

# **CHURCH BENEFITS BOARD, INC.**

## **403(b)(9) RETIREMENT PLAN**

### **ADMINISTRATIVE MANUAL**

Last updated August 2023



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## Introduction

In addition to providing certain information about the Church Benefits Board, Inc. 403(b)(9) Retirement Plan ("Plan"), this Administrative Manual also describes the various responsibilities and duties of the parties involved in the Plan's administration (e.g., the employee-participant, the employer, the Plan recordkeeper – Empower, and the Plan administrator - Church Benefits Board). It is each party's responsibility to ensure that certain duties are fulfilled in a timely and appropriate fashion. Questions about the responsibilities and duties described in this Manual should be directed to the Director of Benefits listed on the next page.

It is important for employers to understand that because they are involved in handling employer and employee contributions made to the Plan, they are fiduciaries and must fulfill their fiduciary responsibilities in the proper manner. Even though the Plan requires employers to transmit elective deferral contributions to Empower not later than the 15<sup>th</sup> day of the month following the month in which the contribution was deferred from the employee's pay, and not later than 15 days following the end of each pay period upon which employer matching and basic contributions were based, CBB encourages employers to transmit all contributions as soon as possible after each pay date. 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 do not provide 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 an Empower representative.

If any information in this Administrative Manual conflicts with the terms of the Plan document, the terms of the Plan document will be considered the controlling document.

# Contact Information

## Church Benefits Board Contact Information

<b>President:</b>	Rob Fox (770) 220-1692 rfox@cbf.net
<b>Director of Benefits:</b> (main contact)	Jenny Clore (770) 220-1638 jclore@cbf.net
<b>Mailing Address:</b>	The Church Benefits Board, Inc. 4860 Cox Road, Suite 200 Glen Allen, VA 23060
<b>CBB Help Desk:</b>	<a href="http://www.churchbenefits.org/helpdesk">www.churchbenefits.org/helpdesk</a>
<b>Office Hours:</b>	Monday through Friday, 9 a.m. – 4 p.m. (Eastern)

## Empower Contact Information

### Employers & Administrators

Employers with questions about how to submit contributions should call Empower at (800) 695-4952.

Provide the Empower representative with the following information:

- You are an employer with CBF and are calling about the Church Benefits Board 403(b)(9) Retirement Plan (Plan # 93408-01)
- Give the representative your Division/Account number (4-digit number on Plan Service Center). If you are unsure of your CBB Division/Account number, please email [helpdesk@churchbenefits.org](mailto:helpdesk@churchbenefits.org)
- Be prepared to give the representative your name and email address.
- The representative will verify your identity with a 4-digit PIN that you have created. If you have not yet created a PIN, the representative will assist you in creating a PIN.

### Participants

Plan participants can view their account information at [www.empowermyretirement.com](http://www.empowermyretirement.com)

Participants who prefer to speak to an Empower representative can call (855) 756-4738.

Participants should be prepared to provide their name, social security number and address on their account.

### Financial Planning

Participants who want to speak to an Empower Certified Financial Planner to discuss a specific financial plan or receive investment advice should call (833) 301-9355 or visit [www.churchbenefits.org/advice](http://www.churchbenefits.org/advice) to schedule an appointment.

## General Plan Information

<b>Plan Name:</b>	Church Benefits Board, Inc. 403(b)(9) Retirement Plan (formerly called the Cooperative Baptist Fellowship 403(b)(9) Plan)
<b>Initial Effective Date:</b>	January 1, 2008
<b>Plan Administrator:</b>	The Church Benefits Board, Inc. ("CBB")
<b>Plan Recordkeeper:</b>	Empower
<b>Trustee:</b>	The Church Benefits Board, Inc.
<b>Custodian:</b>	Great West Trust Company
<b>Plan/Fiscal Year End:</b>	December 31
<b>Type of Plan:</b>	Non-ERISA 403(b)(9) church retirement income account
<b>Participating Employers:</b>	The Plan covers certain clergy and lay employees of Cooperative Baptist Fellowship churches and associated organizations approved for participation by the Church Benefits Board.

# Eligibility & Enrollment

## Notes:

All eligible employees of participating employers are allowed to make pre-tax employee elective deferral and Roth (after-tax) contributions under this Plan.

## Eligibility [Plan section 2.13 and Article III]

Any employee of a participating employer who has attained age 18 and is not otherwise excluded from participation under Plan section 2.13, and any self-employed minister who is a duly ordained, commissioned or licensed minister engaged in the exercise of ministry and not otherwise excluded, may participate in and make elective deferral contributions to this Plan, as long as the amount of the contribution for the year is at least \$200.

Employers may require a minimum number of hours and up to a year of service before employees are eligible to receive employer matching and/or employer basic contributions.

Individuals who are not eligible to participate in this Plan include nonresident aliens with no U.S. source income, students, leased employees and independent contractors.

## Enrollment [Plan section 4.01 and Article IV]

Employees eligible for contributions to this Plan must enroll through their Employer. Newly eligible employees will be added to the Employer's account through the Empower Plan Service Center. Employers should retain a signed salary reduction agreement for each participant making pre-tax elective deferral and/or Roth contributions to the Plan.

## The Enrollment Process

### Employee Responsibilities:

- Download the one-page "Adding New Employees to Empower" form at [www.churchbenefits.org/forms](http://www.churchbenefits.org/forms) and submit the completed form to the Employer's finance office or administrator.
- Contact Employer to change a pre-tax or Roth employee elective deferral contribution percentage.



- After the account is established, contact Empower or login to the participant online portal to complete the beneficiary designation information and to make investment elections.
- Note: If employees do not make an investment election, any elective deferral contributions and employer contributions will be invested in the default investment option selected by the Church Benefits Board.

#### Employer Responsibilities:

- Determine eligibility for employer basic and matching contributions.
  - Use the completed “Adding New Employees to Empower” form received from the employee to add the new participant to the employer’s account at Empower. Visit <http://www.churchbenefits.org/guidedpayroll> for more information on this process.
  - Encourage the employee to go to the Empower website [www.participant.empower-retirement.com](http://www.participant.empower-retirement.com) to complete their beneficiary designation information and update or change investment options.
  - Remind the employee that a Plan summary document can be obtained from CBB.
- Include all new contribution information (employee and employer contributions) with the next contribution file submitted to Empower.

#### Note:

Encourage employees to visit the Empower website to complete their beneficiary designation information and update or change investment options.

#### CBB Responsibilities:

- Set up new employers/churches.

#### Empower Responsibilities:

- Receive new employee information from the employer.
- Process website beneficiary designation and investment election changes from employees by 4 p.m. the day the information is input, or if after 4 p.m., on the next business day. If a paper form is submitted, processing could take up to 5 business days.

## Additional Enrollment Information

Re-employment after Termination [Plan section 3.03]: A former participant who is reemployed by a participating employer following a termination of employment shall become a participant as though the individual is a new employee.

## Contributions

Retirement plan contributions should be made by the employer and employee so that at retirement age, career employees have a retirement asset which combined with other savings and Social Security payments, will be able to generate adequate retirement income.

All contributions – employee and employer – are immediately 100% vested [Plan Article V].

## Contributions

**Employee Elective Deferral Contributions [Plan section 4.01]:** Employees may elect to defer a specified percentage of their compensation on a pre-tax basis. This contribution is fully vested.

**Roth Contributions [Plan section 4.02]:** Employees may elect to defer a specified percentage of their compensation on an after-tax basis. This contribution is fully vested.

**Employer Basic Contributions [Plan section 4.03]:** An employer may make basic (non- matching) contributions to each eligible employee's employer contributions account each pay period (biweekly, semi-monthly, monthly, etc.).

**Employer Matching Contributions [Plan section 4.04]:** An employer may make matching contributions to each eligible employee's employer contributions account each pay period based on the amount of a participant's pre-tax and/or Roth employee elective deferral contributions.

**Note: A housing allowance reduces an employee's taxable gross income, which may limit or prevent a pastor from contributing to the Plan because amounts used as housing allowance are not counted as taxable compensation upon which Plan contributions are made. Pastors who exclude the majority or all their compensation as non-taxable housing allowance should contact their tax advisor for assistance in adjusting their housing allowance to maximize contributions to the Plan.**

## Other Contributions

**Foreign Missionary Contributions [Plan section 4.05]:** Employers may provide basic or matching contributions to eligible foreign missionary employees. All contributions for foreign missionaries should be characterized as after-tax contributions when submitted.

**Rollover Contributions [Plan section 4.06]:** A participant may roll into the Plan all or part of any distribution from an eligible retirement plan or IRA, provided procedures established by the Church Benefits Board are followed and the distribution is paid to the Plan within 60 days following receipt by the participant. Rollovers are generally not taxed at the time of rollover and are fully vested. All amounts rolled into the Plan will be contributed to a participant's rollover contributions account, except for Roth contributions which shall be contributed to a participant's Roth rollover contributions account.

**Merger/Transfer Contributions [Plan section 4.07]:** Subject to limitations imposed by the Church Benefits Board and applicable law, a participant may have amounts directly transferred from another 403(b) plan to this Plan in accordance with procedures established by the Church Benefits Board. An employer may also be permitted, with the approval of the Church Benefits Board, to merge its church 401(a) or 403(b) plan into this Plan. These amounts are generally not taxed at the time of rollover/transfer and are fully vested. All amounts rolled or transferred into the plan will be contributed to a participant's merger/transfer contributions account.

**Military Service Contributions [Plan section 7.03]:** Under the Uniformed Services Employment and Re-employment Rights Act (USERRA), activated employees 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 up any 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 elective deferral contributions. If the employee makes up the contributions, the employer must make up any matching contributions. There is no requirement to make up earnings on the matching contributions.

*Note: Make-up contributions for previous years do not count against current-year contribution limits.*

**Contributions made at Termination of Employment:** Once an employee terminates employment and is no longer considered an active employee (the employee is no longer receiving a salary/wage), all contributions to the Plan must cease.

If an employee is no longer working but is receiving pay and is still considered an employee for purposes of salary/wages, Plan contributions should continue to be made until the end of the payment period. In contrast, if an employee terminates employment and a severance payment is made in lieu of future salary/wages or benefits (whether severance is paid in one lump sum amount or in a series of payments), employers should not make retirement plan contributions on the severance payment. Severance compensation paid upon termination of employment cannot be counted as Plan compensation upon which contributions can be made.

**Workers Compensation:** No employee or employer contributions are allowed on amounts an employee receives from a state or private workers compensation program. These amounts are not considered compensation under the Plan.

**Compensation [Plan section 2.08]:** Compensation is used to calculate employee and employer contributions. The Plan defines “compensation” as the amounts reportable as wages, tips or other income in box 1 of the employee’s IRS Form W-2. In the case of a self- employed minister, compensation means a minister’s net earnings from self-employment.

When calculating employer basic contributions, compensation for Plan participants who are ordained, commissioned or licensed ministers INCLUDES clergy housing allowance which is excludable from federal gross income pursuant to Internal Revenue Code section 107. Employee elective deferral and matching contributions for ministers are calculated based on taxable income (W-2 box 1 income) and do NOT include housing allowance.

## How to Calculate Employer Contributions [Plan sections 4.03 and 4.04]

- Establish eligibility of the employee.
- Employer basic contributions should be calculated based on a fixed dollar amount or a fixed percent of compensation (defined above) determined by a participating employer (as specified in the employer's adoption agreement). Apply the percentage rate to regular and overtime actual salary/wages, based on the hourly rate times hours worked, or salary rate for the period. Examples of salary/wages to include are:
  - Wages designated as housing allowance
  - Vacation pay and sick pay – regular (paid to current employees, within a pay period)
  - Performance-based bonus
- Do NOT apply to following pay items:
  - Travel allowance or travel reimbursement
  - Tuition assistance
  - Moving allowance
  - Accrued but unused PTO/vacation pay and sick pay paid in a lump sum at termination
  - Lump sum termination or severance settlement
  - Other payments normally considered as benefits or reimbursements (i.e., Christmas bonus or other random bonuses)
- Calculate the employer matching contribution based on an employee's elective deferral contributions, on a per-pay-period basis. Employers may limit the contribution to a fixed percentage or a fixed amount with a dollar limit (as specified in the employer's adoption agreement).

## The Contribution Process

### Employee Responsibilities:

- Contact employer to make or change pre-tax and/or Roth employee elective deferral contribution percentages by completing a salary reduction agreement. Contact Empower to make or change investment elections. Log onto the Empower website to add or update beneficiary information.
- If an employee does not make an investment election, any elective deferral and employer contributions made on the employee's behalf will be invested in the default investment option selected by the Church Benefits Board.

**Employer Responsibilities:**

- Calculate appropriate employee elective deferral, employer basic and employer matching contributions.
- Send all contributions to Empower using the Guided Payroll Process. Even though the Plan requires employers to transmit elective deferral contributions to Empower not later than the 15<sup>th</sup> day of the month following the month in which the contribution was deferred from the employee's pay, and not later than 15 days following the end of each pay period upon which employer matching and basic contributions were based, CBB encourages employers to transmit all contributions as soon as possible after each pay date. If there are questions about how to submit contributions, please visit [www.churchbenefits.org/guidedpayroll](http://www.churchbenefits.org/guidedpayroll)

**CBB Responsibilities:**

- Monitor to ensure employers are remitting contributions to Empower in a timely manner.

**Empower Responsibilities:**

- Receive and verify all automated payroll contributions.
- Invest all contributions within one business day of receipt of funds if funds are received before 4pm Eastern, within two business days if funds are received after market close.

## Examples of Contribution Calculations

Sallie Smith is a pastor at a church. Her compensation consists of the following items:

Salary*	\$40,000
Housing Allowance	\$30,000
SECA Offset*	<u>\$ 5,355</u>
Total Compensation	\$75,355

*\*Salary and SECA offset are taxable compensation*

### Calculating Employer Basic Contributions

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Employer basic contributions are calculated using total compensation which includes salary, housing allowance and any SECA offset.

Sallie's church agrees to make a 10% employer basic contribution to her 403(b)(9) account. The church is on a semi-monthly payroll schedule (24 pay periods).

#### Annual basic contribution formula:

$$\text{total compensation} \times \text{contribution \%} = \$75,355 \times 10\% = \$7,535.50$$

#### Pay period formula:

$$\text{total compensation} \times \text{contribution \%} / \# \text{ pay periods per year} = (\$75,355 \times 10\%) / 24 = \$313.98$$

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### Calculating Employer Matching Contributions

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Matching contributions are calculated using taxable compensation amounts only, which includes salary and any SECA offset.

Sallie's church agrees to make a 1:1 match for elective deferral contributions up to 3%\* of compensation. This means the church will match the first 3% Sallie contributes as a before-tax or Roth elective deferral contribution. Note: Some organizations match at different rates, for example, 0.5:1 which means for every 1% in employee elective deferral contributions, the employer contributes one-half percent (0.5%) matching contribution.

Sallie contributes 2% in before-tax elective deferral contributions and the church contributes 2% as an employer matching contribution into her Plan account.

#### Annual matching contribution formula:

$$\text{taxable compensation} \times \text{contribution \%} = \$45,355 \times 2\% = \$907.10$$

#### Pay period formula:

$$\text{taxable compensation} \times \text{contribution \%} / \# \text{ pay periods per year} = (\$45,355 \times 2\%) / 24 = \$37.80$$

\*Note: If Sallie contributes 5% in before-tax elective deferral contributions, the church would only match the first 3% of compensation because that is the maximum matching contribution amount.

## Calculating Employee Pre-Tax Elective Deferral Contributions

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Pre-tax elective deferral contributions are calculated using taxable compensation amounts only, which includes salary and any SECA offset.

Elective deferral contributions can be calculated by multiplying taxable compensation by the desired contribution percentage.

Sallie has elected to contribute 5% of compensation to her Plan account as a pre- tax elective deferral contribution.

**Annual pre-tax elective deferral contribution formula:**

$$\text{taxable compensation} \times \text{contribution \%} = \$45,355 \times 5\% = \$2,267.75$$

**Pay period formula:**

$$\text{taxable compensation} \times \text{contribution \%} / \# \text{ pay periods per year} = (\$45,355 \times 5\%) / 24 = \$94.49$$

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## Calculating Employee Roth Elective Deferral Contributions

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Roth elective deferral contributions are calculated on an after-tax basis using taxable compensation amounts only, which includes salary and any SECA offset. The employer submits these contributions after applicable income and payroll taxes have been deducted.

Sallie has elected to contribute 5% of compensation to her Plan account as a Roth elective deferral contribution.

**Annual Roth elective deferral contribution formula:**

$$\begin{aligned} & \text{taxable compensation} \times \text{contribution \%} - \text{taxes} \\ & = \$45,355 \times 5\% = \$2,267.75 - \text{income and payroll taxes} \end{aligned}$$

**Pay period formula:**

$$\begin{aligned} & \text{taxable compensation} \times \text{contribution \%} / \# \text{ pay periods per year} - \text{taxes} \\ & = (\$45,355 \times 5\% / 24) = \$94.49 - \text{income and payroll taxes} \end{aligned}$$

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## Calculating Foreign Missionary Contributions

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Contributions for field personnel or foreign (international) missionaries that serve overseas are always treated as after-tax contributions. This means even if an employee's contributions are not taxed upon contribution to the participant's Plan account, the amounts are not taxed when the missionary takes a distribution. Foreign missionary contributions are calculated using total compensation, which includes salary, housing allowance and any SECA offset.

Sallie's church agrees to make a 10% employer basic contribution to her Plan account.

### **Annual basic contribution formula:**

$$\text{total compensation} \times \text{contribution \%} = \$75,355 \times 10\% = \$7,535.50$$

### **Pay period formula:**

$$\text{total compensation} \times \text{contribution \%} / \# \text{ pay periods per year} = (\$75,355 \times 10\%) / 24 = \$313.98$$

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# Investments

The Plan is designed to provide employees with an array of suitable investments to assist in meeting retirement objectives. The investments provided fall into general categories designed to accommodate both employees with no investment experience and those who are more knowledgeable.

## Investment Options [Plan Article VI]

For a current list of available investment options, please visit the Empower website.

## The Investment Process

### Employee Responsibilities:

- Contact Empower by telephone or by using the portal ([www.participant.empower-retirement.com](http://www.participant.empower-retirement.com)) to make or change investment elections

### Empower Responsibilities:

- Process employee's investment election changes by 4:00 p.m. Eastern, or if election changes are made after 4pm, process on the following business day.

# Guided Payroll Process

## Empower Plan Service Center

Each employer must designate a primary contact (or contacts) who will be submitting contributions for the organization. This individual(s) will be signing in to the Empower Plan Service Center at [www.plan.empower-retirement.com](http://www.plan.empower-retirement.com) to submit contributions for eligible employees through the Guided Payroll Process using their unique login credentials. Once the account is set up, the contact(s) will receive a username and password from Empower.

## When to Submit Contributions

Contributions should be submitted to the Empower Plan Service Center as soon as administratively possible after payroll has been processed, but not later than the 15<sup>th</sup> day of the month following the month in which the contribution was deferred from the employee's pay, and not later than 15 days following the end of each pay period upon which employer matching and basic contributions were based.

Note: Contributions for foreign missionaries should always be submitted on an after-tax basis.

When an employer submits contributions through the Empower website, it will receive a confirmation of successful submission message on the screen. Employers should print and save this confirmation for their records.

### **Note:**

**It is best practice to submit in correlation with your pay frequency**

**(I.e. monthly, bi-weekly, semi-monthly, etc)**

# The Contribution Submission Process

## Employee Responsibilities:

- Review quarterly statements provided by Empower verifying all information. Notify employer of any discrepancies.
- Update deferral contribution percentage changes with employer by completing a revised Salary Reduction Agreement when necessary.

## Employer Responsibilities:

- Submit contributions to the Empower Plan Service Center as soon as possible after the pay date but in no case later than the time limit described above.
- Notify CBB immediately if contribution errors have occurred. CBB will walk the employer through how to correct the errors.
- Update employee demographic information when necessary in the Empower Plan Service Center (address, phone number, work email etc.)
- Enter termination dates on the employee record in the Empower Plan Service Center for employees who are no longer employed due to retirement, separation of service or other reasons.

## CBB Responsibilities:

- Support employers, responding to questions and assisting with error correction as necessary.

## Empower Responsibilities:

- Receive and process automated payroll contributions in a timely manner.
- Work with employers and CBB to assist in resolving contribution discrepancies.

# Contribution Payment Instructions

All payments are submitted via ACH directly to Empower. Payment is automatically initiated when contribution submissions are sent through the Guided Payroll Process. ACH transactions will show as being from Great West Trust Company on the employer's bank statement.

## Note:

Some ACH transactions display as being from Empower.

## Contributions Limits Testing

Compliance with Internal Revenue Code contribution limits is primarily the responsibility of the individual employee because 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 MMBB, GuideStone, etc.), the responsibility for coordinating compliance testing across all vendors rests with each employer.

Internal Revenue Code sections 415(c) and 402(g) testing must be performed annually. 402(g) limits apply to the employee's own pre-tax elective deferral and/or Roth contributions to all retirement plans. 415(c) limits apply to all contributions made to the Plan for the calendar year, including employee and employer contributions. For compliance testing purposes, federal taxable wages should be reduced by the amount of any housing allowance. An employee that exceeds the 402(g) limit or 415(c) limit must receive a distribution of the excess amounts (and related earnings) within certain timeframes designated by the IRS.

Below are the contribution limits for 2023. For up-to-date limit amounts, visit [www.irs.gov](http://www.irs.gov) and search on "retirement plan contribution limits."

- **415(c) Limit** [Plan section 7.01(a)]

Annual contributions made by the employer and employee to all retirement vehicles cannot exceed the *lesser* of:

- \$66,000 (in 2023) or
- 100% of the employee's includible compensation

Includible compensation includes taxable salary/wages, overtime, pretax employee elective deferrals to the Plan, pre-tax cafeteria plan contributions, area travel allowance, taxable flat travel budget, tuition assistance, moving allowance, etc., and DOES NOT INCLUDE any non-taxable housing allowance.

- **402(g) Limit** [Plan section 7.02]

An employee may defer (pre-tax employee elective deferral and/or Roth contributions) up to \$22,500 (in 2023). Employees age 50 or more may defer an additional \$7,500/year.

Participating employers who are non-qualified church-controlled organizations (non-QCCOs) are subject to additional compliance testing. These organizations are typically colleges, universities, or retirement homes. See Article XV of the Plan for more information on compliance testing for non-QCCOs.

## Important Compliance Issues

- Housing allowance reduces taxable gross income which may limit or prevent a pastor from making the desired amount of employee pre-tax or Roth elective deferral contributions, or from receiving the full amount of employer contributions to the Plan. Pastors who exclude the majority or all their compensation as non-taxable housing allowance should contact their tax advisor for assistance in adjusting their housing allowance to maximize contributions to the Plan.
- Employees with excess contributions for the year should contact CBB for assistance.
- Any excess employer contributions will be used to offset future employer contributions.
- Excess 402(g) and 415(c) employee contributions will be distributed to the employee by Empower and a 1099-R will be issued.

Note: If employees elect large employee elective deferral contributions, they could be in danger of exceeding the 402(g) limit before the end of the year and if so, will lose employer matching contributions (if any) for the remainder of the year.

### **Employee Responsibilities:**

- Be aware of and do not exceed Internal Revenue Code contribution limits; consult with a tax advisor if necessary
- Manage contributions to all retirement vehicles within Internal Revenue Code limits

### **Employer Responsibilities:**

- Monitor contributions to ensure 402(g) and 415(c) compliance limits are not exceeded
- Review for contribution limit compliance across all alternate vendors
- Notify affected employees if contributions need to be refunded

### **CBB Responsibilities:**

- Assist employees/employers with identifying excess contributions.
- If contributions need to be returned, complete and send executed "Excess Contribution Form" to Empower for processing.

### **Empower Responsibilities:**

- After receiving authorized Excess Contribution Form from CBB, distribute excess contributions within required time limits.

# Loans

Participants actively employed by a participating employer may generally borrow an amount of up to \$50,000 or if less, 50% of their account. Loans are subject to rules, guidelines, and fees assessed by Empower. An employee may continue to make contributions (and an employer make basic and matching contributions) while the employee has an outstanding loan. Only one loan may be outstanding at any time.

Note: Loan payments may be suspended for up to one year for participants on an unpaid leave. The employee should contact Empower for information on how to suspend the loan.

## The Loan Process [Plan section 8.12]

### Employee Responsibilities:

- Contact Empower to request a loan application.
- Disclose all other vendor information as requested.
- Sign loan application.
- Forward loan application to Empower for processing.
- Loans are repaid through a regular ACH deduction from the employee's bank account. If the employee terminates employment, the loan repayments will continue until the loan is paid in full or the employee takes a distribution from his/her Plan account.
- 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.

### Empower Responsibilities:

- Provide loan application and information to employees upon request or from request received from participant website.
- Once the signed loan application is returned to Empower, process the loan and mail a check to the employee's address of record along with the amortization schedule.

### Note:

All loans are setup as ACH directly between the employee and Empower. Loans cannot be paid through the Guided Payroll Process.

## Early Loan Payoff Process

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

### Employee Responsibilities:

- Contact Empower for loan payoff amount.
  - Pay loan in full by sending a check to Empower (contact Empower for the mailing address)

### Empower Responsibilities:

- After receiving loan payoff from the employee, send loan payoff statement to the employee.

## Rollovers/Transfers into the Plan

Rollovers and transfers are tax-free distributions from an eligible retirement plan or IRA that are contributed to the Plan. The Plan will accept a full or partial rollover or transfer from an Internal Revenue Code section 401(a) or 403(b) plan, a 403(b)(1) annuity contract, a 403(b)(7) custodial account, a 403(b)(9) retirement income account, or an IRA.

## The Rollover Process [Plan section 3.12(a)]

### Employee Responsibilities:

- Contact Empower for assistance with completing the required rollover form.

### Empower Responsibilities:

- Guide participants through the roll-in process, assisting in completing the required form electronically.
- Deposit rollover into participant's rollover account.



## In-Service Withdrawals

The Plan permits three types of in-service withdrawals (Note: rollover contributions may be withdrawn at any time – but may trigger a 10% early withdrawal penalty if withdrawn before age 59½).

- Age 59½
- Hardship
- Birth or adoption of a child

## Age 59½ Withdrawals [Plan section 8.06]

Participants age 59½ or greater may receive a distribution of all or part of their account balance in the Plan, even if still actively employed.

## Age 59½ Withdrawal Process

### **Employee Responsibilities:**

- Contact Empower for assistance in requesting the withdrawal

### **CBB Responsibilities:**

- Approve withdrawal

### **Empower Responsibilities:**

- Assist employee with completing the withdrawal form and gathering required information.
- Enter the request on the TDL for review and approval from CBB.
- Process the withdrawal request. Withhold appropriate tax and mail check to the employee at their address of record.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

## Hardship Withdrawals [Plan section 8.07]

Hardship withdrawals must come from the employee's pre-tax employee elective deferral and/or Roth contributions accounts (but not including any earnings on pre-tax employee elective deferral or Roth contributions).

Withdrawal amounts can be up to 100% of the employee's immediate and heavy financial need but cannot exceed 100% of the amount in the accounts described in the previous sentences. All withdrawals are made pro rata from each investment fund in the account. Hardship withdrawal checks are made payable to the employee and are mailed to the employee's address on record with Empower.

If employees have contributions with multiple vendors, employees must either 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 Empower for review.

The Plan, following Internal Revenue Code guidelines, allows hardship withdrawals for the following reasons:

- 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 principal 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)
- Expenses and losses (including loss of income) incurred by the employee on account of a disaster declared by the Federal Emergency Management Agency (FEMA), provided that the employee's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster

Employees must use the hardship withdrawal to pay these expenses directly; the IRS specifically prohibits using a hardship withdrawal to repay credit card debt or loans previously incurred to meet these expenses. Supporting documentation must be provided to substantiate hardship distribution requests. The hardship must have occurred within the past 12 months, and

the hardship withdrawal request cannot cover the same expenses for which a hardship withdrawal has already been taken.

Participants under age 59½ may be subject to an 10% early withdrawal penalty.

## Hardship Withdrawal Process

### Employee Responsibilities:

- Contact Empower for assistance in requesting the withdrawal

### Empower Responsibilities:

- Review the completed withdrawal form for accuracy and completeness (including any required substantiation/documentation)
- Process the withdrawal request. Withhold appropriate taxes and mail check to the employee at their address of record or ACH funds to the participant's bank account on file. Mailing the check could take up to 10 business days. Setting up an ACH payment method can take up to 10 calendar days.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

## Qualified Birth/Adoption Withdrawals [Plan section 8.13]

Participants may withdraw up to \$5,000 upon the birth or adoption of an eligible child. Distributions must be made during the 1-year period beginning on the date on which the Participant's child is born or legal adoption is finalized. Distributions are permitted for the adoption of a child, other than the child of a participant's spouse, who has not attained age 18 or is physically or mentally incapable of self-support.

Participants are permitted to repay this amount to the Plan within 3 years. Such repayment will be treated as a rollover into the Plan.

CBB may rely on a participant's reasonable representation that the individual is eligible to receive a qualified birth or adoption distribution, unless it has knowledge to the contrary.

## Qualified Birth/Adoption Withdrawal Process

### Employee Responsibilities:

- Contact Empower for assistance in requesting the withdrawal

### Empower Responsibilities:

- Review the completed withdrawal form for accuracy and completeness.
- Process the withdrawal request. Withhold appropriate tax and mail check to the employee at their address of record.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

## Qualified Domestic Relations Orders (QDROS) [Plan section 14.02]

If a participant gets divorced, his or her account can only be divided according to the terms of a QDRO. Employees must use the template QDRO provided by Empower – a divorce decree, property settlement agreement, or non-Empower QDRO will not be accepted. Employees should contact Empower for a copy of the template QDRO.

### QDROS

#### Employee Responsibilities:

- Follow the instructions on qdros.com to generate a QDRO with QDRO Consultants.
- Review draft QDRO from QDRO Consultants and if correct, file with the court system and have a judge sign the QDRO.
- For questions and errors on the draft QDRO, contact QDRO Consultants.
- After the QDRO is signed by the judge, upload document to QDRO Consultants website.

#### Empower/QDRO Consultants Responsibilities:

- Create QDRO document and transmit to participant for review and judge's signature.
- Review the executed QDRO document that participant uploads to QDRO Consultants website. If satisfactory, QDRO Consultants will submit QDRO to Empower for processing.

## Distributions After Retirement or Separation from Service

Upon retirement or termination of denominational employment, an employee may take a total or partial distribution from all accounts in the Plan.

Currently, terminated or retired employees may leave funds in the Plan. Terminated employees cannot contribute to the Plan other than through rollovers into the Plan from other eligible retirement plans.

Upon reaching age 73, retired participants are generally required by the IRS to begin taking required minimum distributions (RMDs) from the Plan annually.

### Methods of Distribution [Plan section 9.01]

An employee must elect to receive benefits under any of the following options:

- Lump sum
- Installment Payments

*Note: lump sum and installment payment distributions will be designated as housing allowance eligible for retired pastors.*

## The Distribution Process

### Employee Responsibilities:

- Contact Empower to request a distribution
- If eligible for a housing allowance in retirement, ensure Empower's system reflects housing allowance eligibility. Ministers eligible for housing allowance in retirement will have Form 1099-Rs coded to categorize distributions as "Taxable Amount Not Determined." Participants with housing allowance eligible distributions should work with their tax preparer to ensure adequate documentation of housing allowance claimed on tax returns.

### Employer Responsibilities:

- After final contributions are submitted for terminated employee, submit termination date to Empower (see "how to" video on GPP page)

**CBB Responsibilities:**

- Approve distribution

**Empower Responsibilities:**

- Review distribution form for accuracy and completeness.
- If a lump sum is requested, withhold appropriate taxes and mail the check to the employee at their address of record. If periodic distributions are requested, adjust employee's account in the Plan to reflect the ongoing distribution.
- In January of the year following the distribution, prepare IRS Form 1099-R and send to the employee and the IRS.

## Additional Distribution Information

**Pre-Retirement Death Benefits [Plan section 8.03]:**

If an employee dies before retiring or before receiving pre-retirement termination benefits from the Plan, the employee's surviving spouse or other designated beneficiary may request a distribution or rollover of the employee's account balance. The beneficiary should contact Empower for more information. Empower will need a copy of the participant's death certificate.

**Disability Distributions [Plan section 8.04]:**

An employee who is disabled before reaching age 59½ and who is:

- Eligible for disability from a participating employer's long-term disability insurance plan, or
- Determined to be disabled using the Social Security definition of disabled may receive a distribution of his/her entire account balance, except that if the employee is not totally and permanently disabled according to the Social Security definition, he/she is not allowed any disability distribution from their pre-tax employee elective deferral and/or Roth contribution accounts. The employee should contact Empower to request a distribution.

## Tax Reporting

Employer basic and employer matching contributions **may be** reported on the W-2 Form at the option of the employer. Pre-tax employee elective deferral and Roth contributions **must be** reported on the employee's W-2 Form.

The Church Benefits Board cannot provide tax advice. Please check with a qualified tax professional if questions arise on completing the IRS Form W-2.

## W-2 Instructions

Generally, 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 pre-tax employee elective deferral contributions to the 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 **includes** pre-tax employee elective deferral and Roth contributions to the Plan and all other elective deferrals made to other retirement arrangements described in box 12.

### Box 12

Complete and code this box for employee pre-tax employee elective deferral and Roth contributions:

- Enter code E 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 13**

The box entitled “Retirement Plan” must be checked if the employee was an active participant in the Plan for any part of the year.

*Note: If an employee is ineligible to receive employer contributions, but elects to make pre-tax or Roth employee elective deferral contributions to the Plan, the employer must still check the “retirement plan” box on line 13 of the employee’s W-2 and include the amounts contributed to this Plan on line 12 using Code E. The employer should also notify the employee that this contribution may prevent the employee from making deductible personal contributions to an IRA.*

### **Box 14 - Other**

Employers may (but are not required to use this box for any other information they want to give employees, including:

- Employer basic contributions
- Employer matching contributions

Employers that use this box to report any of the above should clearly label the amounts being reported.

Please see the IRS Form W-2 Instructions for additional information. The instructions can be found at [www.irs.gov](http://www.irs.gov)



## Error Correction Using EPCRS

If errors occur (such as over contributions or missed contributions to Plan participants), corrective contributions or distributions must be made on a timely basis. All errors must be corrected following the guidance described in the Internal Revenue Service's Employee Plans Compliance Resolution System (EPCRS), IRS Revenue Procedure 2021-30. (The IRS is currently updating this correction guidance to incorporate SECURE 2.0 provisions.)

Generally, error correction includes determining the amount of the under- or over- contribution, including investment gains/losses, and making the applicable adjustment to the affected participant's Plan account.

For questions on error correction, contact Jenny Clore or email the CBB Help Desk (See "Contact Information" on page 1 of this Manual).

**It is imperative the church or employer contact the Church Benefits Board in the event of a contribution error. We will instruct on the next steps to correct the error using the EPCRS process.**

**Examples of errors below (not limited to):**

- 1. Church incorrectly calculated the amount of contributions due to a participant for any given period of time.**
- 2. The employer missed sending a contribution for a previous pay period.**
- 3. The church accidentally sent two contributions to employee accounts for the same time period.**