

# WELS Pension Plan Late Payment Penalty Policy Summary

## Summary

WELS Pension Plan (the "Plan") contributions paid after the grace period deadline will be subject to a late payment penalty payable by the sponsoring organization from which the contributions are due.

## When is the policy effective?

Late payment fees will first appear on the January 2014 quarterly invoices.

## Special rules for contributions due in 2013

Payment of contributions attributable to 2013 **and all previous plan years** must be received in the WELS Benefit Plans lockbox no later than December 1, 2013 to avoid a late payment penalty from being assessed on the January 2014 invoices. Note that there is no additional grace period for these amounts; December 1, 2013 is the final payment deadline.

## After the December 1, 2013 deadline, which contributions are affected and when are they due?

The payment due date for all amounts billed on quarterly invoices beginning January 2014 is the first calendar day of the first month of the current billing quarter. For example, the due date for full payment of the July 2014 quarterly invoice will be July 1, 2014. Billed amounts include contributions and late payment fees attributable to the current billing quarter, as well as past-due contributions and late payment fees attributable to previous quarters.

## Is there a grace period for contribution payments?

Yes. The grace period is 20 calendar days. Therefore, the grace period deadline by which payments must be received to avoid incurring a late payment penalty is the 20<sup>th</sup> calendar day of the first month of the current billing quarter.

## How must payment be received?

Payments must be **received in the WELS Benefit Plans lockbox** (which is different from the WELS lockbox for CMO payments and other gifts to WELS) by the grace period deadline to avoid incurring a late payment penalty. A return envelope containing the WELS Benefit Plans lockbox mailing address is provided with each quarterly invoice sent to organizations. The postmark date of envelopes containing payments **will not qualify** to meet the grace period deadline if the payment is received in the WELS Benefit Plans lockbox after the grace period deadline.

## Example of a timely contribution payment

An organization's total contributions due for the October 2014 quarter are \$1000. The October 2014 quarterly invoice will show \$1000 contributions due and will be mailed to the organization by September 15, 2014. To avoid incurring a late payment penalty, payment of the organization's \$1000 balance due must be received in the WELS Benefit Plans lockbox no later than October 20, 2014.

## How much is the penalty for late payments?

Late payments will be subject to a **2% penalty per calendar quarter**. This approximates an annual penalty of 8%, which coincides with the Plan's annual investment return objective of 8%. Unpaid penalty amounts will compound quarterly.

## How will the penalty be calculated?

The 2% penalty will be assessed at the expiration of the grace period deadline on the unpaid balance due from the previous quarter's invoice until all original contribution amounts, plus all accumulated penalties, have been paid in full.

**When will the penalty be reported to the organization?**

A penalty for amounts not paid by the grace period deadline for the previous quarter will be included on the next quarter’s billing invoice.

**How will the late payment penalty appear on invoices?**

The penalty amount assessed for the current quarter will appear in the “Invoice Adjustments” section as a separate line item with the phrase “Late Fee.” An unpaid penalty amount from the previous quarter will appear in the “Past Due Detail” section as a separate line item with the phrase “Late Fee.”

**If the total amount due is paid after the grace period deadline, but before the next quarter’s invoice is generated, will the penalty be assessed and included on the next invoice?**

Yes.

**Example of a late payment penalty calculation**

Please see the chart below for an illustration of the invoice activities in 2014 for an organization that owes \$1000 Plan contributions each quarter for January through December 2014, but makes no payments during 2014.

Invoice	Current Contributions Due	Contributions Past Due	Current Late Fee	Late Fee Past Due	Total Due
January 2014	\$1,000.00	\$0.00	\$0.00	\$0.00	<b>\$1,000.00</b>
April 2014	\$1,000.00	\$1,000.00	\$20.00	\$0.00	<b>\$2,020.00</b>
July 2014	\$1,000.00	\$2,000.00	\$40.40	\$20.00	<b>\$3,060.40</b>
October 2014	\$1,000.00	\$3,000.00	\$61.21	\$60.40	<b>\$4,121.61</b>

**How can I ensure that our organization is not assessed a penalty?**

Your organization can enroll in the new Automated Clearing House payment program, under which the full amount due for each quarterly invoice will be automatically deducted from your organization’s bank account on the first business day of each quarter. Please contact the WELS Benefits Service Center at 1-800-487-8322 (option 1) for additional information and to enroll.

**Does this penalty also apply to contributions due for the WELS VEBA Group Health Care Plan?**

Not at this time.