

A secure and flexible future

A summary of the
WELS Retirement Program



Whatever your stage in life, it's important to start thinking about how you'll support yourself financially when you stop working. Through the WELS Pension Plan and the WELS Shepherd Plan (collectively known as the "WELS Retirement Program"), WELS provides retirement income and savings vehicles for those working in WELS' ministry. This booklet provides an overview of the two plans and explains how they can be used to help you prepare for a more financially secure retirement.

PROTECTING YOUR **FUTURE**

Introducing the WELS Retirement Program

The WELS Retirement Program offers two retirement plans to help you prepare for a more financially secure retirement. Please consider the benefits of these programs, in conjunction with your Social Security benefits (if applicable) and your personal savings, when planning for your retirement.



What is the **WELS Pension Plan**?

The WELS Pension Plan is a defined benefit plan that provides **monthly retirement income** as long as you and your spouse live.



What is the **WELS Shepherd Plan**?

The WELS Shepherd Plan is a defined contribution plan that allows you to **save and invest** during your working years to provide an account balance you can access during your retirement years.

Eligibility

You automatically participate in the **WELS Pension Plan** if you are employed at least half-time as:

- A called worker by a WELS sponsoring organization; or
- A lay worker by the WELS Center for Mission and Ministry, Martin Luther College, Wisconsin Lutheran Seminary, Luther Preparatory School, or Michigan Lutheran Seminary and you were hired prior to 2015.

You are eligible to participate in the **WELS Shepherd Plan** if you are:

- Employed by a WELS sponsoring organization that has adopted the Shepherd Plan; and
- Expected to work at least 20 hours per week. (An employee who began participating in the WELS Shepherd Plan prior to January 1, 2014 can continue participating even if he/she is expected to work fewer than 20 hours per week.)

In summary

The table below compares the differences between the main features of the two plans:

Summary	 WELS Pension Plan	 WELS Shepherd Plan
Type	Defined Benefit Plan	403(b) Defined Contribution Plan
Participation	Automatic for called workers.	Optional for eligible called and lay workers.
Enrollment	Automatic upon acceptance of an eligible call.	Must enroll to participate, and be called or hired by a sponsoring organization that has adopted the WELS Shepherd Plan.
Benefits	Provides a monthly annuity for life with options for surviving spouse benefits. Benefits determined by a formula that includes your actual years of creditable service.	Allows you to save and invest during your working years to provide an account balance you can access during retirement. Benefits determined by the amount of contributions made to your account and your actual investment returns.
Contributions	All contributions paid by sponsoring organizations. All contributions are placed into one group trust.	Contributions can be made by workers and/or sponsoring organizations. Contributions are placed into your individual account.
Investments	Investment decisions made by the WELS Retirement Program Commission.	Investment decisions made by workers (within parameters set by the Commission).
Taxation	Benefits for retired Ministers of the Gospel may be eligible for housing allowance that is not subject to income tax. Contributions are made tax-free and benefits are taxed when paid (unless eligible for housing allowance that is not subject to income tax).	Benefits for retired Ministers of the Gospel may be eligible for housing allowance that is not subject to income tax. Contributions can be made pre-tax or after-tax.
Risk Retention	Investment, inflation, and longevity risks retained by WELS.	Investment, inflation, and longevity risks retained by workers.

 The following pages provide more detail on each of the two plans.

FINANCIAL SECURITY WITH THE **WELS PENSION PLAN**



The **WELS Pension Plan** is a defined benefit plan that provides vested called workers and their surviving spouses with monthly retirement income for life. The cost of the WELS Pension Plan is paid entirely by sponsoring organizations on behalf of their called workers.

Value of the WELS Pension Plan to WELS Ministry

The WELS Pension Plan exists to provide retirement benefits for called workers in a way that doesn't adversely impact the call process. Because all WELS called workers participate in the Pension Plan, each sponsoring organization doesn't have to worry about administering its own retirement benefit program. In addition, because Pension Plan benefits aren't based on a worker's actual compensation or responsibilities, a worker's Pension Plan benefits aren't affected by taking a call that provides higher or lower compensation – the ministry efforts of all called workers are valued equally by the Pension Plan.

Advantages of the WELS Pension Plan

- ✓ The Pension Plan assumes the investment risk for contributions held in the Plan's trust on behalf of all workers. Investments are managed by professional consultants, so each worker is protected from making bad personal investment decisions.
- ✓ The Pension Plan assumes mortality risk by guaranteeing that benefits will continue for the life of each retired worker and surviving spouse. Workers don't have to worry about "out-living" their Plan benefits.
- ✓ Contributions are invested and benefits are paid under one group trust. Worker benefits aren't harmed if contributions aren't made on time, or if financial markets decline right before retirement.
- ✓ Pension Plan benefits are eligible for use as non-taxable housing allowance for Ministers of the Gospel who have qualified housing expenses in retirement.

How does the WELS Pension Plan work?

As a defined benefit plan, WELS Pension Plan Participants do not maintain individual accounts with cash balances. Pension Plan benefits are paid in the form of a monthly annuity for life. All contributions for all Participants are placed into one group trust. The WELS Retirement Program Commission determines the level of benefits and oversees the investment of trust assets to ensure that the benefits promised to Participants will be paid. As a result, your Pension Plan benefits are not tied to how well you save or how your personal investments grow.

A summary of how the Pension Plan works is as follows:

👉 PARTICIPATION

You automatically participate in the Pension Plan if your service is defined in one of the Pension Plan eligible classes shown on page 2. By serving in an eligible class, you are a Pension Plan "Participant."*

👉 ACCRUING BENEFITS

As a Participant, you accrue Pension Plan benefits by continuing to serve in the WELS ministry. The more years you serve as a Participant, the higher your Pension Plan benefit will be at retirement. Your sponsoring organization will pay contributions to the Pension Plan on your behalf during your service as a Participant.

👉 VESTING

You will be "Vested" after completing five years of service as a Participant without experiencing a five-year break in service. As a Vested Participant, you will be entitled to a Pension Plan benefit at retirement. If you do not become Vested, you will not be entitled to a Pension Plan benefit.

👉 TYPE OF BENEFIT

The Pension Plan provides benefits in the form of a monthly annuity for the life of the retired Participant, with options to provide benefits for the Participant's surviving spouse.

👉 RECEIVING YOUR BENEFIT

If your service as a Participant ends **before** you attain age 55, you must wait to begin receiving your Pension Plan benefit until the first month after you attain age 65.

If your service as a Participant ends **after** you attain age 55, you can begin receiving your Pension Plan benefit any month following the end of your service as a Participant.

* The term "Participant," as used on pages 5-7 of this booklet, refers to workers who have accrued Pension Plan benefits based on current or past service in an eligible class as determined under the terms of the Pension Plan.



➤ NORMAL RETIREMENT AGE

For service as a Participant performed **before** January 1, 2014, your “Normal Retirement Age” for Pension Plan benefits is age 65.

For service as a Participant performed **on or after** January 1, 2014, your Normal Retirement Age for Pension Plan benefits is based on your date of birth as shown in the chart below:

Date of birth	Normal Retirement Age
On or before January 1, 1943	65
January 2, 1943 through January 1, 1960	66
After January 1, 1960	67

If you elect to receive Pension Plan benefits prior to your Normal Retirement Age (as applicable to each period of service shown above), your monthly benefit amount will be reduced by 0.5% for each month that benefit commencement precedes the month following attainment of your Normal Retirement Age.

➤ BENEFIT OPTIONS

If you are an **unmarried**, Vested Participant when you apply for Pension Plan benefits, you will receive a monthly annuity benefit for life (a “Life Annuity”).

If you are a **married**, Vested Participant when you apply for Pension Plan benefits, you may elect to receive one of the four benefit options below. This includes options for a surviving spouse benefit, which is paid if the Participant dies after payment of his/her Pension Plan benefit begins and his/her spouse survives the worker.

Benefit option	Participant benefit (Percentage of Life Annuity paid to Participant)	Surviving spouse benefit (Percentage of Life Annuity for Participant’s Spouse)
Life Annuity	100%	0%
Surviving spouse benefit options:		
50%	90%	50%
67%	85%	67%
83%	83%	83%

YOUR BENEFIT CALCULATION

Pension Plan benefits are calculated based on a formula that includes two variables:

- **Years of credited service** that each individual Participant has earned; and
- A **benefit basis** that is standard across all Participants and serves as an average salary approximation based on years of service.

You will be credited with *one year* of credited service for each 12-month period of *full-time* service as a Participant.

You will be credited with *one-half year* of credited service for each 12-month period of *half-time* service as a Participant.

You will be credited with *three-quarters of one year* of credited service for each 12-month period of *three-quarter time* service as a Participant.

You will earn a *partial year* of credited service based on the number of months of service as a Participant not counted within a full 12-month period.

The benefit basis in effect when you last perform service as a Participant, based on your full years of credited service, will be used to calculate your Pension Plan benefit. The current benefit basis is available at: www.welsbpo.net/retirement/pension/benefits.

The Pension Plan benefit formula is as follows:

$$.0057 \times \text{years of credited service} \times \text{benefit basis} \div 12 = \text{Participant's full monthly benefit at Normal Retirement Age (for life)}$$



Please note: If you are a called teacher, your years of credited service will be based on completed contract years of service, which generally run from July 1st through June 30th. If your call begins in July, August or September, your credited service will begin on July 1st. If your call ends in May, June or July, your credited service will end on June 30th.

As an example, the benefit calculation for a Participant who has accrued 40 years of credited service would be as follows:

.0057
x
40
x
\$53,359
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12
=
\$1,013.82 per month, for life

DEATH BENEFITS

If you are a married, Vested Participant and you die before you begin receiving your Pension Plan benefit, your surviving spouse will be entitled to a monthly annuity benefit for life.

If you die while performing service as a Participant, your surviving spouse, children or estate will be entitled to a lump sum death benefit from the Pension Plan. The current lump sum death benefit is available at: www.welsbpo.net/retirement/pension/benefits.

FINANCIAL FLEXIBILITY WITH THE **WELS SHEPHERD PLAN**

The **WELS Shepherd Plan** is a defined contribution plan that allows WELS called and lay workers to save and invest during their working years to provide an individual account balance that can be accessed during their retirement years.

Each worker determines the amount that he or she wishes to contribute to their account and how their account should be invested within the Plan. Sponsoring organizations also have the option to make employer contributions to their workers' Shepherd Plan accounts.

Value of the WELS Shepherd Plan to WELS Ministry

The WELS Shepherd Plan is available to workers who wish to supplement the benefits provided by the Pension Plan and Social Security. Because the Shepherd Plan account for each worker is portable across all WELS sponsoring organizations, workers don't have to worry about transitioning to a new retirement savings plan upon acceptance of a new call.

Advantages of the WELS Shepherd Plan

The Shepherd Plan provides numerous advantages for both workers and sponsoring organizations, including:

- ✓ Tax advantages for Ministers of the Gospel under Internal Revenue Code Section 107.
- ✓ Access to low-cost investment funds and the ability to diversify investments through pre-built portfolios or individual fund selection.
- ✓ No billed costs to the sponsoring organization for Shepherd Plan administration services.
- ✓ Personalized help from the Shepherd Plan's investment advisor, the Hahn Financial Group, for both workers and organizations.

How does the WELS Shepherd Plan work?

If you are expected to work at least 20 hours per week and your sponsoring organization has adopted the WELS Shepherd Plan, you are eligible to participate. Participation in the WELS Shepherd Plan is voluntary.

As a defined contribution plan, participants in the Shepherd Plan are given an individual account to which they may contribute a portion of their pay. WELS sponsoring organizations are also permitted (but not required) to make employer contributions to the Shepherd Plan accounts of their workers.

Amounts contributed to your account may then grow based upon the investments you select from the investment options offered under the Shepherd Plan.

When you retire, you will have access to your entire account and you will be able to withdraw the amount you choose when you need it.



* Please note that WELS sponsoring organizations are permitted, but not required, to make employer contributions to the Shepherd Plan accounts of their workers.

How are contributions made?

If you are an eligible worker, you may make contributions to your Shepherd Plan account through salary reduction. The amount of contributions made is determined in advance by the participant and his/her sponsoring organization.

The maximum amount workers can contribute to the Shepherd Plan cannot exceed the lesser of 100% of your compensation or \$18,000 in 2017. Additional “catch-up” contributions may be made by workers who have attained age 50 and/or have performed at least 15 years of service to WELS. These limits are established on an annual basis by the IRS. Workers can also rollover or transfer funds to the Shepherd Plan from other qualified retirement accounts, such as retirement savings accounts from former employers or individual retirement accounts (IRAs).

✦ PARTICIPANT CONTRIBUTIONS

Participant contributions to the WELS Shepherd Plan may be made on a pre-tax basis or an after-tax basis, or both.

Pre-tax contributions

Pre-tax contributions reduce a worker’s taxable income, and defer taxes on the contributions and investment earnings until distributed from the Shepherd Plan.

After-tax Roth contributions

After-tax contributions, through the Shepherd Plan’s Roth option, allow workers to receive tax-free distributions from the Shepherd Plan if certain conditions are met.

✦ EMPLOYER CONTRIBUTIONS

In addition to the contributions you make as a participant, your sponsoring organization, at its discretion, may contribute to your Shepherd Plan account. This contribution may take the form of a **matching contribution** based on the amount of your participant contribution, a **flat dollar amount**, or a **percentage of your pay**.

If you are a Pension Plan participant, contributions made by your sponsoring organization to your Shepherd Plan account would be **in addition** to the contributions paid to the Pension Plan on your behalf. Please contact your sponsoring organization with any questions you have regarding contributions they may make to your Shepherd Plan account.



Please note: Worker contributions by Ministers of the Gospel can be made pre-tax for Federal tax and Social Security tax purposes. Ministers of the Gospel may receive pre-tax employer contributions or make after-tax contributions to a Housing Equity Account that allows distribution for a down payment on the worker’s primary residence prior to age 59½.

Where are my contributions invested?

Any contributions paid into your account are invested and may grow based upon the investment options you select. The WELS Shepherd Plan offers a variety of investment options for participants to allow for broad diversification. See page 12 for more information on how to manage your Shepherd Plan account.

How do I withdraw funds from my account and what options do I have?

In general, participants can receive distributions from their Shepherd Plan accounts after attaining age 59½, or after terminating employment with a sponsoring organization.

- If you have reached age 59½, you may withdraw some or all of your Shepherd Plan account even though you are still working.
- If you are still working but you have not yet reached age 59½, you may withdraw amounts from your Shepherd Plan account if you experience a financial hardship. The amount you may withdraw from your account in the event of a hardship generally may not exceed the lesser of the contributions that you made to your account or the amount needed to satisfy the hardship.
- You may roll eligible distributions you receive from your Shepherd Plan account to an IRA or to the retirement plan of your new employer (subject to the terms of that plan).
- Subject to certain conditions, you may receive a loan from your Shepherd Plan account up to the lesser of half of your account balance or \$50,000. If you are married, you may only obtain a loan if your spouse consents in writing.
- If your Shepherd Plan account balance is less than \$1,000 when you terminate employment, your entire Shepherd Plan account will be paid to you in a lump sum.

What happens if I die before receiving my WELS Shepherd Plan benefit?

If you die, your Shepherd Plan account will be paid to the beneficiary you designate. If you fail to designate a beneficiary and you are married at the time of your death, your beneficiary will be your spouse. If you fail to designate a beneficiary and you are not married at the time of your death, your beneficiary will be your estate.



USEFUL RESOURCES



➤ FOR MORE INFORMATION ON THE **WELS RETIREMENT PROGRAM**, VISIT:

www.welsbpo.net/retirement

➤ ESTIMATING YOUR **WELS PENSION PLAN** BENEFIT

We realize that the WELS Pension Plan benefit can be difficult to understand, so we have provided a calculator that you can use to estimate your benefit at: www.welsbpo.net/retirement/pension/benefits. You can also contact the WELS Benefit Plans Office with any questions you have using the details below.

➤ MANAGING YOUR **WELS SHEPHERD PLAN** ACCOUNT

You can find information on how to enroll in the Shepherd Plan at: www.welsbpo.net/retirement/shepherd-plan/eligibility-enrollment. As a Shepherd Plan participant, you can manage your account by making contributions, selecting investment options, and more by using the website of our administrator, Retirement Plan Consultants, at: www.yourplanaccess.net/retirementplanconsultants.

You can also obtain information regarding the investment options offered under the Shepherd Plan, and receive assistance with respect to your personal investment elections, by contacting The Hahn Financial Group, Inc. at **1-800-516-HAHN (4246)** or wels403b@hahnfinancialgroup.com.

If you have any questions regarding the WELS Retirement Program, please contact:

WELS Benefit Plans Office

N16W23377 Stone Ridge Dr, Waukesha, WI 53188

Email: bpo@wels.net

Phone: 414-256-3299

Toll Free: 1-800-487-8322

Fax: 262-522-2802



This document provides only a summary of certain provisions of the WELS Pension Plan and the WELS Shepherd Plan. If there is a conflict between this summary and the actual documents for the plans, the Plan Documents will control. WELS reserves the right to modify or terminate the WELS Pension Plan and the WELS Shepherd Plan. Please note that workers at ELS sponsoring organizations are not eligible to participate in the WELS Retirement Program.