

The webinar is now online.
 The presentation will begin at 4:00 pm Eastern

- Please print out the following materials to reference during the presentation *(for best results, you may want to print in grayscale rather than full color)*
 1. **Handout version of this presentation** – *for taking notes and jotting down questions as we proceed*
 1. **ARP Payroll Export File Definition**
 2. **Special Pay Resolution draft language**
- To download: www.adventistretirement.org, HR Personnel, Downloads, Special Pay Contribution Webinar

Adventist Retirement Plan
 Special Pay Contribution Webinar
 March 31, 2011
UPDATED 5/22/11 for Limits and 45-day Hold

Materials You'll Need

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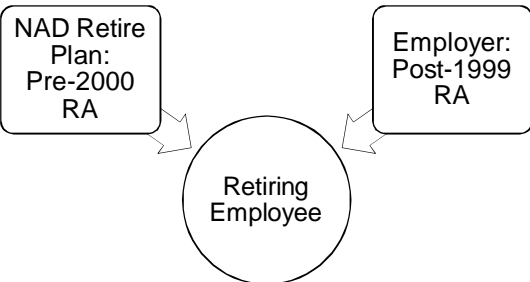
Outline -1

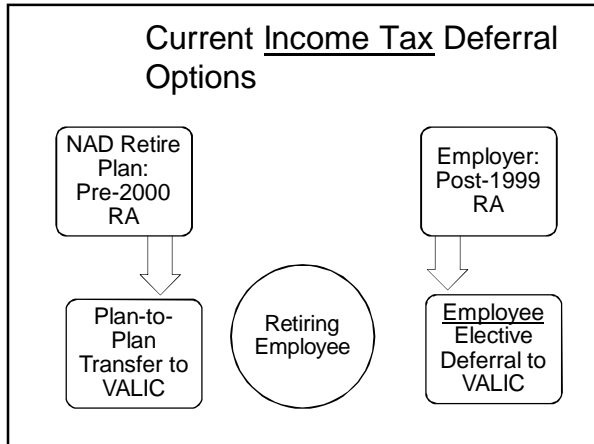
- Retirement Allowance (RA) Definitions
- Current options for RA tax deferrals
- Employer Contribution Review
- Evaluating the Special Pay Option
 - Advantages
 - Concerns
- Contribution Limits
- Making the election
 - "Employer" definition
 - Governing body resolution
- What if I don't want to make this election?

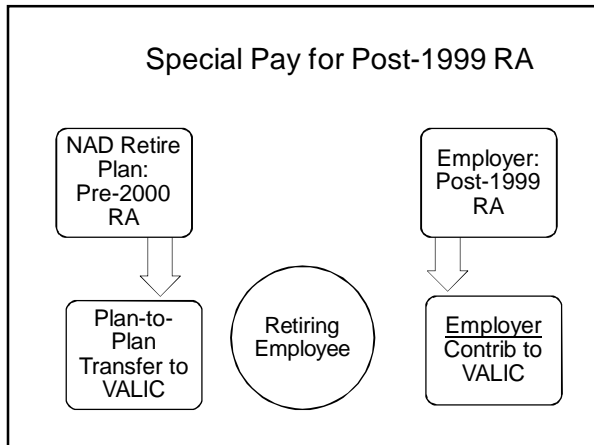
Outline - 2

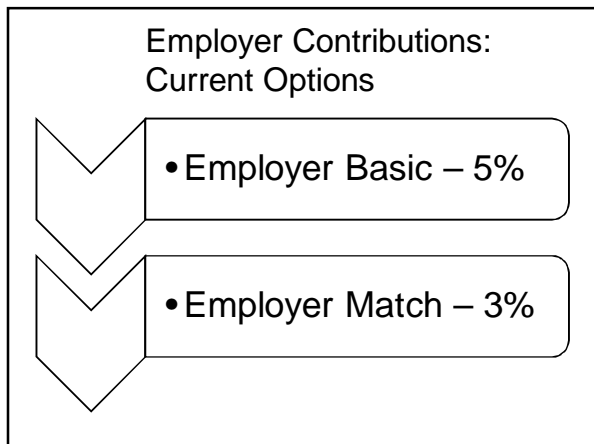
- Deadline?
- Opt out option?
- Other vendors?
- Retiree Access to Funds
- Technical Points
 - Export File Fields
 - Status Codes
- Employer Next Steps
- Question and Answer Session

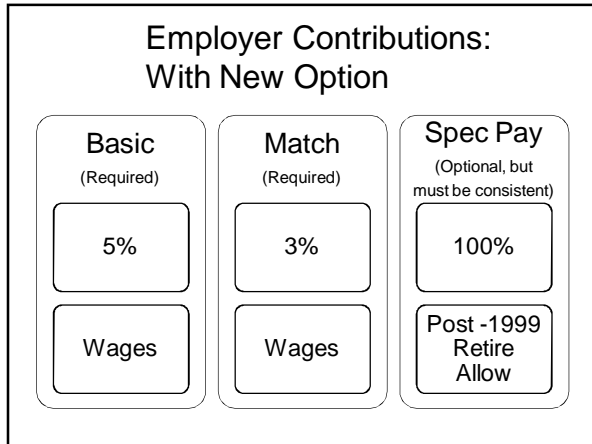
Two Retirement Allowances











Evaluating the Special Pay Option

- Advantages
- Concerns

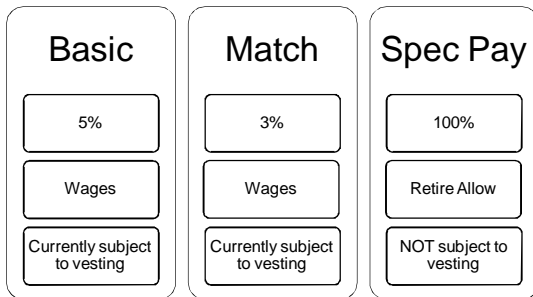
Advantage of Special Pay

- Savings of payroll taxes for both employer and retiree
 - Social Security tax
 - Medicare
 - FUTA (if applicable)
 - SUTA (if applicable)
- Calculated before payroll taxes at payment
- Permanently saves payroll taxes (not due at distribution)
- Not subject to vesting

Payroll Tax Savings

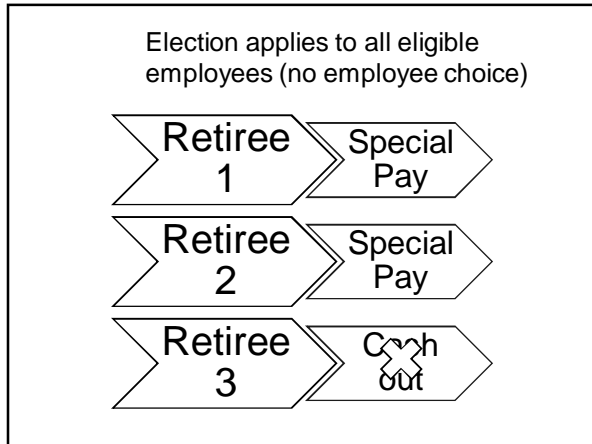
		Without Spec Pay	With Spec Pay	Savings	
Retire Allow		\$6,000	\$6,000		
Payroll Taxes					
Employer	7.65%	\$459	\$0	\$459	
Employee	5.65%	\$339	\$0	\$339	
Total	13.3%	\$798	\$0	\$798	

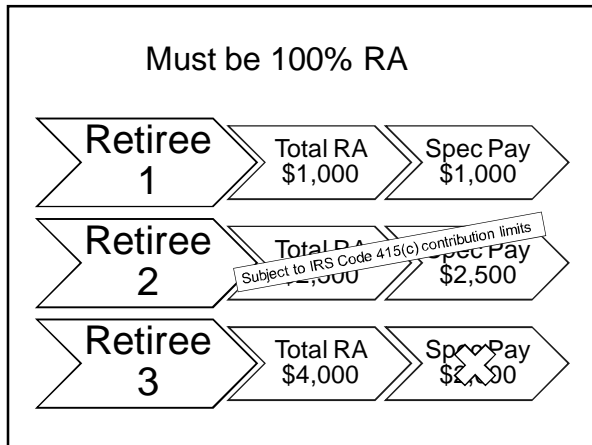
Special Pay NOT subject to vesting



Considerations before electing Special Pay

- If election made by employer, ALL eligible employees must be paid RA via Special Pay
 - Consider pastors who may want to maximize SECA
- If election made by employer, 100% of RA must be paid through Special Pay
 - Subject to 415(c) contribution limits
 - No allocation between Special Pay and cash out
 - Although retirees can take distribution after 45-day hold following effective date of "R" (retired) status code





Contribution Limits

Employee Limits Calculation for Year:

Name: John Doe

Last Year's Total Includible Compensation Last year's?

Gross Salary/Wages for Last Year

Taxable Non-Salary Income for Last Year

Paraphrase Allowance for Last Year

Estimated Current Year Employer Contributions

Estimated Current Year Employer Basic Contributions Average of

Estimated Current Year Employer Match Contributions

(based on a minimum voluntary contribution of 2.5%)

Enter Total Contributions under Special Church Option 415(c)(7)(B) for all prior years - (\$40,000 lifetime aggregate limit):

Enter Total Contributions under Cap Expansion for all prior years - (\$15,500 lifetime aggregate limit):

Enter Total designated Roth contributions for all prior years:

Your Age at End of this Year: Years of Service:

Limits Calculation

I. 415 Limit: This limit is applies to all employer AND employee voluntary contributions.

A. 415(c)(1) Limit is the lesser of 1 or 2:

1	100% x	=	
2		=	49,000.00
This Year's 415(c)(1) Limit:			
415(c)(7)(B) Limit - Special Church Option			
Although this limit has a lifetime \$40,000 aggregate limit, it allows some employees to contribute more than the regular 415(c)(1) limit above.			
			10,000.00
This Year's 415(c)(7)(B) Limit:			
This Year's 415(c) Limit is the greater of A or B: 10,000.00			

Example with Contrib Limits				
	415(c) Limit	Calculation	Contribution Type	Tax Savings
Gross Wages	\$50,000			
Parsonage	(\$40,000)			
Taxable Income	\$10,000	\$49,000		
Spec Church Election	\$10,000			
Max 415(c) Retirement Allowance	\$20,000			
Retire Allow		\$35,000		
Spec Pay up to 415(c) Max		(\$20,000)	Employer Contrib	Inc Tax deferred & P/R tax savings
Elect Deferral		(\$15,000)	Employee Contrib *	Inc Tax deferred
		\$0	* Subject to 402(g) limits	

Who can make the election?

- Each participating employer under the Plan can make the Special Pay election
- Who is an “employer” under the Plan?
 - Plan “Employer” = payroll center submitting payroll files to ARP under own ORG ID
- Consideration:
 - An academy submitting its own payroll files to ARP is considered an “employer” separate from the conference, and could make its own election
 - If a conference wants to coordinate Special Pay within its territory (including academies sending through payroll files), ARP suggests the Conference take the initiative to coordinate this

Governing Body Resolution

- How is the election made?
 - Employers submit resolution to offer Special Pay to Governing Body
 - Legal language for resolution will be provided by ARP
 - Employers notify ARP of governing body resolution
 - Email Beth Roberts, DC Plan Manager at
 - Beth.roberts@nad.adventist.org

Resolution Language

- **Voted**
- To adopt the Special Pay Contribution election as provided pursuant to Section 4.11 of the Adventist Retirement Plan effective as of [date]. The employer portion of any lump sum Retirement Allowance that is payable to any newly-retired employee after such date will be paid directly to such employee's Account in the Adventist Retirement Plan as a "Special Contribution" subject to the applicable statutory limits as described in the Plan. No exceptions are allowed for individual retirees. This resolution shall be in effect until such time as this governing body takes action to reverse this resolution.

What if I don't want to make this election?

- Employers deciding NOT to make the Special Pay contribution option available to employees may continue issuing RA payments to retirees as is currently being done
- This is a taxable benefit, with the EMPLOYEE option of deferring the income tax
- Deferrals are subject to 402(g) (employee) contribution limits
- Payroll taxes are not deferred or saved

Deadline?

- No deadline to make the election
- Can opt out later
- Can make the election later
- However, no "at will" opting in and out
 - Goal: avoid discrimination
 - Consult legal counsel before opting out later
 - Consult with and notify Plan of any planned change in election

What about other vendors?

- Can the Special Pay Contribution be directed to alternate retirement vendors sponsored by the employer (such as TIAA-CREF or Principal?)
- No. As an employer contribution, the Special Pay contribution must go to the Plan (as do all other employer contributions)
- For employers offering alternate vendors, only employee contributions are allowed to be directed by the employee to alternate vendors

Retiree Access to Funds

- How soon after contribution to the Plan may the retiree access the Special Pay funds?
 - ~~Retiree may request a rollover or distribution of the Special Pay RA from the Plan 45 days after the effective date of the "R" (retired) status code~~
 - (5/22/11 Update) Retiree may request rollover or distribution of the special pay RA from VALIC without a 45-day hold**
 - See 2011 Spring Update Webinar materials for additional information**

Retiree Access Example

- Example: Pastor Smith retires effective 5/31/11.
- On the 5/31/11 payroll file his employer submitted a Special Pay contribution to the Plan.
- ~~As early as 7/15/11 (45 days from the retirement effective date)~~
- **Right away, without a 45-day hold**, Pastor Smith may request a distribution or rollover of these funds. He would contact VALIC at 1-800-448-2542 to make the request.
- Distribution would require income tax withholding, but preserve parsonage allowance treatment
- Rollover (outside the Plan) would defer income tax withholding, but lose parsonage allowance treatment for future distribution

Technical Points

- Export File Fields
- Status Codes

ARP Export File Fields

- Updated ARP Export File Fields
 - 2 redesignated fields for Special Pay
 - Previously were CCO (Career Completion Option) fields, but no longer used for that purpose
- SPECPAY field, position 461 (C Record)
 - For amount of special pay contribution on behalf of employee
- TOTSPECPAY field, position 138 (Z Record)
 - For total of all special pay contributions within file

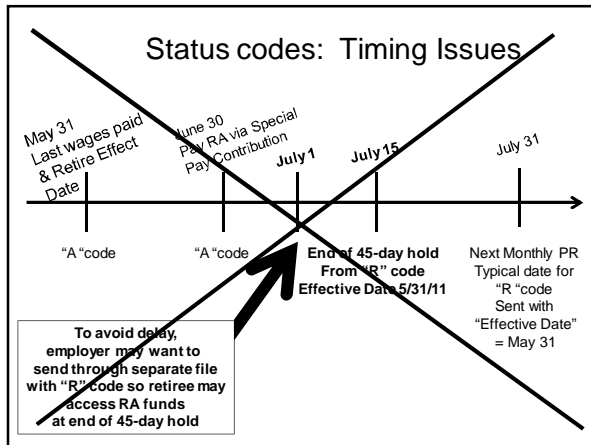
Do not combine with Employer Basic Contribution

- Warning:
 - Do not combine Special Pay contributions with Employer Basic contributions
 - Why?
 - Because the Special Pay contributions are IMMEDIATELY VESTED, while the Employer Basic contributions are currently SUBJECT TO 3-YEAR VESTING
 - VALIC has created a separate account for the Special Pay contributions to differentiate from the employer basic and match contributions

Additional Export File Updates

- Other fields updated
 - References to new ARP web-based service for upload
 - Reminder to fill in EMPLOYER field with employer ID
 - Reminder that STATE field required if US address
 - "C" status code for Career Completion Option no longer used
 - "C" compliance code for Chaplains no longer used

Status codes: Timing Issues



Employer Next Steps -1

- Review Special Pay in context of local employment environment
- Decide if Special Pay will be advantageous
- Secure a governing body resolution
 - ARP legal is drafting suggested wording for this
- Notify ARP of the resolution (Email beth.roberts@nad.adventist.org)

Employer Next Steps - 2

- Communicate with treasury, HR, and IT (especially payroll software) personnel to set up the special pay contribution operationally (this will include setting up a new payroll item within your payroll software to calculate the employer contribution before payroll taxes)
- Communicate with retiring employees
- Send through the contributions to ARP with a regular payroll file, using the Special Pay contribution "bucket"

Hold the Date! – May 19

- Spring 2011 Update Webinar
- Thursday, May 19, 2011
- 4:00 pm Eastern

- New Agenda Items:
 - NAD local hire guidelines (effective July 1, 2011)
 - Vesting
 - Loans
 - And more...

Question & Answer

- Enter audio pin (so mic can be un-muted)
- Use chat window to post questions, OR
- Use "raise hand" feature to ask a question

- If unsuccessful in posting your question or raising your hand with a question, please email your questions to maurine.wahlen@nad.adventist.org for email response after the webinar today

*Thank you
for participating*
