

# News & Notes

Winter 2024-2025

## Retirement Plan Contribution Limits (2025): Annual Additions Limit and Deferral Limit

The IRS limits the amount of money that may be contributed to retirement plans. These limits are updated annually. There are two main types of contribution limits to the FCMM Retirement Plan: the **overall limit on annual additions** and the **elective salary deferral limit**.

The **limit on annual additions**, also known as the 415(c) limit, includes employer contributions of related employers plus all salary deferral contributions made to *any* 403(b), 401(k), SIMPLE IRA, and SARSEP plans in a calendar year. For 2025, this limit is the *lesser* of **\$70,000 or 100% of “includible compensation”**, which the IRS defines as *excluding* a minister’s housing allowance.

The **elective salary deferral limit**, also known as the 402(g) limit, includes all pre-tax and Roth elective deferrals made to any 403(b), 401(k), SIMPLE IRA, and SARSEP plans in a calendar year. The 2025 salary deferral limit is **\$23,500**. The employee's total elective deferrals to all plans combined cannot exceed the annual deferral limit.

A participant of age 50 or older can make additional age-based catch-up deferral contributions, beyond these limits, of up to **\$7,500** in 2025 – unchanged from 2024. (*New* catch-up provision starting in 2025: Participants who attain age 60, but are not older than age 63, by the end of the calendar year may

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## Option C Lifetime Fund Rate for 2025

The FCMM Board of Trustees has set the rate of earnings for the Lifetime Fund (Option C) of **4%** for 2025. (Note: This rate is net of fees, so the effective rate for comparison with mutual funds would be 4.74%, since Plan management fees are subtracted quarterly from fund balances.)

Option C is a collective investment fund that aims to provide to members long-term earnings that are steady and comparable to the market with less volatility. Previous rates (including dividends paid in 2024, 2022, and 2021) have been: 6% in 2024; 2% in 2023; 4% in 2022; 8% in 2021; 4.5% in 2020; 3.5% in 2019; 4% in 2018; and 3% in 2017.

Because of the long-term nature of the Option C Lifetime Fund, invested funds can be transferred to other Options only once in a 12-month period. The Lifetime Fund is structured to offer reliable value towards a monthly income benefit (“annuity”) for which 100% of accrued value can be converted. If funds are instead transferred or withdrawn,

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## Fees for Retirement Plan

As with any retirement investment account, FCMM incurs expenses to provide a compliant Retirement Plan that offers unique benefits for church staff and pastors. While many other retirement plans charge fees to the employer for providing a Plan Document and administration, there is no annual fee for a participating employer in FCMM’s plan.

The Retirement Plan operating cost is funded by a fee assessed to member accounts. In the case of mutual fund Options (Options F, G, and J), the fee is directly deducted after the close of each quarter based on the average daily market value during the quarter. For FCMM managed collective funds (Options C, D, E, and H), the allocated cost is applied before returns are posted; that means returns are net of such fees - already included.

From time to time, the fees may be adjusted to reflect operating costs. For 2025, there will be no changes to member fees. For more information about fees, see Form 41 Retirement Plan Fees.



## Contribution Limits (2025)

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contribute up to a higher catch-up limit of \$11,250.)

The examples below illustrate some of these limits.

### Example 1

The Reverend Bill Smith has a cash salary of \$15,000 and a \$25,000 housing allowance, for a total compensation of \$40,000. He does not participate in any retirement programs other than this Plan and his employer makes no contributions to any retirement programs on his behalf. The maximum he may contribute to the Plan is \$15,000. Rev. Smith cannot include the housing allowance in determining his maximum contribution amount.

### Example 2

The Reverend Sam Jones is in the same situation as Rev. Smith except that he has a cash salary of \$60,000 and a housing allowance of \$15,000, for a total compensation of \$75,000. The maximum amount he may contribute to the Plan for 2025 is \$23,500 (assuming he is not eligible to make any catch-up contributions).

### Example 3

The Reverend George Davis has a cash salary of \$30,000 and a housing allowance of \$25,000, for a total compensation of \$55,000. His employer contributes 15% of his compensation\* to the retirement plan annually, or \$8,250 ( $\$80,000 \times 15\% = \$8,250$ ). The maximum deferral amount he may contribute to the plan in 2025 is \$21,750 ( $\$30,000 - \$8,250 = \$21,750$ ).

### Example 4

The Reverend Kenneth Roberts turns 62 in 2025. He has a cash salary of \$40,000 and a housing allowance of \$30,000, for a total compensation of \$70,000. He does not participate in any retirement programs other than this Plan and his employer makes no contributions to any retirement programs on his behalf. The maximum deferral amount he may contribute to the plan in 2025 is \$34,750. This deferral amount is allowed by applying both the regular salary deferral limit (\$23,500) and the new higher catch-up limit for those who attain age 60 but are not older than age 63 in 2025 (\$11,250).

*\*Note, the employer must use total compensation (salary plus housing allowance) when calculating a contribution amount based on a percentage rate. Includible compensation which excludes housing allowance only applies when determining an individual's contribution **limits**.*

**2025 Overall Annual Additions Limit:** [the lesser of] \$70,000 or 100% of includible compensation.

**2025 Salary Deferral Limit:** \$23,500

**Additional catch-up limit starting at age 50:** \$7,500

**Special higher catch-up limit for those who turn ages 60-63 in 2025:** \$11,250

## Option C Rate

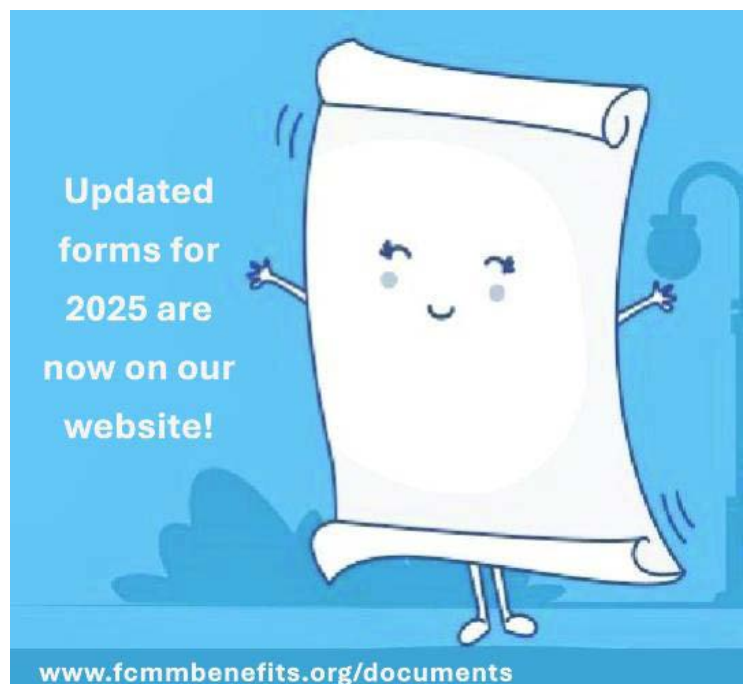
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a fair market value (reduction) may be applied when accrued value is greater than current market value. For more information on Option C and other Investment Options, see Form 31 Investment Option Descriptions.

For information about performance and portfolio makeup for FCMM managed funds, see annual Form 40 Performance Reports.

## Option C: 2024 Dividend Added

In consideration of market performance, a 2024 dividend payment of **4%** has been authorized based on each Option C member's 2024 year-end balance. This dividend will appear in December activity following the accounting close of the year, so Members will see it in online access by the end of January and in the fourth quarter statement for 2024.



FCMM • 901 East 78th Street • Minneapolis, MN 55420 • (800)995-5357

Retirement Plan: [fcmm@fcmmbenefits.org](mailto:fcmm@fcmmbenefits.org)

Benefit Plan (Disability Insurance, Life Insurance): [benefits@fcmmbenefits.org](mailto:benefits@fcmmbenefits.org)

FCMM serves as the church benefits organization of the Evangelical Free Church of America

