

2014 Employer Participation Agreement Instructions Unitarian Universalist Organizations Retirement Plan (As Amended and Restated Effective January 1, 2014)

General Information: This document is intended to help congregations and other UUA-related organizations complete the 2014 Employer Participation Agreement. In June 2013, the UUA Board of Trustees adopted a restatement of the Unitarian Universalist Organizations Retirement Plan. The 2014 Plan Restatement offers participating congregations and other employers several options not previously available. Because of the changes to the underlying Plan, all Participating Employers must complete a new Participation Agreement by June 30, 2014 if they wish to continue to be a Participating Employer. Congregations and other UUA-related organizations, currently not participating in the Plan, but who wish to become a Participating Employer must also complete the 2014 Participation Agreement. Please direct questions to Linda Rose, Director of the UUA Retirement Plan by email at retirementplan@uua.org or phone at (617) 948-4265.

Steps toward Adopting the Plan Restatement: The UUA Retirement Plan Committee recommends that the Governing Board of each Participating Employer:

- Review the Executive Summary, Background Memo, 2014 Participation Agreement and Instructions, UUA Fair Compensation Standards, Restated Plan Document, and Summary Plan Description;
- Understand that the 2014 Employer Participation Agreement provides the Participating Employer with the opportunity to tailor their retirement plan benefits in a way that addresses the needs of both the employer and their employees. We strongly recommend discussing the implications of each possible option with all employees;
- Understand that once their new Participation Agreement is submitted and accepted, ALL employees, part-time and full-time, may make their own voluntary employee salary deferrals into the Plan and should be enrolled as a Plan participant;
- Review each employee's eligibility for Employer Contributions;
- Understand that the Participation Agreement is a legally binding document committing the Employer to comply with the provisions of the Plan, the Employer Participation Agreement, and federal law and regulations.
- Pass a Board motion adopting the 2014 Plan Restatement (see sample).
- Establish internal procedures to ensure Plan compliance through the years.

Who are Eligible Employees: Under the 2014 Plan Restatement, employers must make a minimum employer contribution to all eligible employees. Eligible Employees are those who:

- have reached age 18; and
- have completed 1,000 hours or more of employment during a 12-month period beginning on the employee's employment date, or in any subsequent calendar year. The hours worked by an employee working for two or more Participating Employers are totaled in determining whether the employee has completed the 1,000 hours in one year threshold.
- A newly fellowshiped minister who previously completed a ministerial internship is eligible for Employer Contributions immediately upon employment.

- A newly hired employee who fulfilled the 1,000 hour/1 year requirement at another participating employer is also eligible for Employer Contributions immediately upon employment.
- Once the initial year of service/1,000 hour requirement is met, employees will continue to receive employer contributions even if their hours in subsequent years drop below the 1,000 hour threshold.

Specific Instructions to Complete the 2014 Retirement Plan Participation Agreement

A. **Employer Elections:** Participating congregations/employers have the opportunity to tailor four provisions of the restated Plan to best meet their needs and those of their employees. Governing Boards are well advised to understand the administrative implications of each of these elections and discuss each with their employees prior to adoption.

1. **Election #1 – Auto-Enrollment: Voluntary Employee Contributions**

Employees who are automatically enrolled in the Plan at a modest level of pre-tax elective deferrals often recognize that making their own contributions to the Plan helps prepare them for the future and is manageable. All employees, part-time and full-time, are entitled to make pre-tax voluntary salary deferrals. Many employees fail to save for their own retirement because they are unaware of the tax advantages in making pre-tax salary deferrals or simply delay in doing so.

A Participating Congregation/Employer may elect to “automatically enroll” all employees who have reached age 18 for the purpose of making pre-tax elective employee deferrals. Each employee who is “automatically enrolled” in the Plan will be deemed to have elected to defer a specified percentage of his or her compensation to the Plan as a pre-tax elective deferral. An Employee can opt-out of making pre-tax elective deferrals, or change the percentage rate of their pre-tax elective deferrals, at any time by informing the individual responsible for payroll at the participating congregation/employer. It is recommended that the employer require the employee to complete a new Salary Reduction Agreement to document any such change.

Participating Employers need to be aware that by opting “auto-enrollment” for their employees, additional administrative tasks must consistently be handled by the Employer. The UUA Office of Church Staff Finances will provide a Sample Notice for Employers to distribute to their Employees. It is the responsibility of the congregation/employer to not only enroll the employee upon employment and provide them with required notices and forms, but also to ensure that the elective deferral amount is withheld from the employee’s salary on a pre-tax basis and remitted in timely fashion to TIAA-CREF as required by law.

On the 2014 Participation Agreement, congregations/employers need to document their decision to automatically enroll their employees in the Plan or not, and select the default percentage (between 1 and 6 percent of compensation). Choosing “auto-enrollment” is not required, but an option.

2. **Election #2 - Base Employer Contribution:** Under the 2014 Plan Restatement, employers **must** make a required base employer contribution of 5 percent or more to all eligible employees. The same percentage contribution must be given to all eligible employees. The previous Plan had no minimum

employer contribution. On the 2014 Participation Agreement, indicate the percentage of each eligible employee's compensation that will be contributed into the Plan by the congregation/employer each payroll period as the base employer retirement contribution. This percentage remains in effect until the UUA Retirement Plan Committee is notified, in writing, of the change and an acknowledgement is received from the Committee.

3. **Election #3 – Matching Employer Contribution:** In addition to the Base (mandatory) Employer Contribution, participating employers may opt to make an additional Matching Employer Contribution of up to 6% on behalf of each employee. Matching Employer Contributions are made each pay period and are equal to a specified percentage of compensation that the employee contributes as pre-tax Elective Deferrals during the applicable pay period. On the 2014 Participation Agreement, indicate the percentage of each eligible employee's Elective Deferrals, if any, that will be matched by the congregation/employer each payroll period as a Matching Employer Contribution. Choosing to match employees' elective deferrals is not required, yet has been found to be an effective way to encourage employees to make their own voluntary contributions.

Understanding the Relationship between Employer Contribution(s) and the UUA Fair Compensation Guidelines: UUA Fair Compensation Guidelines recommend that congregations/employers contribute a minimum employer contribution of 10 percent to all eligible employees. For 2014, the UUA Fair Compensation requirement may be met by any combination of employer contributions (base employer contribution and matching contribution) totaling at least 10 percent. For instance, if the base employer contribution is 5 percent and the employer offers to match employees' contributions of up to 5 percent then the participating congregation would meet the Fair Compensation Guideline. Similarly if the base employer contribution is 7 percent and the offered employer match is up to 3 percent, or if the base employer contribution is 10 percent or more and no employer match is offered, the Fair Compensation guidelines for a minimum employer contribution of 10 percent for all eligible employees would be met. What constitutes "fair compensation" will be reviewed by a UUA appointed Task Force during 2014.

4. **Election #4 – Definition of Compensation:** The compensation used to calculate an employee's pre-tax Elective Employee Deferral and Employer Contribution is the employee's gross salary and wages reported on the annual Form W-2. Amounts that a minister receives as a non-taxable "housing allowance" are included in compensation. The IRS sets an annual limit on the amount of compensation that may be used to calculate pre-tax Elective Employee Deferrals and Employer Contributions under the Plan. This limit for 2014 is \$260,000; the IRS may adjust this limit annually.

Under the 2014 Plan Restatement, participating congregations/employers have the option to NOT include several amounts that are otherwise included in the compensation W2 base (For ministers: W2 plus housing allowance). Amounts that may be **excluded** from the compensation base are:

- The In-lieu-of-FICA payment paid to ministers. This payment compensates ministers for having to pay the full 15.3% Self-Employment Tax. Non-ministerial employees only have to pay the employee share (7.65%) of FICA while the employer pays the employer share (7.65%).

- The value of any gross-up payment made to reimburse employees for federal and/or state income taxes owed on benefits provided by the congregation/employer for same-sex spouses and partners.
- The value of any employer-paid insurance premiums (including long-term disability and life premiums, paid by the employer, but imputed to the employee. Often the employer pays the long-term disability (LTD) insurance premium on behalf of all employees, but imputes the premium as taxable income on the W2. When they do so, LTD benefits received by the employee will be free from federal taxes.

Note that the first two benefits (the payment-in-lieu of FICA and gross-up benefit), which are included in W2 income, are commonly applicable to only some of the congregation/employers' employees (e.g., ministers or employees with a same-sex spouse or partner). As a result of including the value of these benefits in the compensation base, a slightly higher Employer Retirement Contribution (but not a higher percentage) is given to those employees.

5. Non-Discrimination Provisions

The IRS requires certain annual testing to verify that the Plan is not primarily benefitting highly compensated employees. The IRS defines a highly compensated employee as one who earned more than a specified limit for the prior year (the limit for 2013 was \$115,000) and was in the top 20% of employees for the year. To comply with these testing requirements, the Participation Agreement requires Participating Congregations/Employers to list any employees who earned more than \$115,000 during calendar year 2013.

6. Employee Certification

Ministerial and staff compensation can be quite confusing. Yet IRS regulations are quite clear that most individuals working in congregations, including ministers, religious educators, musicians except for occasional performers, other program staff, administrative staff, and building/custodial staff are properly classified as "employees" rather than "independent contractors" and should receive a W2 rather than 1099. Since only employees may legally receive tax-free employee benefits, including retirement plan contributions, the UUA is asking participating employers to determine the status of all individuals receiving retirement plan contributions. If an individual is participating in the UUA retirement plan and is not an employee (receiving a W2), please provide an explanation of the situation.

B. Governing Board Re-Adoption of the UU Organizations Retirement Plan

- The 2014 Employer Participation Agreement requires adoption of the Plan by motion of the participating employer's governing board. Congregations and other participating employers must understand that adoption of the Plan is a legally-binding agreement that has long-term financial consequences affecting not only the congregation/employer, but also the financial well-being of their staff.
- On the signature page of the agreement, indicate the date that the congregation/employer intends to implement the restated Plan. Implementation can occur on the first day of any month between January 1, 2014 and July 1, 2014, but is not legally permitted to be retroactive. Until implementation, the provisions of the previous Plan document remain in effect. Please note that implementation does not fully become effective until the UUA Retirement Plan Committee acknowledges receipt of a valid 2014 Participation Agreement.
- Participating Congregations/Employers may amend this Participation Agreement at any time, however changes can not be implemented until the UUA Retirement Plan Committee acknowledges receipt of the amended Participation Agreement.
- In addition to certifying Board action, the 2014 Participation Agreement requires the signatures of both the President/Board Chair as well as the Treasurer.
- Provide the Name and Contact Information for the person who will receive communications from the UUA Retirement Plan Committee and/or the UUA Office of Church Staff Finances.

For More Information:

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