Contributions

MRT Administrative Manual

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

All contributions – employee and employer – are immediately 100% vested in the 401(a) plan. Employee contributions to the 403(b) plan are always 100% vested. Employer contributions to the 403(b) are 100% vested unless you set up a vesting schedule in your adoption agreement.

Regular contributions

Salary Reduction Contributions (403(b) only): Employees may elect to defer a specified percentage of their compensation as an elective deferral on a pre-tax basis. This contribution is fully vested.

Roth Contributions (403(b) only): If allowed in your adoption agreement, employees may elect to defer a specified percentage of their compensation as a Roth elective deferral on an after-tax basis. This contribution is fully vested.

After-Tax Contributions (401(a) only): Employees may elect to contribute a specified percentage of their compensation on an after-tax basis. This contribution is fully vested.

Employer Contributions (401(a) and 403(b)): You will contribute a fixed amount or percentage to all eligible employees as identified in the employer's adoption agreement. If participating in the 403(b), you can set this up as discretionary. In other words, you can decide each year what you will contribute as the employer. If participating in the 401(a), employer contributions are mandatory.

Employer Matching Contributions (403(b) only): An employer will match the eligible employee's salary reduction contributions based on a formula identified in the adoption agreement. Salary reduction contributions and Roth contributions are matched if the employee is eligible for employer matching contributions. The matching contribution can be set up as discretionary. In other words, you can decide each year what you will contribute as the employer. However, not identifying up-front the matching contribution may reduce the incentive for employees to make salary reduction or Roth contributions to the plan.

Other contributions

Missionary Contributions (401(a) and 403(b)): U.S. citizens serving overseas are eligible for special tax treatment on employer and salary reduction contributions. To receive this tax treatment, you must identify the contribution as a missionary contribution at the time the payment is made. These contributions are not included as income at the time they are made and are paid out tax-free upon withdrawal. However, earnings will be taxable. Contributions made for missionaries while on furlough in the states should not be reported as missionary contributions unless the income earned by the missionary during that time is eligible for the foreign income exclusion. Non-U.S. citizens are not eligible for MRT.

Rollover Contributions (401(a) and 403(b): A participant may roll over to the Plan all or part of any distribution from an eligible retirement plan or IRA, provided procedures established by MRT are followed.

Contributions made at termination of employment

Once an employee terminates employment and is no longer considered an employee (the employee is no longer receiving a salary/wage or service credit), please wait to update the employee's termination date in the Empower system until after you have made the last contribution for the employee. Otherwise, the contribution may be rejected.

How to calculate employer contributions for employees

- Employer contributions should be paid based on the rate in your adoption agreement. Apply that rate to compensation as it is defined in your adoption agreement.
- Determine the employer matching contribution based on the formula in your adoption agreement and pay based on the compensation as it is defined in your adoption agreement and the elective deferrals contributed by the employee.
- Pastors with a housing allowance – If you have employees for whom you are designating housing allowance, please keep the following in mind.
    - The IRS limits the maximum contribution that can be made for an employee to 100% of taxable compensation not to exceed a fixed dollar amount that changes each year. Pastoral housing allowances are not included as taxable income but should be included when calculating the employer contribution. If you are designating a large percentage of the pastor's income as housing allowance, you need to be careful that you don't exceed this contribution limit.

      For example, a part-time minister receives a salary of $15,000, and the congregation designates a housing allowance of $14,000. The pastor has a taxable income of $1,000. That is the maximum contribution that can be made to the Plan, or any other retirement plan in which the pastor participates through the employer. If the employer wanted to make a 10% contribution ($1,500), they would only be able to contribute $1,000.

      There are special contribution limits that may apply in this situation. Contact Everence for more information.

Plan entry date

The plan entry date is the day an eligible employee actually joins the plan. If you specified a plan entry date in your adoption agreement, please make sure you apply that uniformly to all employees.

A. Elective deferrals (403(b) only)
The plan entry date will be the next payroll period after the employee becomes eligible unless you select one of the following options in your adoption agreement:
1) Employee's may begin Elective Deferrals on the **first day of the month following the month in which** the Employee meets the Plan's eligibility requirements.
2) Employees may begin Elective Deferrals on the **first day of the quarter** following the quarter in which the Employee meets the Plan's eligibility requirements.
3) Employees may begin Elective Deferrals on **(please describe): ________________________**

B. Employer and/or matching contributions
Participation in the Plan's Employer Contributions and/or Matching Contributions (if any) for each eligible Employee begins the first day on which the Employee meets the Plan eligibility requirements, unless otherwise elected below:
1) Participation in the Plan's Employer Contributions and/or Matching Contributions for each eligible Employee begins the **first pay period** following the date the Employee meets the Plan's eligibility requirements.
2) Participation in the Plan's Employer Contributions and/or Matching Contributions for each eligible Employee begins the **first day of the month following the month in which** the Employee meets the Plan's eligibility requirements.
3) Participation in the Plan's Employer Contributions and/or Matching Contributions for each eligible Employee begins the **first day of the quarter** following the quarter in which the Employee meets the Plan's eligibility requirements.

The contribution process

There are three different automated options available to submit contributions. While each option is different, they all do one thing really well – make it easy to remit payroll contributions without writing a check. Each of these options allow Empower to pull the contribution amount directly from your organization's bank account.

1. Guided payroll – A quick, easy solution intended for smaller organizations. You can enter your contributions online.
2. Payroll Data Interchange (PDI) – A more robust option designed for larger employers that can create a payroll file and upload it to the Empower website. Empower has flexibility to accept different types of files.
3. Payroll Bridge – An ideal choice for plan sponsors looking to minimize payroll contribution administration by having their established national payroll provider remit contributions directly to Empower.

For more information about making contributions, please see https://www.empower-retirement.com/psc/plan-resources/.

While you can send paper contribution forms and checks to Empower, we encourage you to utilize one of the automated options above. Doing so will simplify your administration, eliminate checks getting lost in the mail, and will better protect your employees' personal identifying information.

If you are not already set up for one of the automated payroll methods, please contact Everence and we will help you get started.

Timing of contributions

- Employee Contributions – Money that you withhold from an employee's paycheck should be contributed to the Plan as soon administratively possible, but within 15 days of the end of the pay period. If you process your payroll every two weeks, you should send in those contributions at the end of each month, or after each payroll.

- Employer Contributions – Employer contributions should be made within 30 days of the end of each calendar quarter. If you participate in the 403(b) plan and you are sending in employee contributions after each pay period, we encourage you to make your employer contributions at the same time.

Hire, rehire and termination dates

No matter what process you use to make contributions, it is important for you to report hire, rehire and termination dates to Empower on an ongoing basis.

Vesting

If you offer a vesting schedule for employer contributions, you must report the participant's hire, termination and rehire date, if applicable, to Empower by either including that information when you submit contributions to the plan or by updating the information on Empower's website, the Plan Service Center. The vesting percentage is based on the hire date and the termination date. If Empower doesn't have either piece of information, it will be unable to properly calculate the participant's vesting percentage.

If a participant is terminated and rehired within 12 months of the termination date, it is as if the employee never left employment for vesting purposes.

See the Vesting section below for more information.

Updating adoption agreements

If you want to change contribution amounts, please contact us at mrt@everence.com. We will lead you through the process of updating your adoption agreement.

The contribution process

Employer responsibilities:
- Calculate the amount to be contributed for each employee.
- Report to Empower the amount for each type of contribution for each employee based on the contribution method you are using.
- Send employee contributions no more than 15 days after each payroll period.
- Use available forfeitures to reduce future employer contributions, if applicable.

Empower Retirement responsibilities:
- Process contributions sent by the employer.