

Benefit or Payroll Deduction?

While premium payments must be made by a church as the employer, each church has the option to provide the LTD coverage, by classification, as an employer benefit or by means of voluntary payroll deduction.

What's the difference? Should a disability occur that is covered, the benefit will be taxable if the church has provided the benefit. If the staff member has paid for coverage through taxable payroll deduction, any benefit payments would not be taxable.

Increasingly, the "Tax Choice" method of administering payroll deduction is being used by employers. The employer may add the amount of premiums to the employee's gross income and then payroll-deduct the same amount. The employee's net expense for coverage, then, is the tax on the premium.

Benefits

In the event of a qualifying disability, the LTD policy will pay the individual 60% of his or her qualified monthly salary up to a maximum benefit of \$6,000 per month. This benefit is offset by any Federal Social Security Disability Benefits he or she might receive.

A Spousal Disability Rider is included, offering a benefit of up to \$1,500 per month for up to 24 months.

A Severe Disability Rider is also included, providing an additional 20% benefit up to a maximum of \$1,000 per month, payable due to the loss of two activities of either daily living or cognitive impairment.

A Partial Disability Rider provides a benefit when earnings are reduced by more than 20% because of sickness or accidental injury.

Coverage includes \$10,000 in group term life insurance plus accidental death and dismemberment insurance. This benefit is reduced to \$6,500 starting at age 70, and to \$5,000 starting at age 75.

FCMM Benefits serves ministry staff, in partnership with employing ministry organizations, by providing benefits that promote financial and personal wellness at an excellent value.



FCMM exists to enable pastors, staff members, and missionaries to serve Christ throughout their lives by assisting employing ministry organizations in providing retirement and other benefits.



FCMM ("Free Church Ministers' and Missionaries") serves as the church benefits organization of the Evangelical Free Church of America

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FCMM makes it easy for churches and ministries to offer benefits to their employees at competitive rates within a group that shares their Christian values.

FCMM Long Term Disability (LTD) insurance is a provision for the church and the staff member. If a disability occurs, the benefit payments help the staff member with financial needs and give the church flexibility of resources to continue to fulfill ministries until the staff member is able to return to duties.

Cost

The premium for coverage is billed to the church quarterly at an annual rate of \$.0082 times covered salary (\$.82 per \$100), capped at a maximum of \$120,000 salary.

More Information

More detailed information, church board packet, and enrollment packet are available at the FCMM website.

To become a participating church, a board resolution must be adopted and placed on file with FCMM. Accompanying enrollment forms must be completed by covered staff members and salary information must be sent to FCMM for calculation of premiums and for the basis of benefit coverage.

Basic Features

- Group disability is a benefit made available through an employer. Eligible participants must be in active employment at least 25 hours per week at an EFCA church or other qualified organization in the United States.
- Premium payments must come from the employer. The local church board will decide for each “class of employees” if the payment is an employee benefit (i.e., funded by the church as part of the compensation package) or a payroll deduction (i.e., funded by the employee). When administered as payroll deduction, the employer may offer the program as “Tax Choice” by adding the premium amount to gross income and then payroll-deduct the amount. The employee’s net cost is the tax on the additional reported income.
- In the event of a disability, the source of the premium payment determines the tax status of benefits. Benefit payments are taxable income when the coverage has been provided as a non-taxed employee benefit. Benefit payments are considered non-taxable income when the coverage has been paid by the employee from taxable income via payroll deduction.
- Definition of disability is based on the inability to perform duties of the staff member’s “own occupation” for the first three years of disability. This contrasts to a lesser coverage of “any occupation” in many plans.
- For calculation of eligible compensation base for benefits, the housing allowance of qualifying pastors is included. This provision, not usually found in standard LTD plans, has been specifically tailored to benefit churches and clergy participants.
- Coverage begins the first of the month following the employee’s eligibility and ends on the date of termination. Severance pay is not considered active employment.
- Portability: Coverage for a staff member relocating from one participating church to another may be continued without interruption by notifying FCMM.
- Conversion: The insurance can be converted to an individual policy if an employee leaves his or her EFCA position.
- Some pre-existing condition limitations apply.

Details and procedures are included in the plan certificate.

