsibilities and duties under the Adventist Retirement Plan, please contact ARP.

# Contacts

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## Adventist Retirement Plan Contacts

Administration:	Del L. Johnson, Administrator
Mailing Address:	General Conference of Seventh-day Adventists Silver Spring, MD 20904-6600
Phone:	(301) 680-6246
Fax:	(301) 680-6190
Email:	<a href="mailto:Del.Johnson@nad.adventist.org">Del.Johnson@nad.adventist.org</a>
Daily Administrative Contact:	Maurine Wahlen, Associate Administrator
Assistant Contacts:	Beth Roberts, DC Plan Manager Kristina Dahabura, ARP Support Shyamala Injety, DC Plan Specialist Raymond Vasmout, DC Plan Technical Assistant
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## VALIC Contacts

VALIC Retirement Services Line - Voice Response Unit (VRU)

Security Level:	Social Security Number and Personal Identification Number (PIN). Initial call-in requires additional information to set up a PIN.
Telephone Number:	1-800-448-2542
Availability:	24 hours a day, 7 days a week (subject to weekly maintenance).
Information Available:	

- Account Balance - balance in total, by fund, by source, and vested balance.
- Investment Elections - current investment elections and ability to change elections.
- Exchanges in 1% minimum increments.
- Current price information by fund.
- Loan modeling, amount available and loan balance.
- Change PIN number.
- Speak to a Retirement Services Representative (8:00 a.m. to 6:00 p.m. EST).
- Ability to cancel transactions by opting out to a Retirement Services Representative (by 4:00 p.m. EST - subject to market hours).

#### VALIC Retirement Services Representatives – Advice Line

An employee may opt out of the Retirement Services Line Voice Response Unit (VRU) and speak with a Retirement Services Representative. English and Spanish speaking representatives are available.

Telephone Number: 1-800-448-2542  
Availability: Mon through Fri 8:00 a.m. to 6:00 p.m. EST

Information Available: Same information as the VRU, plus:

- Request distribution paperwork.
- General Plan provision questions.
- Initiate research on account transactions.
- Obtain loan note and disclosure statement.
- Cancel transactions made on the VRU or Internet (Cutoff time is normally 4:00 p.m. EST and is subject to market hours).

#### VALIC Retirement Website

Security Level: Social Security Number and Personal Identification Number (PIN). Initial sign-on requires additional information to set up a PIN.

Custom Web URL: [www.valic.com/adventist](http://www.valic.com/adventist)

Availability: 24 hours a day, 7 days a week (subject to periodic maintenance)

Information Available:

- Account Balance - balance in total, by fund, by source, and vested balance.
- Investment Elections - current investment elections and ability to change elections.
- Exchanges in 1% minimum increments.
- Current price information by fund.
- Change Personal Identification Number (PIN).

- Ability to cancel transactions by calling the VRU and opting out to a Retirement Services Representative (by 4:00 p.m. EST - subject to market hours).

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# General Plan Information

Policy References in Appendix

ARP – Legal Plan – Article I: Introduction

ARP – Plan Summary - Section I. Introduction

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## Plan Information

Legal Plan Name:	Adventist Retirement Plan
Short Plan Name:	ARP
Plan Effective Date:	January 1, 2000
Trustee and Custodian:	AIG Federal Savings Bank
Fiscal Year End:	December 31
Type of Plan:	403(b)(9), Church Plan with Code 414(e), non-ERISA
Type of Business:	The Plan covers approximately 130 employers, including local conferences, union conferences, North American Division, General Conference, churches, schools, universities, U.S. based residents working overseas on an interdivision employee (IDE) basis, chaplains and other entities for the Seventh-day Adventist Church.
Work Hours:	8:00 a.m. to 5:30 p.m. Monday – Thursday
Time Zone:	EST



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# Enrollment

Policy References in Appendix

ARP – Legal Plan - Article III

ARP – Plan Summary - Section II. Eligibility

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## General Enrollment Information

All employees of participating employers are allowed to make personal contributions under this plan.

As of July 1, 2012, each participating employer's governing body will have voted a Resolution to implement one of two retirement benefit options under the 2011 NAD Locally Funded Policy. Employers should clearly communicate with their employees which of the two options have been voted. The two options are:

Option A1: Employees working on at least a half-time basis are eligible to receive employer basic and match contributions. Employees working less than half-time are not eligible for employer basic or match.

Option A2: Employees working full-time are eligible for employer basic contributions, while all employees working less than full-time (at any level of part-time employment) are eligible for the match.

The only exceptions to the above options are for Early Childhood Education and Care (ECEC) employees. For ECEC employees, depending on which of two retirement benefit options the employer's governing body has voted, they will be eligible for either:

Option B1: ECEC employees are eligible for the same retirement benefits as the employer elected for all other employees (Option A1 or A2).

Option B2: ECEC employees are not eligible for any employer contributions, regardless of the employer election of benefits for other employees.

Transition Notes:

Note that between July 1, 2011 and December 31, 2011, some participating employers adopted the 2010 NAD Local Hire Guidelines (which were prior to and different from the 2011 Locally Funded Policy).

While all participating employers must vote the 2011 Locally Funded Policy, until such time as the 2011 Policy is implemented by that employer, the employer must continue to follow the retirement benefit option previously voted. For some employers, this will be

the pre-2010 Plan provisions; for other employers this will be the 2010 Local Hire Guidelines.

Adoption of the 2011 Locally Funded Policy will be prospective from the Roll-Out Date; in other words, there will not be retroactive adjustments to conform prior periods to the new policy.

For additional information on the 2011 Locally Funded Policy, please reference the Plan's November 2011 webinar "Locally Funded Webinar."

The Plan does not discriminate based on religious affiliation.

Employees eligible for employer contributions should be auto-enrolled, which means that payroll transmittals will include necessary data even if the employee has not signed a Salary Reduction Agreement /Beneficiary Designation Form (SRA).

If an SRA has not been completed by the initial payroll transmittal date, employers must still obtain an SRA from the employee for purposes of the Beneficiary Designation on that form, even if the employee does not choose to make personal salary reduction contributions. The completed SRA must be retained by the employer, even after the employee has terminated employment with that employer.

Once enrolled, employees should be permitted to change the amount on their Salary Reduction Agreement/Beneficiary Designation Form at times designated by the employer. It is recommended that employers designate a period of time at least once each year for these changes to be made. However, if at any time an employee wishes to stop or decrease their contribution they should be permitted to do so. All requests for change should be made in writing, signed and dated by the employee and kept on file by the employer. An employee may resume contributions at such time as established by the employer; however, an employee cannot start and stop contributions at will.

If an employee is ineligible to participate in this Plan and receive employer contributions, but still chooses to make voluntary salary reduction contributions, after-tax contributions or Roth 403(b) contributions, he should be informed that the pension box on the W-2 will be marked which may prohibit deducting contributions to an IRA.

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## The Enrollment Process

### Employer Responsibilities:

- Determine eligibility for employer basic and match contributions
  - Employee is at least twenty (20) years of age. Employee meets other eligibility criteria (see definitions of "ineligible" and "not employee")
  - Identify governing body actions for 2010 Local Hire Guidelines and/or 2011 Locally Funded Policy
  - Following governing body actions, use the online Plan resources such as the Nov 2011 Locally Funded Policy Webinar to establish eligibility and

- report employee profile appropriately within the payroll file
- Provide each employee with a Summary Plan Description.
- Give an enrollment book to each newly hired employee to include:
  - Salary Reduction Agreement/Beneficiary Designation Form. This form should be kept with each employee's original service record or permanent personnel file as legal proof of beneficiary, even if the employee terminates or transfers to another denominational employer. The form is also important for proof of contributions held if the employer or employee is audited.
  - Fund Descriptions
  - Investment Elections Worksheet
  - Welcome letter & Voice Response Unit (VRU)/Website instructions
- Include new employee information with next data transmission to the ARP

*Note: If an employee was determined ineligible to receive employer contributions, but chose to enter into a salary reduction agreement to defer their own salary, the employer must still check the box on the W-2 entitled "Pension plan." The employer should also notify the employee that this box will be checked as it may prevent the employee from making deductible personal contributions to an IRA.*

#### Employee Responsibilities:

- Sign a Salary Reduction Agreement/Beneficiary Designation Form and return to the employer.
- Call the Voice Response Unit (VRU) or access the Website to make investment elections. If an employee does not make an investment election, the employee's contributions and any employer contributions on his behalf will be invested in the default investment option as selected by the ARP Board (6.02).

#### Adventist Retirement Plan Responsibilities:

- Send new employee information to VALIC

#### VALIC Responsibilities:

- Receive and verify for completeness new employee information from the Adventist Retirement Plan.
- Import the employee information into the record keeping system.
- Implement employee elections from changes made at the VRU or Website by 4 p.m. the day they are made.

## Additional Enrollment Information

### Participating After Retirement

An employee, once retired, may participate in the Adventist Retirement Plan and receive employer basic or match contributions as any other eligible employee.

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### Part-time Employment

Part-time employees are eligible to make personal contributions to the Plan. They may

also be eligible to receive employer basic or match contributions depending on the retirement benefit options as voted by their employer.

#### Dual Employment

Two employers who have adopted the same 2011 Locally Funded Policy retirement benefit profile can agree, at their discretion, to combine shared employment to evaluate participation eligibility for employer basic contributions. Such an agreement shall be documented in employment records. An employer who offers employment of less than full time is not compelled to agree to such a sharing arrangement and thus is not required to make the retirement contribution.

However, an employee working two part time jobs adding up to at least full time employment for the same employer, will be eligible for the employer basic and match on the total compensation as if he were a full-time employee.

In the event a full-time employee also works on a part-time basis for a second participating employer, the second employer is not required to provide the basic contribution.

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# Contributions

Policy References in Appendix

ARP - Legal Plan - Article IV

ARP – Plan Summary - Section III. Contributions

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## Philosophical Statement

To provide contributions by employer and employee so that at retirement age, career employees will have a retirement asset which when combined with other savings and Social Security income will be able to generate adequate retirement income

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## Regular Contributions

Elective Deferral Contribution:\*\* Employees may elect to defer a portion, either a specified dollar amount or a specified percentage of their compensation. This contribution is not subject to vesting requirements. The standard contribution is tax deferred, but employers are authorized to provide Roth 403(b) or after tax provisions if they wish to do so.

Employer Basic Contribution:\*\* An employer contribution to an eligible employee's basic contribution account. As of July 1, 2011 this contribution is no longer subject to vesting requirements, and the balance in all employer basic contribution accounts is considered fully vested as of July 1, 2011 for all participants, whether currently employed or not.

Employer Matching Contribution:\*\* An employer matching contribution to an eligible employee's matching account. As of July 1, 2011, this contribution is not subject to vesting requirements, and the balance in all employer match contribution accounts is considered fully vested as of July 1, 2011 for all participants, whether currently employed or not.

*\*\*Note: Parsonage allowance reduces gross income which may reduce or prevent a pastor from making significant deferrals because of IRS contributions limits. Pastors who declare the majority or all of their income as non-taxable should be referred to a VALIC advisor or the Adventist Retirement Plan office for assistance in adjusting their parsonage allowance exclusion to participate in the Plan.*

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## Other Contributions

Interdivision Employee (IDE) Contribution: An employer contribution made to an eligible U.S. resident working in a non-US territory on an IDE basis. This contribution is considered fully vested and after-tax. Note that US residents working in a US territory such as Guam receive employer contributions which are fully vested but are on a pre-tax basis.

Chaplain Contribution: Contributions made by a chaplain directly to the Adventist Retirement Plan, but considered pre-tax contributions. This contribution is used for chaplains employed by other than denominational entities and credentialed by Adventist Chaplaincy Ministries. These chaplains will not receive employer basic or matching contributions. This contribution is not subject to vesting requirements.

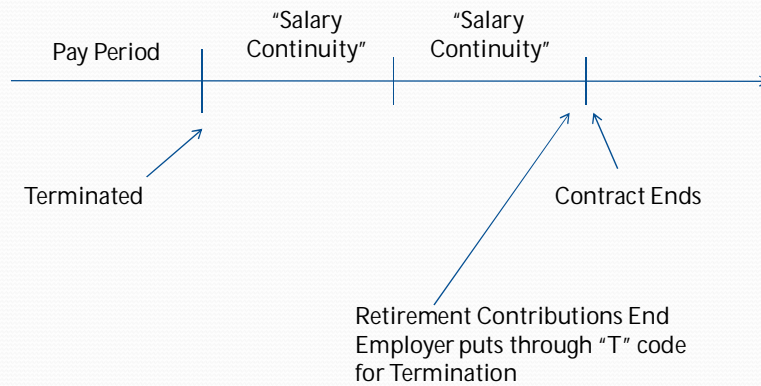
Graduate Study Contribution:\*\* An employer contribution, equal to the amount of basic contributions that would have been contributed on behalf of an employee if an approved leave of absence had not been taken. Contributions are not to be given to individuals based on stipend pay while they are in school. This contribution is made to the employee's basic contributions account once the employee has returned to work, for a period of time that is equal to twice the approved leave of absence at 150% of the normal rate, following the employee's return to employment with a participating employer. Effective July 1, 2011 this contribution is no longer subject to vesting.

Rollover/Transfer Contribution: A tax-free distribution from one eligible retirement plan or conduit IRA that is deposited to another eligible retirement plan. These contributions are considered fully vested.

### Termination Contributions:

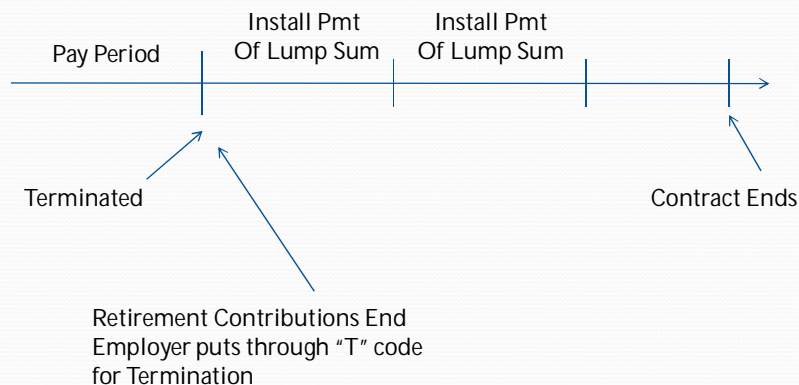
- If an employee is terminated, but is still considered an employee for purposes of salary/wages for the remainder of a contract period and is receiving "salary continuity" payments, contributions should continue as if the employee had not been terminated until the end of the contract period. The employer should send through a "T" code (for termination) at the conclusion of the salary continuity payments. Contributions must be transmitted with an "A" code, and the "T" code only submitted at the conclusion of all payments.

## Termination Scenario #1



- In contrast, if an employee is terminated and a "lump sum" payment is made to replace any future salary/wages or benefits (whether the "lump sum" is paid in one amount or in a series of payments under NAD Working Policy Y 36 30), employers would not consider this person to be an employee, and therefore, should not make contributions on the "lump sum" payment. The employer should send through a "T" code (for termination) at the beginning of any series of lump sum payments.

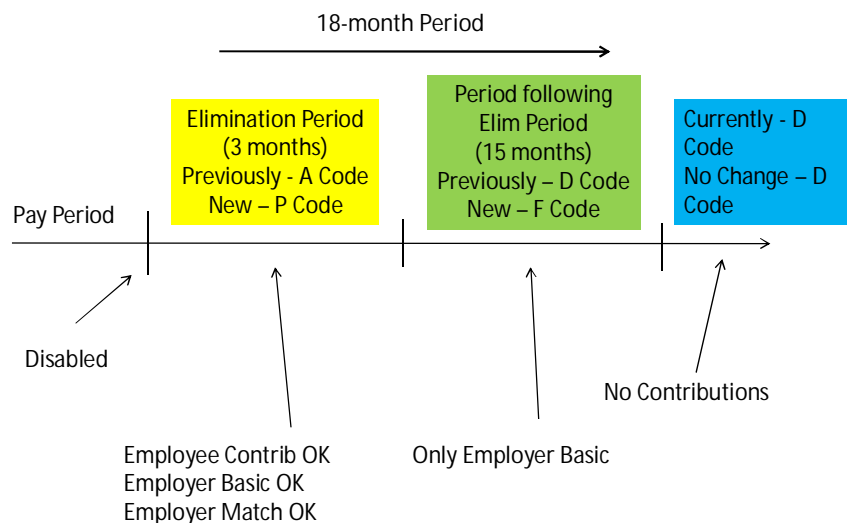
## Termination Scenario #2



## Disability Contributions

- If an employee is disabled prior to age 59 ½ , and is eligible for disability pay under the employer's long-term disability insurance plan or under Social Security, the employer continues to make employer basic contributions and any employer match during the elimination period. The employee may also continue to make contributions during the elimination period.

## Disability Contributions



- Following the elimination period , the employer continues to make the basic contribution without the match, and the employee is not permitted to make any contributions, including Roth
- Employer basic contributions are calculated based on pre-disability contribution rates as well as any cost of living adjustments not adjusted for any rate increases.
- All contributions would stop upon completion of the 18-month period.

## Special Pay Contributions

- Effective January 1, 2011 an employer's governing body may vote a resolution to pay all post-1999 Retirement Allowance (RA) payments as pre-tax employer contributions. This contribution is not subject to payroll taxes upon contribution or distribution, and is fully vested. If the resolution is adopted, all RAs must be paid via Special pay without exception, subject to IRS Code 415(c) contribution limits. There is no deadline to adopt this resolution, and there is opportunity to opt out at a later date with a governing body resolution. However, an employer is not allowed to move in and out of this provision at will. The intent is consistency and non-discrimination in application of this provision.
- For additional information about Special Pay Contributions, please reference the



### Military Service Contributions

- Activated employees under the Uniformed Services Employment and Re-employment Rights Act (USERRA) are not required to receive employer contributions while on active duty. However, if the employee is re-employed following active duty, the employer must make the employer contributions which would have been made if the employee had been employed during the period of military duty. Employer contributions are calculated based on what the employee's pay would have been if continuing employment, including any raises or promotions.
- The employee has three times the period of military duty or five years, whichever is less, to make up employee contributions. If the employee makes up the contributions, the employer must make up any matching contributions. There is no requirement to make up earnings.
- Contribution limits are suspended for purposes of the catch-up, because previous year contributions are being made in an ensuing year.

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### How to Calculate Employer Contributions for Employees

- Establish eligibility of the employee.
- Basic contributions should be paid based on 5% of total salary, including cost of living adjustment. (See "How to Calculate Educational Employee Contributions" for alternate basic contribution.)
- Apply the resulting Effective Contribution Rate to regular and overtime actual salary/wages, whether on or off the NAD Remuneration Scale, based on hourly rate times hours worked, or salary rate for the period. Examples of salary/wages to include in the formula would be:
  - Cost of living adjustment if separate from wages
  - Wages designated as parsonage allowance
  - Vacation pay and sick pay - regular
  - Educational Employee's salary adjustment
  - Commissions of a commissioned salesperson

*Note: Literature Evangelists employed as employees for Federal income tax purposes should be provided with the appropriate IRS wage reporting form (IRS Form W-2). In contrast, Literature Evangelists considered as independent distributors are not eligible to participate in the Adventist Retirement Plan and are not allowed to make personal contributions since they are not employees but independent contractors receiving a Form 1099-MISC.*

Performance-based bonus (i.e. salesperson reaching threshold receives additional income.)
- Do NOT apply to following pay items:

- Area travel allowance
- Flat travel budget (whether treated as taxable or not)
- Tuition assistance
- Moving allowance
- Per Diem or other travel reimbursement
- Vacation pay and sick pay – lump sum at termination
- Lump sum termination or severance settlement
- Post-1999 employer-paid Retirement Allowance
- Continuation of employee remuneration to spouse when employee dies in denominational service (NAD WP Y 25 10)
- Other payments normally considered as benefits or reimbursements (i.e. Christmas bonus or other random bonuses)
- Determine the employer matching contribution. Employers may, at their discretion, decide whether the matching contribution ceiling will be based on a year-to-date or per-pay-period basis.
- Employee recommended deferrals and matches have been set on a trend beginning in 2008 until 2011 according to the following table. The employee recommended deferral is considered the maximum to be matched. However, the Plan strongly recommends employees contribute more than just this minimum amount. Employees can contribute more than the recommended amount. The effective date for each change beginning in 2008 is July 1.
- Contribution Percentages for all employees EXCEPT 10-month educational employees (see next section for separate chart):

Contributions	2007	2008	2009	2010	2011
Base	5.00%	5.00%	5.00%	5.00%	5.00%
Voluntary	2.50%	2.75%	3.00%	3.00%	3.00%
Match	1.25%	1.65%	2.10%	2.55%	3.00%
Total	8.75%	9.40%	10.10%	10.55%	11.00%
(Vol % of Base)	50.00%	55.00%	60.00%	60.00%	60.00%
(Match %)	50.00%	60.00%	70.00%	85.00%	100.00%
(Match Max %)	1.25%	1.65%	2.10%	2.55%	3.00%

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## How to Calculate Graduate Study Contributions

“Make up” graduate study contributions for employees who have obtained a degree at the Master of Arts level or higher are calculated as follows:

- Follow the same procedures as outlined above in “How to Calculate Employer Contributions for Employees.”
- Once the basic contribution has been determined, multiply that amount by 150%. This will be the calculation used to determine what is contributed on behalf of this

employee for a period of time twice as long as the study leave.

- Employer matching contributions are made by using the regular calculation as outlined above in “How to Calculate Employer Contributions for Employees.” There are no automatic “make up” amounts for the employer matching contribution. However, when applying the maximum employer matching contribution rate as a percentage of the employer basic contributions, which are made at 150% during the recovery period, an employee can “make up” employer matching contributions by increasing his/her voluntary salary reduction contributions.
- While this section is intended to deal with pre-approved study leave, the same provisions may be applied in the case of employment of a self-sponsored graduate student at the employer’s election (4.07(d)).
- The employee must return to or begin full-time employment with a participating employer within one year of receiving an advanced degree in order to be eligible for the recovery method described here.
- The employee is eligible for the “make up” contributions for up to two years of graduate study for each year of graduate study.

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## How to Calculate Educational Employee Contributions

Many contracts for educators are based on a school year with the employee being paid on a 9, 10 or 11 month basis, usually over the full 12 months. This is often done by calculating the annual pay for a 12-month employee at the educator’s pay rate and then multiplying that by a percentage, usually ranging from 89% to 95%, and dividing the result by the number of pay periods in the year.

The Plan has no equalization system built in to accommodate the reduction in pay. The NAD has taken action requiring K-12 educational employers to make a pay adjustment which will compensate the employee in taxable income for the loss of his employer-based contributions. Thus an employee whose 12-month annual salary is multiplied by 92% might see this adjusted to 92.5%. The employee is then encouraged to take that compensation and increase his/her voluntary contribution by the amount of the “windfall” pay increase.

In 2007, it was determined that many employers have not paid the additional amount, and many employees who received the additional amount have not requested that the additional pay be placed in their retirement plan, which was the original intent. Therefore the NAD has authorized employers to change the Base option for 10-month educational employees from 5% to 5.43%. Subsequently provision has been made for alternate percentages or methods to be used to provide contribution parity with full time employees, but such alternatives must be approved by NAD Treasury in writing.

Contribution percentages for 10-month educational employees only:

Contributions	2007	2008	2009	2010	2011
Base	5.00%	5.43%	5.43%	5.43%	5.43%
Voluntary	2.50%	2.99%	3.26%	3.26%	3.26%
Match	1.25%	1.79%	2.28%	2.77%	3.26%
Total	8.75%	10.21%	10.97%	11.46%	11.95%
(Vol % of Base)	50.00%	55.00%	60.00%	60.00%	60.00%
(Match %)	50.00%	60.00%	70.00%	85.00%	100.00%
(Match Max %)	1.25%	1.79%	2.28%	2.77%	3.26%

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## How to Calculate "Catch Up" Contributions

Employer Basic Contributions: In a situation where it is discovered that employer basic contributions were not sent to VALIC for an employee, and that the employee was eligible for such contributions, the employer *must* calculate the employer basic contributions which should have been made and send these contributions to VALIC.

Employee Contributions: If the employee had previously filled out a Salary Reduction Agreement (SRA) requesting salary reductions to be made but these deductions were not made due to employer oversight, IRS self-correcting methods require that the employer, at employer expense, calculate and contribute 50% of what the employee contributions would have been. The employee is not required after-the-fact to make personal catch-up contributions due to the employer's oversight. The IRS calls for 50% because it anticipates that the after-tax benefit to the employee of those original contributions would be about 50%.

Employer Match Contributions: If an employee is only after-the-fact determined to be eligible for employer match contributions, the employer must calculate what those match contributions should have been and send 100% of those to VALIC. This remedy should be followed whether the employee already made personal contributions (and just the match needs to be remedied) or if the employee had requested payroll deductions but the employer failed to make those deductions and the employer must remedy following the above paragraph instructions.

The Adventist Retirement Plan does not require that an additional amount be added to the employer basic and matching contributions to compensate an employee for interest lost. This is a decision of each individual employer but should be made and followed consistently.

To add an amount to compensate an employee for interest lost, the Adventist Retirement Plan recommends using the Moody BAA interest rate in calculating the amount. These rates can be found at:

[www.federalreserve.gov/releases/h15/data/annual/H15\\_BAA\\_NA.txt](http://www.federalreserve.gov/releases/h15/data/annual/H15_BAA_NA.txt)

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## The Contribution Process

### Employee Responsibilities:

- Sign Salary Reduction Agreement/Beneficiary Designation Form and submit to local payroll office
- Call the Voice Response Unit (VRU) or access the Website to make investment elections
- If an employee does not make an investment election, the employee's contributions and any employer contributions on his behalf will be invested in the default investment option as selected by the ARP Board (6.02).

### Employer Responsibilities:

- Determine appropriate employer basic and matching contributions.
- Process any new Salary Reduction Agreement/Beneficiary Designation Forms before each payroll.
- Send all contributions to the Adventist Retirement Plan within seven (7) calendar days of the pay date. For more information see Data Flow chapter.

### Adventist Retirement Plan Responsibilities:

- Receive and verify all contributions and dollar transmissions from payroll centers.
- Send all contributions to VALIC within seven (7) calendar days of receipt from payroll center. The seven (7) calendar days begin when the Adventist Retirement Plan has received both a good payroll file and the money to fund it.

### VALIC Responsibilities:

- Receive and verify all contributions from the Adventist Retirement Plan.
- Invest all contributions within one business day of receipt of funds from the Adventist Retirement Plan.
- If employee has selected the PCRA Schwab investment option, additional business days may be required to invest funds.

# Vesting

Policy References in Appendix

ARP – Legal Plan - Article II, Section 2.52 and Article V

ARP - Plan Summary - Section III. Contributions

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## Vesting

Effective July 1, 2011 no contributions are subject to vesting requirements. In addition, all VALIC account balances as of July 1, 2011 are deemed vested balances. This change applies to all participating employers, whether or not they have elected to follow the NAD Local Hire Guidelines. This change applies to all participant accounts whether or not the participant is a current employee.

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# Forfeitures

Forfeiture Policy References in Appendix

ARP - Legal Plan - Article V, Section 5.02

ARP – Plan Summary - Section III. Contributions

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## General Forfeiture Information

Because effective July 1, 2011 all contribution accounts are deemed fully vested, the final year for which employers received forfeited employer contributions is 2009.

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# Investments

Policy References in Appendix

ARP - Legal Plan - Article VI

ARP – Plan Summary - Section III. Contributions

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## General Statement About Investments

The Plan is designed to provide employees with an array of suitable investments to meet retirement objectives. The investments provided fall into general categories designed to accommodate both employees who have no investment experience and those who are more knowledgeable. Among the investment options are funds which are screened for social, ethical and religious values.

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## Investment Categories

For a current list of available investment options, please visit the VALIC website at [www.valic.com/adventist](http://www.valic.com/adventist). Select “Plan Details” on the blue menu bar at top of screen, then “Investment Options” along the left menu.

### Target Maturity Funds

Target Maturity Funds are available to employees. The following funds are currently opened:

SDA Retirement Income	SDA Retirement 2010
SDA Retirement 2015	SDA Retirement 2020
SDA Retirement 2025	SDA Retirement 2030
SDA Retirement 2035	SDA Retirement 2040
SDA Retirement 2045	SDA Retirement 2050
SDA Retirement 2055	

A participant can select a fund with a year nearest to his/her expected retirement. The funds are made up of socially screened index funds, and are rebalanced quarterly. The asset allocation model is incrementally adjusted to approach a retirement age appropriate investment strategy at the time of retirement.

### Individual Funds

Individual funds are offered in the following categories. Please see the VALIC website for



a current listing of available funds.

- Small Domestic Equity
- Mid Domestic Equity
- Large Domestic Equity
- Foreign Equity
- Bonds
- Real Estate Investment Trust (REIT)
- Stable Value/Managed Income
- Liquid

#### Charles Schwab Personal Choice Retirement Account

- Approximately 1,600 mutual funds to invest in at participant's risk

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### The Investment Process

#### Employee Responsibilities:

Investment elections can be made as follows:

- Call VALIC Services Line Voice Response Unit (VRU) at 1- 800-448-2542.
- Access VALIC's website [www.valic.com/adventist](http://www.valic.com/adventist)

Cancellation changes to investment elections can be made by calling and speaking to a representative before 4:00 p.m. EST, subject to market hours.

If the Charles Schwab Personal Choice Retirement Account option is desired, execute the required waiver and release form.

#### VALIC Responsibilities:

Process employee's changes by 4:00 p.m. EST the day they are made.

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# Data Flow

Specification Documentation available in Appendix

Data File Format

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## File Specifications

Included in the Appendix of this manual is the P/R Export File Definition to NAD, the electronic file specifications layout. This format must be followed each time contributions and data are transmitted to the Adventist Retirement Plan. If there are inconsistencies in the format, your file may be delayed. If you are importing or manually entering payroll information into the Adventist Retirement Plan Data Manager, the information is automatically generated in the required format when you upload it to the Adventist Retirement Plan Upload Website.

[https://arp.advret.org/users/sign\\_in](https://arp.advret.org/users/sign_in)

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## When to Send File

Payroll information and funds must be transmitted to the Adventist Retirement Plan's Upload Website within seven (7) days of the date of distribution of your payroll (the "pay date" or the date printed on a paper check). When your file is uploaded to the website, you will see confirmation of successful submission on the screen. This confirmation should be printed for your records.

The Adventist Retirement Plan will collect transmissions, verify totals and transmit all "good order" files with matching funds to VALIC twice per week. Typically, files are sent to VALIC on Mondays and Thursdays. The Adventist Retirement Plan will send an email once the file and funds have been received and are being processed. VALIC will process the files received from the Adventist Retirement Plan within 24 hours of receipt.

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## The Data Flow Process

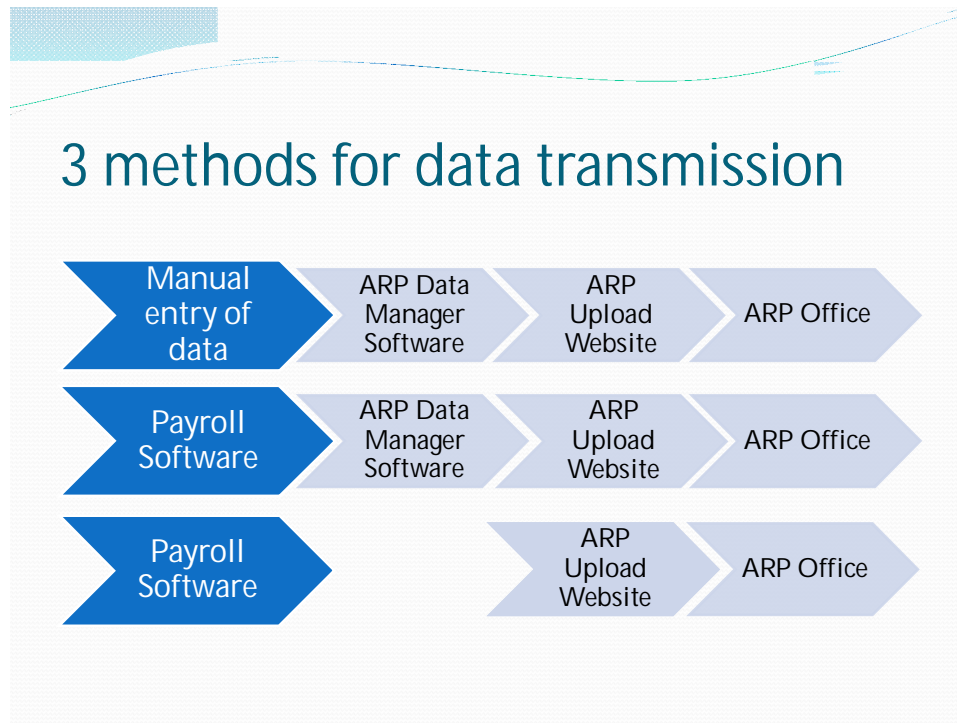
### Employee Responsibilities:

- Provide employer with Salary Reduction Agreement/Beneficiary Designation Form

- upon hire and update as needed.
- Review quarterly statements provided by VALIC, verifying all information. Notify employer of any discrepancies.

#### Employer Responsibilities:

- Create a data file to be sent each pay period to the Adventist Retirement Plan. This data file can be created using one of the following methods:



- Send payroll data and funds within seven (7) days of the pay date (date which would be on a paper check)
- Send EFT, Web Cash Concentration, or wire equal to the total Plan contributions listed in your file to arrive, if possible, the same day as payroll data file, but in no case later than within seven (7) calendar days of the pay date.
- Send update status codes and dates for employees regularly and periodically review payroll files to ensure status codes are accurate.
- Advise employees how discrepancies are corrected.
- Provide the Adventist Retirement Plan with “Mistake of Fact” (MOF) information on a timely basis, and in no case later than twelve months from the pay date of the original contribution(s).

#### Adventist Retirement Plan Responsibilities:

- Reconcile the totals on the data file received from an employer with contributions sent by the employer. If the totals do not match, the Adventist Retirement Plan

office will contact the employer to have the employer make necessary corrections.

- Send all files and funds received from various payroll centers to VALIC twice per week.
- Assist with error corrections as necessary.

#### VALIC Responsibilities:

- Receive and process the payroll data file and transmittal form within 24 hours.
- Verify contributions and loan repayment balance to the total provided by the Adventist Retirement Plan.
- Resolve any discrepancies with the Adventist Retirement Plan.

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## Payroll Errors

At any point during the process of employee data entry, calculation of contribution or sending a transmittal file, errors may occur. It may be necessary to adjust amounts contributed on behalf of an employee that would require the return of a contribution. Unfortunately, negative contributions are not accepted by VALIC's record keeping system. See Chapter 15, Error Correction, for important information on correcting contribution errors.

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## Payment Instructions

There are three methods that can be used to send contributions to the Adventist Retirement Plan. The preferred method of sending contributions is by EFT because it is least expensive. Web Cash Concentration service is preferred over wires since the Adventist Retirement Plan is charged a fee for each wire received. Most sending organizations are also charged per wire fees. The Adventist Retirement Plan does not accept payment of contributions by check.

- Web Cash Concentration: This method allows you to call our bank using an 800 number, identify your organization by a code, which is provided by the Adventist Retirement Plan when you sign up for this service, and make contributions using the telephone keypad to designate the amount of your contributions. This initiates an automatic withdrawal from the account that you authorize our bank to deduct from. This is a free service provided by the Plan. To sign up, contact the Adventist Retirement Plan office.
- EFT:

Beneficiary Bank	Bank of America
Bank Location	Maryland
Account Name	Adventist Retirement Plan
ABA Number	052001633
Account Number	3927221435

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# Compliance – Contribution Limits

Policy Reference in Appendix

ARP - Legal Plan - Article VII and VIII

ARP – Plan Summary - Section III. Contributions

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## General Compliance Information

Compliance with IRS contribution limits is primarily the responsibility of the individual employee. Employers may or may not be aware of all retirement vehicles to which an employee makes contributions. For employers with multiple retirement vendor contracts (such as TIAA-CREF, Oppenheimer, Prudential, etc), the responsibility for coordinating compliance testing across all vendors rests with each employer.

Compliance testing of the Internal Revenue Code contribution limits will be performed by VALIC based on the data that is transmitted from each payroll center. Internal Revenue Code 415(c) and 402(g) testing will be performed by VALIC annually. 402(g) limits are for the employee's own contributions. 415(c) limits are for employee plus employer contributions. An employee, if found to be non-compliant with the 402(g) limit will be contacted by a VALIC representative. If an employee is found to be non-compliant with the 415(c) limit, he will be contacted by the Adventist Retirement Plan through his local employer.

Employee contributions for any Plan year to all retirement vehicles should not exceed the lesser of the following (for up-to-date limit amounts, download the Limits Calculator from the HR Personnel Downloads section at [www.adventistretirement.org](http://www.adventistretirement.org)):

- 415(c) Limit – 2012  
Annual contributions made by the employer and employee to all retirement vehicles cannot exceed the lesser of:
  - \$50,000
  - 100% of the employee's *includible compensation*
- 415(c) Limit Definition
  - *Includible compensation* includes taxable salary/wages, overtime, area travel allowance, taxable flat travel budget, tuition assistance, moving allowance, etc., and is net of any non-taxable parsonage allowance, if any.

- 402(g) Limit – 2012  
An employee may defer \$17,000
  - If the employee is age 50 or older he/she may defer an additional \$5,500
  - A Contribution Limits Calculator is available for download on the Plan website [www.adventistretirement.org](http://www.adventistretirement.org)

For participating employers who are non-qualified church controlled organizations (non-QCCOs), there are additional compliance considerations. These organizations are typically colleges, universities, or medical clinics. For additional information please reference the Plan's November 2011 webinar "Non-QCCO Entity Webinar."

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## Important Compliance Issues

- Parsonage allowance reduces taxable income which may reduce or prevent a pastor from making deferrals or from receiving employer contributions. Pastors who declare the majority or all of their income as non-taxable parsonage allowance should be referred to VALIC for assistance in adjusting their parsonage allowance exclusion in order to maximize their participation in contributions to the Plan.
- For compliance testing purposes, federal taxable wages should be reduced by the amount of the parsonage allowance, if applicable, in all payroll transmissions. Even if an employer chooses to adjust gross wages for the non-taxable parsonage allowance component only at the end of the year, each payroll file submission throughout the year should report federal taxable wages (in the FEDWAGE field) net of an estimated, pro-rated parsonage allowance amount.. At the end of the year, after the pastor has submitted actual parsonage allowance figures to the employer, the employer may submit a "clean up file" to ARP adjust the year-to-date taxable wages for the actual parsonage allowance reported, so that the final year-to-date wages submitted to VALIC will be net of parsonage allowance. "Clean up" files are not required from all employers, but are necessary for those employers who make payroll adjustments after submitting their final year-end payroll file to the Plan. . For further information on this important compliance issue, please contact the ARP office.
- Compliance testing will be performed by VALIC based on the information provided by each employer. For employers with multiple retirement vendor contracts (such as TIAA-CREF, Oppenheimer, Prudential, etc), the responsibility for coordinating compliance testing across all vendors rests with each employer. While the payroll file includes a field for retirement contributions made to other retirement vehicles besides ARP (DEFERAMT field) – keep in mind that the employee may also be making contributions outside of the employer's payroll. VALIC will rely on the transmitted information to conduct the testing. It is the responsibility of the employee to be in compliance with the Internal Revenue Code

requirements.

- If an employee has determined he has excess contributions, he should contact the local VALIC Financial Advisor who will run the Contributions Limits Management System application to confirm any excess contributions. The Financial Advisor will then contact VALIC to begin the return process.

Excess 402(g) contributions, if detected, will be distributed to the employee by VALIC and a 1099-R will be issued. Excess 415(c) contributions will also be refunded.

Employee Responsibilities:

- Be aware of IRS contribution limits and consult with a tax advisor if necessary
- Sign and provide to the employer a current Salary Reduction Agreement
- Manage contributions to all retirement vehicles within the IRS limits
- Track use of catch up and special election life time limits

Employer Responsibilities:

- Maintain current Salary Reduction Agreement on file for each employee
- Ensure payroll system reflects latest SRA from each employee
- Ensure federal taxable wages are reported on an interim, per pay period basis net of parsonage allowance and year-to-date
- Report employee contributions to alternate retirement vendors to ARP in "DEFERAMT" field
- Set up payroll software warning system for excess contributions
- Review for contribution limit compliance across all alternate vendors
- Send year-end "clean up" file (regular payroll file format)\_to ARP if necessary

Adventist Retirement Plan Responsibilities:

- Collect data from employers for compliance testing
- Transmit data from employers to VALIC for testing

VALIIC Responsibilities:

- Conduct compliance testing based on information provided by employers
- Notify employees of excess contributions
- Arrange for refunds of excess contributions within IRS time limits

# Loans

Loan Policy Reference in Appendix

ARP - Legal Plan - Article IX, Section 9.10

ARP – Plan Summary - Section VI. Pre-62 Withdrawals

Loan Policy

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## General Loan Information

Within the limit of 50% of their vested account balance, full-time employees may borrow up to 100% of their salary reduction contributions, after-tax contributions, Roth 403(b) contributions, interdivision contributions, rollover contributions and transfer contributions. Loans are subject to rules, guidelines, spousal consent, and fees assessed by VALIC. An employee may continue to make contributions (and an employer make basic and matching contributions) while an employee has an outstanding loan. Chaplains are ineligible for loans.

Under the new IRS regulations, employers are required to review employee loan applications including supplemental disclosure information provided by the employee. Either employees must secure alternate vendor signatures on alternate investment information, or employers must contact any other vendors listed to confirm the disclosed information before sending the loan application and disclosure information to VALIC for processing.

For additional information on loans in a multi-vendor environment, please reference the Plan's November 2009 Webinar "Loans/Hardships in a Multiple Vendor Environment."

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## The Loan Process

### Employee Responsibilities:

- Contact VALIC's Representative Services Line to request loan note and disclosure statement.
- Be sure to disclose all other vendor information as requested.
- Sign loan note and obtain spousal signature, if applicable.
- Forward loan note to the local payroll center for signature, which will then send the signed loan note to VALIC for processing.
- If an employee has an outstanding loan when they transfer to another denominational employer, the employee must notify VALIC and request a new loan amortization schedule to accommodate the new employer's payroll



- frequency so payroll deductions can be set up with the new employer.
- If an employee terminates denominational employment, the employee should contact VALIC to make payment arrangements.
- Unpaid loans failing to follow the repayment amortization schedule will be deemed a taxable distribution subject to taxes and penalties. A Form 1099-R will be issued to the employee.

#### Employer Responsibilities:

- Receive loan note from employee and verify employee's signature and spousal consent. The signature of the spouse may be verified by the employer or a notary. If the employee is single, the employer must sign to verify that there is no spouse.
- Confirm employee is working full time in order to qualify for a plan loan.
- Review the disclosure statement. If employee has listed investments or loans with any other vendor and has not secured the vendor's signature, call the other vendors to confirm the information.
- After confirming any other vendor information, sign loan note as Local Employer and forward loan application to VALIC.
- Set up the payroll deduction as required by the loan note after receiving faxed loan amortization from ARP.
- Remind employees who transfer to other denominational entities, to notify VALIC and request a new amortization schedule for his/her outstanding loan.

#### VALIC Responsibilities:

- Send loan packet (consisting of a loan note, disclosure statement, and a letter from VALIC) to employees who request them.
- Once the signed loan note and disclosure statement is returned to VALIC, process the loan and mail a check to the employee's address of record within three (3) business days along with the amortization schedule.
- Send to ARP the loan information including amortization schedule.

#### ARP Responsibilities:

- Receive loan information from VALIC and fax notification to appropriate employer for each new employee loan.
- Receive paid off loan information from VALIC and fax notification to appropriate employer to authorize termination of loan payment payroll deductions.

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## Early Loan Payoff Process

Early loan payoffs are allowed and should be handled as follows:

#### Employee Responsibilities:

- Contact VALIC for loan payoff amount.
- Pay loan in full in one of two ways:
  - Send check to VALIC (they will provide correct address when you call them)

- Give local employer full payment amount and ask them to upload payment amount with next payroll file.

#### Employer Responsibilities:

- If employer protocol allows, accept payment from employee and upload payment to VALIC in next payroll file.
- If employer protocol can accommodate a lump sum payoff, inform employee that they must contact VALIC for the payoff amount.
- If employer protocol cannot accommodate a lump sum payoff, inform employee that they must contact VALIC to make payoff arrangements.
- Discontinue future loan payment payroll deductions only after notification from ARP.
- Delete or remove LOANID from payroll system for each loan paid off.

#### Adventist Retirement Plan Responsibilities:

- If loan payoff is being made through the processing of the data file transmission, the Adventist Retirement Plan office will process the file as usual.
- Loan payoff checks, when authorized, should be sent directly to VALIC, not to the Plan, and are coordinated between the employee and VALIC
- The Adventist Retirement Plan will notify the employer of early loan payoffs when advised by VALIC.

#### VALIC Responsibilities:

- VALIC receives loan payoff either by transmission, from the Adventist Retirement Plan office, or by check, from the employee.
- Send a loan payoff statement to the employee.
- Notifies the Adventist Retirement Plan of loan payoffs.

# Rollovers/Transfers into the Plan

Rollover/Transfer Policy References in Appendix

ARP - Legal Plan - Article IV, Section 4.09 & 4.10

ARP – Plan Summary - Section V. Payment of Benefits

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## General Rollover/Transfer Information

Rollovers and Transfers are tax-free distributions from one retirement plan or conduit IRA that is deposited to another section 403(b) retirement plan. The Adventist Retirement Plan accepts part or all of a distribution received by an employee from Internal Revenue Code section 403(b)(1) annuity contract, a 403(b)(7) custodial account, a 403(b)(9) retirement income account, and an IRA if the entire amount of the distribution is from one of the previously listed types of plans.

To process a rollover or a transfer takes a minimum of four weeks. Once the paperwork on a transfer is processed, the rollover or transfer takes place the first of the following month. For example, a request received by VALIC on March 15, will usually be processed on May 1.

---

## The Rollover/Transfer Process

### Employee Responsibilities:

- Request Rollover/Transfer Form from the local payroll office, VALIC's Voice Response Unit, or ARP's website
- Complete the Rollover/Transfer Form, attach supporting documentation, and mail to the address listed on the form. Be sure to keep a copy of this form.
  - Indirect Rollovers: Defined as a distribution from a previous plan sponsor to the employee, then to VALIC within 60 days. Include a certified check, cashier's check or money order payable to VALIC Trust Company, FBO (for the benefit of) the employee's name, and send to VALIC for approval and processing.
  - Direct Rollovers: Defined as a distribution made directly from a previous plan sponsor. Include a check from the custodian or trustee of the prior employer's plan, payable to VALIC Trust Company, and send to VALIC for

approval and processing.

VALIC Responsibilities:

- Review the Rollover/Transfer Form for accuracy and completeness.
- Verify the distribution is a qualified rollover/transfer contribution.
- Approve the rollover/transfer by signing the form.
- Process all pending rollovers and transfers on the first day of each month.

# In-Service Withdrawals

In-Service Withdrawals Policy References in Appendix

ARP – Legal Plan - Article IX, Section 9.07 & 9.08

ARP - Plan Summary - Section VI. Pre-62 Withdrawals

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## General In-Service Withdrawal Information

The Adventist Retirement Plan permits three types of in-service withdrawals:

- Hardship
  - After-Tax
  - Age 59 ½ or older withdrawal
- 

## Hardship Withdrawals

Hardship withdrawals must first come from the employee's after-tax contributions account, if any, and then from up to 100% of the employee's salary reduction contribution account and/or Roth contributions account (but not including any earnings on salary reduction or Roth contributions). Foreign missionary and chaplain contributions are also available for hardship withdrawal up to 100%. All withdrawals are made pro rata from each investment fund in the employee account. Hardship withdrawal checks are made payable to the employee and are mailed to the employee's address on record with VALIC. Spousal consent is required for an in-service withdrawal. IRS regulations require suspension of all employee and employer match contributions to all retirement vendors for a period of six months following a hardship distribution. Employer basic contributions may continue to be made.

Under the new IRS regulations, employers are required to review employee hardship withdrawal applications and hardship distribution supplement forms provided by the employee. Either employees must secure alternate vendor signatures on alternate investment information, or employers must contact any other vendors listed by the employee to confirm disclosed information before sending the hardship application and supplement forms to ARP for review.

The Adventist Retirement Plan, following IRS guidelines, allows financial hardship withdrawals for the following reasons. Note that an employee must need the hardship withdrawal to pay these expenses directly; the IRS specifically excludes using a hardship

withdrawal to repay credit card debt or loans previously incurred to meet these expenses.

- Uninsured, deductible medical expenses (as defined for Federal income tax purposes) incurred by the employee, the employee's spouse or one or more of the employee's dependents.
- The purchase of the employee's residence, excluding mortgage payments.
- The payment of post-secondary education tuition, for the next 12 months for the employee, the employee's spouse or one or more of the employee's dependents.
- To prevent eviction from the employee's principal residence or foreclosure on the mortgage of that residence. (Note that late mortgage payments or lender letters offering refinancing/restructuring debt options to remedy delinquent mortgage payments do NOT qualify.)
- To pay burial or funeral expenses for the employee's deceased parent, spouse, or other dependent, including travel to the funeral.
- To pay expenses relating to the repair of damage to the employee's principal residence that would qualify for the casualty deduction (i.e. damage caused by catastrophic events such as floods, hurricanes, or tornados)

For additional information on loans in a multi-vendor environment, please reference the Plan's November 2009 Webinar "Loans/Hardships in a Multiple Vendor Environment."

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## The Hardship Withdrawal Process

### Employee Responsibilities:

- Request Hardship Withdrawal Form and Hardship Distribution Supplement from VALIC by calling VALIC's Voice Response Unit. Complete the form, including spousal consent, if applicable.
- Review the special tax notice regarding Plan payments.
- Provide all other vendor information required.
- Effective January 1, 2009, the employee must provide supporting documentation showing a qualifying hardship (see IRS approved list above)
- If spousal consent is required, the local employer or a notary public can witness the spousal signature.
- Forward completed form and supplement (with supporting documentation for the hardship) to the employer for review and confirmation of other vendor information. Important: submission of supporting documentation to substantiate the hardship request is required.
- After local employer has signed the hardship application, employee must fax entire hardship application (including supporting documentation) to the ARP office.

### Employer Responsibilities:

- Review the Hardship Withdrawal form and Hardship Distribution Supplement for

other vendor information disclosed by employee. Confirm that other vendor signature is on the supplemental form or contact other vendors to confirm information.

- Sign off on confirmed forms and return to employee for sending on to ARP office.
- Suspend all salary reduction contributions for six months from the date of hardship withdrawal for the ARP plan and any other retirement plan maintained by the employer. During this time, be sure that the employee's status code is reported as an "S" (for suspended) in the payrolls submitted to the Plan.
- The only contributions made on behalf of the employee during the hardship period are employer basic contributions.

#### Adventist Retirement Plan Responsibilities

- Review hardship applications and documentation received for conformity with IRS guidelines on approved hardship reasons.
- Approve Hardship Withdrawal Requests received from employees, and send to VALIC for processing.
- Employees are not required to take a loan prior to taking a hardship withdrawal, if taking a loan would in itself constitute a hardship for the employee.

#### VALIC Responsibilities:

- Review the completed Hardship Withdrawal Form for accuracy. Incomplete or inaccurate forms will be denied. This will cause a delay in the processing of the withdrawal request.
- Process the withdrawal request. Mail check to the employee at their address of record. If a properly completed withdrawal request is received by 2:00 p.m. EST, it will be processed at that night's closing price.
- In January of the year following the distribution, prepare IRS Form 1099R and send to the employee and the IRS.
- Withhold appropriate tax and penalties.

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### After-Tax Withdrawals

An employee may choose to receive a distribution of all or part of their after-tax contributions and earnings. Spousal consent is required for all after-tax withdrawals (9.07(b))

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### The After Tax Withdrawal Process

#### Employee Responsibilities:

- Request Distribution Request Form by calling VALIC's Voice Response Unit. Complete the form, including spousal consent and appropriate witness, if

- applicable
- Review the Special Tax Notice Regarding Plan Payments.
- Send to VALIC for processing.

#### VALIC Responsibilities:

- Review the completed Distribution Request Form for accuracy. Incomplete or inaccurate forms will be denied. This will cause a delay in the processing of the withdrawal request.
  - Process the withdrawal request. Mail check to the employee at their address of record. If a properly completed withdrawal request is received by 2:00 p.m. EST, it will be processed at that night's closing price.
  - In January of the year following the distribution, prepare IRS Form 1099R and send to the employee and the IRS.
- 

### Age 59 ½ or older Withdrawals

An employee who is age 59 ½ or older may choose to receive a distribution of all or part of his account balance in the plan. Spousal consent is required (9.07(a)). Withholding taxes are deducted at the time of distribution.

---

### The Age 59 ½ or older Withdrawal Process

#### Employee Responsibilities:

- Request Distribution Request Form by calling VALIC's Voice Response Unit or downloading from the VALIC website
- Complete the form, including spousal consent and appropriate witness, if applicable
- Review the Special Tax Notice Regarding Plan Payments.
- Send to VALIC for processing.

#### VALIC Responsibilities:

- Review the completed Distribution Request Form for accuracy. Incomplete or inaccurate forms will be denied. This will cause a delay in the processing of the withdrawal request.
- Process the withdrawal request. Mail check to the employee at their address of record. If a properly completed withdrawal request is received by 2:00 p.m. EST, it will be processed at that night's closing price.
- In January of the year following the distribution, prepare IRS Form 1099R and send



to the employee and the IRS.

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# Total Distributions

Total Distributions Policy References in Appendix

ARP – Legal Plan - Article IX, Section 9.01-9.04

ARP – Plan Summary - Section V. Payment of Benefits

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## General Total Distribution Information

Upon termination of denominational employment or reaching age 59 ½ while still employed, an employee may take a distribution from the following contribution categories:

- Employee Tax-Deferred Salary Reduction Account
- Employee After-Tax Salary Reduction Account
- Roth 403(b) Salary Reduction Account
- Employer Basic Contributions (Rollover only if prior to age 59 ½ )
- Employer Match Contributions (Rollover only if prior to age 59 ½ )
- Rollovers/Transfer-In Accounts
- Chaplain Account
- Foreign Missionary Account

Terminated or retired employees are not required to withdraw or transfer funds and may continue to manage them within the 403(b) system operated by the Plan. However terminated employees are not able to continue to contribute to the Plan other than through Transfers or Rollovers from other plans.

Participants reaching age 70 ½ are required by the IRS to begin taking minimum distributions.

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## Methods of Total Distribution Payment

An employee must request in writing to receive retirement benefits using one of the options below.

- Lump sum
- Installment Payments

*Note: Employees who are eligible to preserve a parsonage allowance in retirement distributions have two options. First, if at least 59 ½ years old but not yet retired OR*

*previously retired but have never submitted a parsonage allowance form, the retiree must complete a Parsonage Allowance Designation Form (available on the [www.adventistretirement.org](http://www.adventistretirement.org) website). The form is then given to the employer, who signs it and sends it to ARP for approval. ARP will then notify VALIC. A second option is for employees who are currently retiring, and as part of the retirement application process complete the Parsonage Allowance Application section of the Benefits Application through the local employer HR department. The Plan, upon receiving the retirement application, will forward the Parsonage Allowance Application form to ARP for approval and submission to VALIC.*

*Note that retired pastors may preserve parsonage allowance treatment for either lump sum or installment payment distributions.*

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## The Total Distribution Process

### Employee Responsibilities:

- Request a Distribution Kit from a VALIC representative, or the Voice Response Unit (1-800--448-2542).
- Review the Special Tax Notice Regarding Plan Payments.
- Complete the Distribution Form and send to VALIC.
- If the employee is eligible to preserve a parsonage allowance in retirement distributions, complete the Parsonage Allowance Designation Form and give to local employer.. Eligible employees may preserve a parsonage allowance whether taking a periodic pension payment or a lump sum distribution from this plan. Providing this form will result in Form 1099-R categorizing distributions as "Taxable Amount Not Determined" and allow employees to later provide documentation to their tax preparer to support any parsonage amount claimed on future tax returns.
- Get spousal consent signature, if married. The signature must be witnessed by local employer or Notary Public.

### Employer Responsibilities:

- After final payroll file submission of all remuneration, send through a payroll file with a termination code and effective date. VALIC processes distribution requests 45 days after the date of termination for participants less than 59 ½ years of age.
- If payroll file is not updated with a termination code and date, VALIC will delay processing distribution requests until the termination code and date have been submitted by the employer. If applicable, sign the Parsonage Allowance Designation Form and send it to ARP.
- Witness a spousal consent signature if the employee is married; or, verify that the employee had spouse's signature witnessed by a Notary Public.

### Adventist Retirement Plan Responsibilities:

- Process data file transmission and forward to VALIC.
- Approve Parsonage Allowance Designation Forms and send them to VALIC.

### VALIC Responsibilities:

- When requested, send Termination Kit to employee. The Termination Kit contains:
    - Cover letter from ARP office
    - Distribution Form
    - Notice Participant of Distribution Election
    - Special Tax Notice Regarding Plan Payments
    - Parsonage Allowance Designation Form
    - Direct Deposit Form
  - Review the completed Participant Distribution Election Form for accuracy and process.
  - If lump sum is requested, mail the check to the employee at their address of record. If periodic distributions are requested, adjust employee's account to reflect such.
  - In January of the year following the distribution, prepare IRS Form 1099R and send to the employee and the IRS.
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### Additional Total Distribution Information

- Pre-Retirement Death Benefits (9.03):  
If an employee dies before retiring from the Adventist Retirement Plan or before receiving pre-retirement termination benefits, the employee's surviving spouse may request a distribution or rollover of the employee's full vested account balance. Contact VALIC or the Plan for more information.  
For final employer contributions to be received after the date of death, the designated beneficiary (typically the surviving spouse) should request from VALIC a Death Claim form on which the designated beneficiary can ask VALIC to set up a mirror account under the beneficiary's social security number into which VALIC can transfer the deceased's vested account balances. The "mirror account" is not automatic, but must be requested by the beneficiary. Final contributions by the employer should be paid under the designated beneficiary's name and social security number.
- Disability Distributions (9.04):  
An employee who is disabled before reaching age 59 ½ and who is:
  - Eligible for disability from a participating employer's long-term disability insurance plan, or
  - Determined, under Title II or XVI of the Social Security Act, to be disabled

may receive a distribution of their entire vested account balance, except that if the employee is not totally and permanently disabled, they are not allowed any disability distribution from their voluntary contribution or Roth contribution accounts.

- Contact VALIC or the Adventist Retirement Plan for more information.
- Suspension of Distributions Upon Re-employment (9.05):  
An employee receiving installment payments from the Plan may elect to suspend payments from the Plan if re-employed by a participating employer. When the employee again retires or separates from service, he/she can choose to receive a distribution of the entire account balance, including any contributions made during re-employment, or may resume installment payments. Contact VALIC or the Plan for more information.
- Cash-Out of Small Accounts (9.06):  
The Board may choose to “cash-out” any account with a balance of less than \$1,000 if an employee separates from service before reaching age 59 ½. Contact VALIC or the Plan for more information. As of this update, the Plan has not required this action.

# Tax Reporting

## General W-2 Information

Employer basic, employer matching and employee after-tax contributions may be reported on the W-2 Form at the option of the employer. Salary reduction contributions must be reported on the W-2 Form.

## W-2 Instructions

Contributions should be reported on the W-2 form as follows:

### Box 1 - Wages, tips, other compensation

Show total wages, tips and other compensation, before any payroll deductions. This box does not include amounts deferred in a salary reduction agreement to the Adventist Retirement Plan, or any other elective deferrals to other retirement arrangements described in box 12.

### Box 3 - Social security wages

Show total wages, tips and other compensation, before any payroll deductions. This box does include amounts deferred in a salary reduction agreement to the Adventist Retirement Plan and all other elective deferrals made to other retirement arrangements described in box 12.

### Box 12 (Preceding year W-2)

Complete and code this box for:

- Employee salary reduction contributions  
Code for the Adventist Retirement Plan: E

- How to complete and code box 12:

- Enter the code using a capital letter.
- Leave at least one space blank after the code.
- Enter the dollar amount on the same line. Use decimal points, but not dollar signs or commas.

*Example of what is entered in Box 12:*      E 1526.75

### Box 14 - Other

It is not required, but you may use this box for any other information you want to give your employee, including:

- Employer basic contributions
- Employer matching contributions
- Employee after-tax contributions
- Employer special pay contributions

If you use this box to report any of the above, you should clearly label the amounts being reported.

#### Box 13

The box entitled "Pension Plan" must be checked if the employee was an active participant for any part of the year in ARP.

*Note: If an employee was determined ineligible to receive employer contributions in the Adventist Retirement Plan, but chose to enter into a salary reduction agreement to make personal contributions, the employer must still check the box entitled "Pension Plan." The employer should also notify the employee that this box will be checked as it may prevent the employee from deducting contributions to an IRA.*

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# Error Correction

Error Correction Policy Reference in Appendix  
ARP – Legal Plan - Article IV, Section 4.12

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## Types of Errors

- Employee records were established and/or contributions were sent using the wrong Social Security Number
  - Contributions made in error for any the following reasons:
    - Too much/little employer basic, employer matching, salary reduction, after-tax, and interdivision contributions
    - Contributions made in error for an ineligible employee
    - Contributions not made for an eligible employee
    - Contributions made to the wrong employee
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## The Correction of a Contributions Error Process

Provision has been made for the correction of errors under a “Mistake of Fact” clause whereby contributions can be returned to the employer. Effective July 1, 2011, all MOF requests must be submitted to the Plan for manual recovery. The previous option of recovering overpaid funds immediately through a payroll file (“negative numbers”) is no longer available. All payroll files must be fully funded.

Request for recovery of over-paid employer or employee contributions must be submitted to the Plan within twelve months of the original date of contribution.

Correction of under-paid contributions, however, will be accepted by the Plan without restriction.

### Employee Responsibilities:

- Notify employer of any discrepancies noticed on the Quarterly Statement from VALIC.

### Employer Responsibilities:

- Send an email with subject line “Mistake of Fact” to [arpadmin@nad.adventist.org](mailto:arpadmin@nad.adventist.org) or fax to Mistake of Fact at (301) 680-6190 providing the following information:
  - Your name
  - Employer name
  - Employee name



- Last four digits of Employee SSN
- Termination date, if terminated
- Payroll distribution date or dates of the file that contained the original contributions that you are now asking to be returned. We need the date of the payroll(s) that this request is 'fixing.'
- Contribution Type(s) (i.e., employer basic, employer matching, salary reduction, after-tax, Roth 403(b), and interdivision) along with the specific amount for each of these contributions for each payroll distribution date
- Determine and verify if the amounts requested are for a full or partial recovery.
- Brief explanation of the error and why you are requesting contributions to be returned.
- Return employee contributions to employee as necessary.

#### ARP Responsibilities:

- Provide VALIC with Mistake of Fact documentation of contributions made in error and request that VALIC return the contribution from the employee's account.
- Inform payroll centers of errors documented by VALIC, and assist with the correction process.
- Return funds to employer to cover documented "Mistakes of Fact"

#### VALIC Responsibilities:

- Process Mistake of Fact requests from the Adventist Retirement Plan office.
- Return funds to Adventist Retirement Plan
- Notify the Adventist Retirement Plan of any mistakes found

*Note: If a gain or loss is incurred during the time the money is invested in the wrong account, the amount returned will be equal to the original contribution, plus or minus that gain or loss.*

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## The Correction of Employee Information Error Process

#### Employer Responsibilities:

- Send an email to the ARP at [arpadmin@nad.adventist.org](mailto:arpadmin@nad.adventist.org) providing the following information:
  - Employer name
  - Employee name
  - Employee SSN
  - Report incorrect employee information, and provide the corrected information.
  - Explanation of why you are making the correction
- Correct employee information in local payroll system.
- If an incorrect SSN was used for an employee, the employer must submit a status code of "T" for the incorrect SSN.

ARP Responsibilities:

- Provide VALIC with documentation of errors for processing and correction.

VALIC Responsibilities:

- Process mistake of fact corrections as requested by the Adventist Retirement Plan office.