<u>MEMORANDUM regarding UUA Retirement Plan Amendments</u>

January 16, 2023

As has already been announced, the Retirement Plan Committee made the decision in 2022 to engage Empower as the new recordkeeper for the Plan and to target a February 27, 2023, transition date from TIAA, the current recordkeeper. As a part of the transition process, Empower staff carefully reviewed our existing Plan document and made suggestions for changes to administrative provisions of the Plan. These suggestions were incorporated in amendments to the Plan, drafted by Plan counsel.

The changes focus on distributions from the Plan following severance from employment as defined in the Plan, when a participant is no longer employed by an employer who has adopted the Plan.

<u>Section 9.2</u>

Current Section 9.2 of the Plan contains provisions concerning the disposition of the Plan assets upon severance of employment should the balance be less than $5000. This section had made a distinction between Plan balances of $5000 to $1001 and balance of $1000 or less. Plan balances of $1000 or less were simply paid out to the participant automatically as a lump sum. For balances greater than $1000 but less than $5000, the funds would be transferred to an individual retirement account for the participant selected by the Plan unless the participant requested a lump sum distribution in cash or a distribution to a retirement account established by the participant.

Empower suggested that in their experience, distribution checks to participants who had terminated employment in the amount of less than $1000 were sometimes difficult to deliver and might remain uncashed. The Plan would then need to search for these individuals and might have difficulty properly reporting for tax purposes. Empower's suggestion was to treat all balances of less than $5000 the same and have those balances transferred to an individual retirement account automatically unless the participant requested a distribution outright or to an account of their choosing. The new Section 9.2 accomplishes that.

Any distributions from the Plan to a participant directly are taxable to that participant. However, distributions made to clergy from the UUA Plan, allow a clergyperson to utilize the clergy housing allowance and shelter the distribution from income tax. On the other hand, if the funds are transferred to another retirement account, the funds continue to be retirement assets and are not taxable until distributed from that account, but those future distributions could not be considered as housing allowance for income tax purposes.

In the amendment, a distinction is made for clergy, so that a distribution is not made to another retirement account automatically, thus taking the funds outside the UUA Plan. Such a distribution would eliminate the availability of the clergy housing allowance. A clergyperson could still take a distribution or move the funds to another retirement account but would have to affirmatively make that decision aware of the tax implications.

Empower is able to identify participants as clergy based on information provided by employers. This identification is needed because of the unique provisions regarding clergy housing allowance, but, as has been communicated in the past, individual participants are responsible to determine if this tax provision is appropriate in their personal circumstances.

Section 9.1

Section 9.1 covers the ways that participants can receive distributions from the Plan. The current language provides for payments being made for the life expectancy of the participant or their beneficiary. Payments structured in this way require an actuarial calculation that Empower does not utilize for Plans such as ours. At TIAA, the only payment structure using life expectancy is the TIAA Traditional annuity. TIAA Traditional is not transitioning to Empower, but rather will remain in participant accounts at TIAA for a ten-year period.

The amendment to Section 9.1 provides for a lump sum payment or partial lump sum payments consistent with the current provisions. It also provides for installment payments, monthly, quarterly, semi-annually or annually, also consistent with the current language. Only the option for life expectancy has been eliminated.

To cover the continuing existence of the TIAA Traditional annuity an exception is made allowing life expectancy payments to continue for distributions that began prior to February 27, 2023, the anticipated date of transition to Empower.

Future Amendments

At this time, the Retirement Plan Committee is only recommending the amendments to the two sections discussed above. In future months, it is the intention of the Committee to review and update the Plan to incorporate various legislative changes to retirement Plans that have recently been enacted by Congress and to address any other changes which will enhance the Plan's effectiveness for our participants.