

## DESCRIPTION OF THE TAX-DEFERRED ANNUITY PROGRAM

Certain facts should be kept in mind in giving consideration to participate in the Tax-Deferred Annuity Contribution Program. Tax-deferred contributions may be accepted from your employer ONLY. (For the purpose of participating in Tax-Deferred Annuity Program, a minister appointed to a local church is considered an employee and the church is considered the employer.) The remittance of a tax-deferred contribution must be accomplished via a check issued by the salary paying unit. Personal checks will not be accepted as payment of a tax-deferred contribution, and the payment will be coded as a personal contribution instead.

An agreement between the employer and employee must exist in order for an individual to participate in the Tax-Deferred Annuity Contributions Program. The enclosed form may be used for this purpose. The agreement need not be on file with the General Board of Pensions. Please retain it for your files. Other similar forms will satisfy the agreement requirements and may be substituted for the one enclosed.

For those ministers participating in the Tax-Deferred Annuity Program and serving a local church, it will be necessary for the Annual Conference to confirm that such church paid its pension and benefit apportionments in full. If such apportionments are not paid in full for a given year, any tax-deferred contribution made on behalf of the minister serving such church during the year will be refunded. This procedure is intended to preserve the integrity of the appointment system of the conference.

Annuity payments of lump-sum payments received from the tax-deferred contributions made on your behalf and the interest earned thereon will be taxable income to you in the year or years in which the payments are received by you.

The General Board of Pensions will credit interest monthly to the tax-deferred contributions made on your behalf at the annual interest rate established by the Board. Currently, the interest rate is  $6\frac{1}{2}\%$  per annum, and when market conditions permit, special interest distributions have been and will be made to increase the rate. The General Board does not make a service charge for participation in the Tax-Deferred Annuity Contributions Program.

Annually, you will receive in the fall from the General Board of Pensions in Evanston, Illinois a form giving you the opportunity to designate whether your tax-deferred contributions and interest credits are to be invested in the Diversified Fund or Special Funds, I, II, and III. This investment option is applicable to those tax-deferred contributions made only after January 1, 1982. This form must be completed and returned to the General Board of Pensions in Illinois ON OR BEFORE NOVEMBER 1 OF EACH YEAR.

It is important to note that "employer" contributions made to the current Ministers Reserve Pension Fund or to the new Ministerial Pension Plan beginning in 1982 on behalf of a minister constitute contributions to a tax-deferred annuity program. It is also important to note that the Internal Revenue Code sets specific limits on the maximum amount that may be contributed in any calendar year to a tax-deferred annuity program on behalf of an individual. Because of these two facts, the rules and regulations of the Tax-Deferred Annuity Contributions Program specify that the maximum amount which may be contributed on behalf of a participant is 25% of a participant's cash salary or \$9500, whichever is less. Included in the maximum 25% contributions made on your behalf, will be your own personal contribution, the M.P.P., or contribution to a life insurance company, or a stock broker. SINCE EVEN THIS AMOUNT MAY EXCEED THE INTERNAL REVENUE CODE LIMITATIONS FOR SOME PARTICIPANTS OF THE TAX-DEFERRED ANNUITY CONTRIBUTIONS PROGRAM, THE AMOUNT CONTRIBUTED MUST BE JUSTIFIABLE BY THE PARTICIPANT TO THE INTERNAL REVENUE SERVICE. IF YOU HAVE ANY QUESTIONS REGARDING THE SPECIFIC LIMITATIONS SET BY THE INTERNAL REVENUE CODE, PLEASE SEEK COUNSEL WITH YOUR TAX CONSULTANT OR ATTORNEY.

Participation in a tax-deferred annuity program will have an impact on the wage base for Social Security purposes for a minister. Contributions on behalf of ministers toward a tax-deferred annuity contract are NOT to be taken into consideration as net earnings from self-employment for Social Security tax purposes.

At the present time, the rules of the Tax-Deferred Program permit roll-overs into but NOT roll-overs out of this plan.

Currently, a statement of the tax-deferred contributions balance, including credited interest, is prepared upon the receipt of a payment. This statement also includes a remittance advice stub for use in making subsequent contributions.

In January of 1982, a regular monthly billing was established for ministers which permits tax-deferred contributions.

If any tax-deferred contributions are made on your behalf without a remittance advice stub or a billing statement, it should be identified by your participant number and a clear indication that the contributions are for the Tax-Deferred Program.

