

Bringing you great tips for responsible investing

Important News For Clergy Participants!

- Don't Miss Your CRSP Match
- MPP Changes Mean You Must Annuitize Exactly 65 Percent
- Understanding the Annuity Conversion Interest Factor

RETIREMENT SAVINGS:

Don't Miss Your CRSP Match

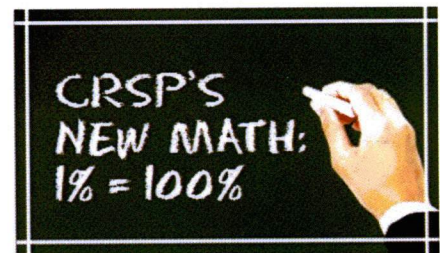
Beginning next year, if you are a Clergy Retirement Security Program (CRSP) participant, you must contribute to the United Methodist Personal Investment Plan (UMPIP) to prevent a reduction in contributions to your CRSP Defined Contribution (DC) account.

Currently, the Church contributes an amount equal to 3% of your plan compensation* to your CRSP DC account. However, beginning January 1, that contribution will be **reduced to 2%** unless you contribute to UMPIP.

If you contribute to UMPIP, the Church will match 100% of your contributions—up to 1% of your plan compensation—and deposit those matching funds into your CRSP DC account. Therefore, if you contribute at least 1% of your plan

compensation to UMPIP, the Church's contribution to your CRSP DC account will be 3%, unchanged from today.

This change, as well as other changes to CRSP—including a change in eligibility requirements and a reduction of the formula for benefits earned after 2013 under the defined benefit (DB) component—were announced in the July and October 2012 issues of the *Hark Supplement* (online at www.gbophb.org/resources/publications.asp). Some clergy



are not yet contributing to UMPIP. Even if you already contribute 1% to UMPIP, consider increasing your contributions to make up for the future reduction in the CRSP DB benefit formula.

To start, submit a *Before-tax and After-tax Contributions Agreement* by January 1, 2014 (available at www.gbophb.org/resources/forms.asp) so that you will earn the matching contributions from day one. Don't delay—invest in your retirement future today!

RETIREMENT PLANNING:

MPP Changes Mean You Must Annuitize Exactly 65 Percent

Retirement planning necessitates that you take into account all of the benefits that you expect to receive and that you ask yourself some difficult questions. If you are a long-time participant in the Ministerial Pension Plan (MPP), it's likely that you have accumulated a meaningful

account balance—and have some fairly well-formed plans. When you retire, MPP provides the security of lifetime income through monthly annuity payments.

Currently, MPP requires that you convert *at least* 65% of your account balance to an annuity. However, the plan rules

change on January 1, 2014, and you must take *exactly* 65% as an annuity. The change affects participants who have not yet retired, as well as those who have retired but have not yet taken

continued

*Plan compensation includes your housing allowance or a value for your parsonage.



General Board

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MPP Changes Mean... *continued*

a distribution from MPP. If you have taken a distribution from MPP already, you must annuitize *the entire remaining balance*—even if your distribution was less than 35% of MPP.

While retiring and starting your annuity before January 1, 2014 would preserve your ability to annuitize more, that decision may not be right for you. The article "*MPP Changes Go Into Effect in 2014*"

(at www.gbophb.org/MPPChanges) offers things to consider before making a decision.

One option available to you from the General Board is our new service, LifeStage Retirement Income, which will determine and manage monthly distributions from the non-annuitized portion of your MPP account. Read the cover story in *Hark* to learn more about this groundbreaking new service.

You may want to consult with a financial planner about your annuitization decision and other options available to you. The General Board provides financial planning services at no charge to participants in its plans through Ernst & Young Financial Planning Services. Call **1-800-360-2539**, Monday through Friday from 8:00 a.m. to 7:00 p.m., Central time (excluding holidays).

Understanding the Annuity Conversion Interest Factor

When determining your MPP monthly benefit payment, the General Board considers a number of different factors, including the *annuity conversion interest factor*. The General Board publishes this factor at www.gbophb.org/resources/AnnuityRates.asp and adjusts it semiannually (or as needed) to reflect market conditions; however, many participants are uncertain about how this factor affects their payment amount. This confusion is increased when participants mistakenly compare it to the payment amounts or payout rates commonly available from insurance companies.

HOW ANNUITY PAYMENTS ARE CALCULATED

When you purchase an annuity, insurance companies invest the money you used to purchase your annuity and forecast what they expect to earn on their investments. Then, they reduce their expected earnings to account for profit, sales and administrative costs, and their risk that you (and your spouse, if applicable) will live longer than the average life expectancy, since healthier people may be drawn to purchase annuities.

All of these considerations ultimately determine the amount of your annuity payment. Insurance companies will then quote you a *payout rate*, which they calculate by dividing your initial monthly payment by the amount you used to purchase the annuity.

The General Board uses a similar approach, but does not charge sales costs, build in profit or adjust for the risk that you and your spouse might live longer than expected, since MPP participants are required to purchase an annuity. These differences mean you typically receive a higher monthly payment from the General Board for the same annuity type.

COMPARING INSURANCE PRODUCTS TO GENERAL BOARD-ADMINISTERED ANNUITIES

The *annuity conversion interest factor* provides participants a reference point to evaluate the market at the time of

annuitization. Higher rates typically correspond to higher annuity payments; however, the actual payout rate is dependent on the age of the participant (and contingent annuitant, if any). Insurance companies use a similar factor when calculating annuity payments, but they do not provide this information to their customers for competitive reasons. Therefore, comparing the General Board's annuity conversion interest factor to the insurance company payout rate is not an apples-to-apples comparison.

Ernst & Young Financial Planning Services can help you consider questions such as when to retire and how to plan your distributions. Financial planners are available Monday through Friday from 8:00 a.m. to 7:00 p.m., Central time at **1-800-360-2539** (excluding holidays).

EXAMPLE—COMPARISON OF GENERAL BOARD AND INSURANCE RATES

This example provides a comparison of an annuity based on the General Board's current annuity conversion interest factor of 3.5% to an insurance company with a payout rate of 4.31%. Despite what may initially appear as less favorable terms, the actual General Board payout rate is 4.96%—**0.65% higher than the insurance rate**.

	General Board	Typical Insurance Company
Amount annuitized	\$100,000	\$100,000
Annuity conversion interest factor	3.50%	Not published
Approximate annual payment amount*	\$4,950	\$4,310
Approximate payout rate*	4.96%	4.31%

*For a 65-year-old participant who has a 62-year-old spouse, is retiring July 1, 2013, and elects a Life & 70% Survivor annuity with a 2% annual cost-of-living increase. Note: Many insurance companies do not offer annual cost-of-living increases or Life & 70% Survivor annuities so it may be difficult to do a side-by-side comparison of these products.