# Plan Sponsors

## 12 Things You Need To Know

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"Executive Pastors, Business Managers, Board Members, CEO's, COO's, and HR Directors associated with Non-Profits are often in the dark when it comes to understanding retirement plans."

Often this includes those who are directly responsible for the oversight of their plan or charged with the responsibility of setting up or finding a new vendor.  Occasionally, a man or woman who really knows the business emerges but not very often. The usual dialogue with Non-Profit leadership starts with, “I really do not understand much about retirement plans.”

The 403(b) retirement plan for nonprofits has been around since the 60’s with IRAs showing up in the mid 70’s and the 401(k) in the early 80’s. Prior to the enabling legislation bringing these defined contribution approaches to retirement into the mainstream, Defined Benefit Plans, similar to Social Security, were the norm.

Even today certain pundits lament the passing of Defined Benefit Plans, characterizing them as a better option for employees than the Defined Contribution Plans we have now.

They often cite the need for plan participants to actually participate in the plan as one of our societal problems. For example, a couple serving 30 years in the mission field was shocked to discover that their ministry's retirement plan only provided $13 per month for every year of service. The total $390 per month from their ministry wasn't going to be enough.

If the same amount had been contributed to a Defined Contribution Plan, with average investment returns, the amount would be more than double. Also, the balance in the account upon the passing of the couple would go to their heirs. Clearly a much better stewardship solution. But it does require the participants to be engaged.

Here are the basics that an existing or prospective Plan Sponsor needs to know:

1 Retirement plans are governed by the regulations of two bodies; the Internal Revenue Service and the Department of Labor.

2 Beginning in 2009, the IRS determined that the employer is the responsible party to provide and oversee the set-up, implementation and oversight of the plan.

3 A plan document and summary plan description are required for each plan. Should such a document not exist, the IRS can and will assemble all documents and regular activities related to the plan and establish the plan design for those bits and pieces.

4 In prior times, you could update your plan documents every 5 years or so. Today, they must be up to date at all times. Therefore, every time there is a change in the law or the regulations the document must be updated.

5 The plan document states all the applicable regulations and then outlines the elements of the specific plan design.

6 The plan design details all of the important elements: Who is eligible to participate? When are they eligible to participate? And, how much will be or can be contributed?

7 There are a number of other simpler

decisions such as: Will loans be available? Will in-service distributions be allowed? And, can those with ministerial status take distributions as part of their Housing Allowance after Retirement?

8 The single biggest economic decision is deciding on the amount the ministry or nonprofit organization will contribute. Plus, will the Plan Sponsor contribute, and if so, how much, and/or will there be a matching component requiring the employee to contribute too?

9 Investments are only one of four major components to the plan:

1. The Investments: A menu of mutual funds or Exchange Traded Funds (ETF's) allowing the participants to invest well

2. Compliance and Plan Document issues referred to as Compliance or TPA services

3. Recordkeeping: The tracking of all money in, all money out and accurately reporting the results of these activities.

4. Education: Helping all participants and the Plan Sponsor to participate and administer with confidence.

10 The selection of the Vendor, TPA, Recordkeeping, and Investment Advisory can be separate or contained in one provider. There are two main categories of providers: Insurance Companies and Independent TPA, Recordkeeping and Advisor firms.

11 Getting started is the single biggest determinant to how you will finish. How a plan is implemented and supported is vital.

12 Even though a vendor may be doing the work, putting a Retirement Plan Oversight Committee in place is important for mid to larger sized organizations since plan sponsors are fiduciaries to the plan and therefore charged with its oversight.

These twelve items compose the basics of how a 403(b), 403(b)(7), or 403(b)(9) Church Plan is put in place and operates.
The ongoing educational component underlies the long-term success of the plan. A staff that is engaged, contributing and growing in their understanding and confidence about the funding of their future ministry is both blessed and will be a blessing to their family and to the growth of The Kingdom. **To learn more about retirement plans for ministries, go to EnvoyFinancial.com.**

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