The Path to Retirement

The Pension Boards
United Church of Christ, Inc.

When you retire and change from accumulating monies to receiving annuity benefits, the total amount of your accumulation account in the Annuity Plan for the United Church of Christ is converted into monthly annuity payments. The more you have accumulated, the greater your retirement income will be.

The following key decisions will affect the amount of the monthly annuity payments you receive:

1. When to retire and begin receiving annuity payments
2. Which annuity income option to choose
3. Whom to name as your beneficiary (survivor benefits)
4. Whether to elect the Basic Annuity or the Participating Annuity
5. Whether to reduce part of your lifetime income for an up-front cash payment taken at annuitization

This booklet discusses each of the above choices to assist you in making the right retirement decision for you. But words alone cannot tell the whole story. The personal examples in this booklet of monthly payments you may receive illustrate the financial impact of your decisions.

In addition, if you are an actively-contributing member of the Annuity Plan for the United Church of Christ, don't forget to take advantage of Ernst & Young Financial Planning Services®(EYFPS), which are available to you at no cost. EY financial planners do not sell investment or insurance products. They provide professional advice without the sales pressure. To speak with a planner, call the *Ernst & Young Financial Planner Line® (EYFPL)* at **1.877.927.1047**, Monday through Friday from 9:00 a.m. to 8:00 p.m. (ET).

Introduction

When to Retire and Start Annuity Benefits

The usual retirement age of members in the Annuity Plan for the United Church of Christ (sometimes referred to as the Annuity Fund) is 65, but retirement and benefits may begin either before or after that age, as explained below. Retirement effective dates are always the first day of the month. The longer you defer receiving annuity payments, the larger they will be when you retire. If you pass away at any time before annuity payments begin, your full accumulation is payable to your named beneficiary, typically as a monthly annuity if your beneficiary is your spouse or another dependent.

Retirement Before Age 65

You may begin receiving all or a portion of your annuity payments before age 65 if you are age 55 or older and either:

- have permanently terminated all employment with your UCC church or other participating employer, or
- work no more than 20 hours per week. (If you are between the ages of 55 and 59½, only a portion of your benefits will be available.)

Your annuity payments may begin as early as the first of the month following your termination of employment or your commencing part-time employment (no more than 20 hours per week).

Early retirement payments will be considerably reduced than if you retire at a later time. Early retirement results in smaller accumulations, due to fewer years of investing and contributing, and are paid out over many more years of assumed life expectancy. For example, monthly payments that begin at age 60 are typically 40% to 50% smaller than payments that begin at age 65.

Health is a material factor for many who consider taking early retirement, but if your health is good, you probably should delay taking your benefit until your monthly annuity payment is sufficient to provide for your needs, without outside employment.

Choice 1

You need to consider the cost of health insurance coverage when making a decision about early retirement. Before you become eligible for Medicare at age 65, health insurance premiums are considerably higher than UCC Medicare Supplement Health Plan coverage available to you at age 65 and older. If you continue UCC Medical Benefits Plan coverage after retirement, health insurance premiums are deducted from your monthly annuity payment.

Retirement At or After Age 65

Any time after you reach age 65, you may begin receiving annuity payments or delay receipt until you notify us that you are ready to begin payments. If you continue working as a UCC employee beyond age 65, you may continue participating in the pension plan. Again, the deferral of your annuity commencement date has a significant impact on the amount of your future monthly annuity payments.

Required Minimum Distributions

Under the Internal Revenue Code, a taxpayer must take a Required Minimum Distribution (RMD) by April 1 of the year following a taxpayer's reaching the age 70½ or upon retirement, whichever occurs first. A taxpayer may defer taking an RMD after reaching age 70½ if the taxpayer is continuously employed from January 1 of any given year through December 31. RMDs cannot be prorated and partial payments are not permitted. If you are not employed (e.g., receiving a W-2) for an entire year, you are required to take this distribution. This requirement applies to any IRA, 401(k), 403(b), 457(b), and other retirement accounts you may have.

NOTE: If you have annuitized and do not have any other retirement account, no RMD is required. However, if you annuitize and have other retirement accounts with balances, whether with the Pension Boards or at another financial institution, an RMD will need to be taken.

Which Annuity Income Option?

As a member of the Annuity Plan, you may elect any available annuity option. All options provide lifetime retirement income for you, as the Annuitant, and all but one option permit you to choose a beneficiary.

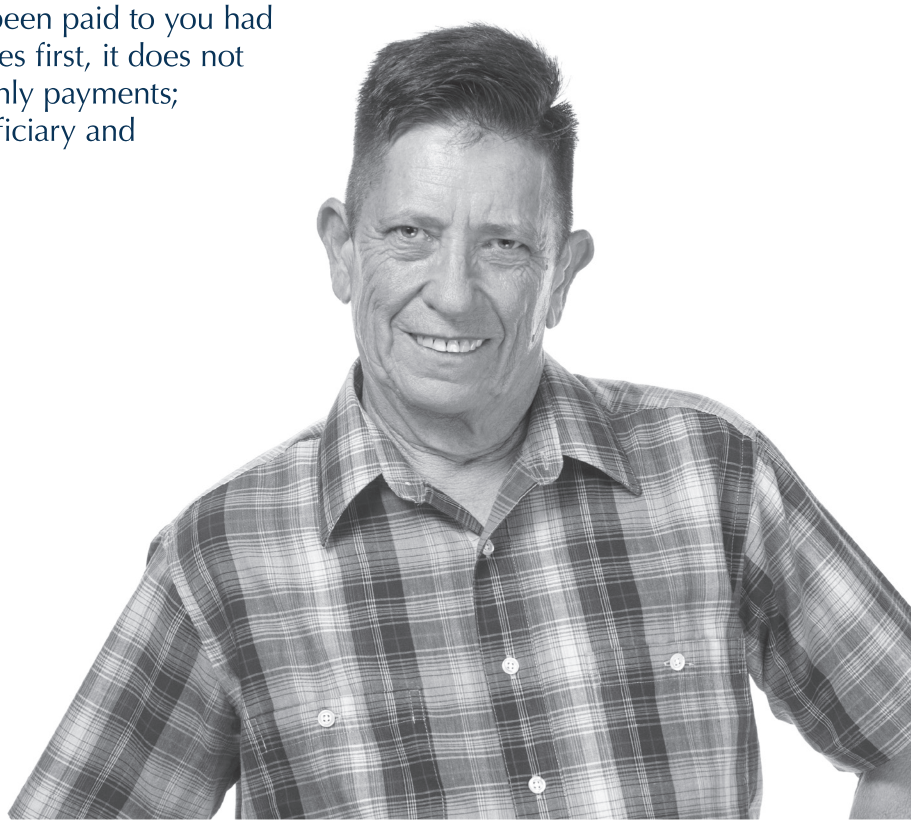
- If you select one of the Joint Life Options, the Joint Life Annuitant you name becomes your annuity partner and will receive lifetime monthly annuity payments after your death.
- If you select the Joint Life or Single Life Option that includes the 10-year guaranteed period, you will name another person (or persons) as your beneficiary(ies). The beneficiary receives any death benefits payable during the balance of the 10-year guarantee period.

Annuities Without a 10-Year Guarantee

The Single Life Annuity Option pays you an income as long as you live, and it is larger than any of the other options because it provides no survivor benefits. It is rarely chosen other than by single people, widows, widowers, etc., with no dependents. A married member cannot select this option unless the Pension Boards receives the written, notarized consent of the member's spouse.

The $66\frac{2}{3}\%$ Joint Life and Survivor Option also pays you an income as long as you live, but is smaller than the Single Life Option. If your Joint Life Annuitant survives you, he or she receives continuing payments for life at $66\frac{2}{3}\%$ of the amount you would have received had you survived. If your Joint Life Annuitant dies first, it does not affect the amount of your continuing monthly annuity payments; however, you may not name another beneficiary and monthly payments will cease at your death.

The 100% Joint Life and Survivor Option pays a lifetime income, smaller than any of the options above, as long as either you or your Joint Life Annuitant lives. The same benefit continues to your Joint Life Annuitant for life – if he or she survives you – as would have been paid to you had you survived. If your Joint Life Annuitant dies first, it does not affect the amount of your continuing monthly payments; however, you may not name another beneficiary and payments will cease at your death.



Choice 2

Annuities With a 10-Year Guarantee

The Single Life Annuity Option With 10-Year Guarantee is the same as the Single Life Annuity, but provides a smaller monthly benefit because it provides that, if you die during the first 10 years of payments, monthly payments will continue to be paid to your beneficiary for the balance of the 10-year period at the same monthly amount you would have received. If you live beyond the 10-year period, you are paid for the rest of your life, ceasing only at your death..

The 66²/³% Joint Life and Survivor Option With 10-Year Guarantee is the same as the 66²/³% Joint Life Option, but provides a smaller monthly benefit because it provides that, if both you and your Joint Life Annuitant die during the first 10 years of payments, monthly payments will continue to be paid to your alternate beneficiary for the balance of the 10-year period, at 66²/³% of the amount you would have received. If you and/or your Joint Life Annuitant live beyond the 10-year period, lifetime payments continue – as a full benefit to you while you are living, and after your death, to your surviving Joint Life Annuitant as a two-thirds benefit payment, ceasing upon the Joint Life Annuitant's death.

The 100% Joint Life and Survivor Option With 10-Year Guarantee is the same as the 100% Joint Life and Survivor Option, but provides a smaller monthly benefit because it provides that, if both you and your Joint Life Annuitant die during the first 10 years of payments, monthly payments will continue to be paid to your alternate beneficiary for the balance of the 10-year period in the same amount you or your Joint Life Annuitant would have received had you survived. If you and/or your Joint Life Annuitant live beyond the 10-year period, a 100% lifetime benefit continues, ceasing at the death of the last survivor.

Sample Benefit Illustration

For your income option decision, all of the above can best be demonstrated through personal sample benefit illustrations. The illustration to the right is for a member age 65 at retirement who names a 62-year old spouse as the Joint Annuitant:

Sample Annuity Incomes for a Member Age 65 and Spouse Age 62

Single Life Annuity	
Without 10-Year Guarantee	$ 1,000.00
With 10-Year Guarantee	$ 981.09
66²/3% Joint Life and Survivor Option	
Without 10-Year Guarantee	$ 894.17
With 10-Year Guarantee	$ 893.75
100% Joint Life and Survivor Option	
Without 10-Year Guarantee	$ 849.23
With 10-Year Guarantee	$ 848.67

Whom to Name for Survivor Benefits

Naming a Joint Annuitant

If you are married, in all probability you will select a Joint Life Option Annuity and name your spouse as your Joint Annuitant. In fact, the Pension Boards must receive the written notarized consent of the spouse if anyone other than the spouse is named as the Joint Life Annuitant.

Once payments have begun, the Joint Life Annuitant cannot be changed or replaced if the Joint Annuitant predeceases you.

Unmarried members may select a Joint Life Option; however, it rarely happens unless the member wants to provide for a parent, or sibling with little or no financial means, or a special needs adult child who requires continuing care and/or support.

NOTE: You will receive smaller monthly annuity payments the younger your Joint Life Annuitant is because the ages of both the Annuitant and Joint Life Annuitant determine how long the lifetime benefits are expected to be paid. Therefore, you need to consider carefully how the age of your Joint Life Annuitant will affect your monthly annuity payments.

Young children can be protected to some extent by naming them as beneficiaries for the annuity options with 10-year guaranteed provisions

Naming a Beneficiary

If you select any option with the 10-year guaranteed period, the person or persons you name as beneficiary(ies) will receive any death benefits payable during that 10-year period. Annuitants with children typically name the children as beneficiaries. Others often name a close relative, such as a parent or sibling. You may also name an institution or charity as your beneficiary.

You may change the person or persons named as a 10-year guarantee beneficiary even after payments begin. Furthermore, if you die during the 10-year guarantee period of a Joint Life Annuity Option, your Joint Life Annuitant may change his or her beneficiary.

Choice 3

Basic Annuity or Participating Annuity?

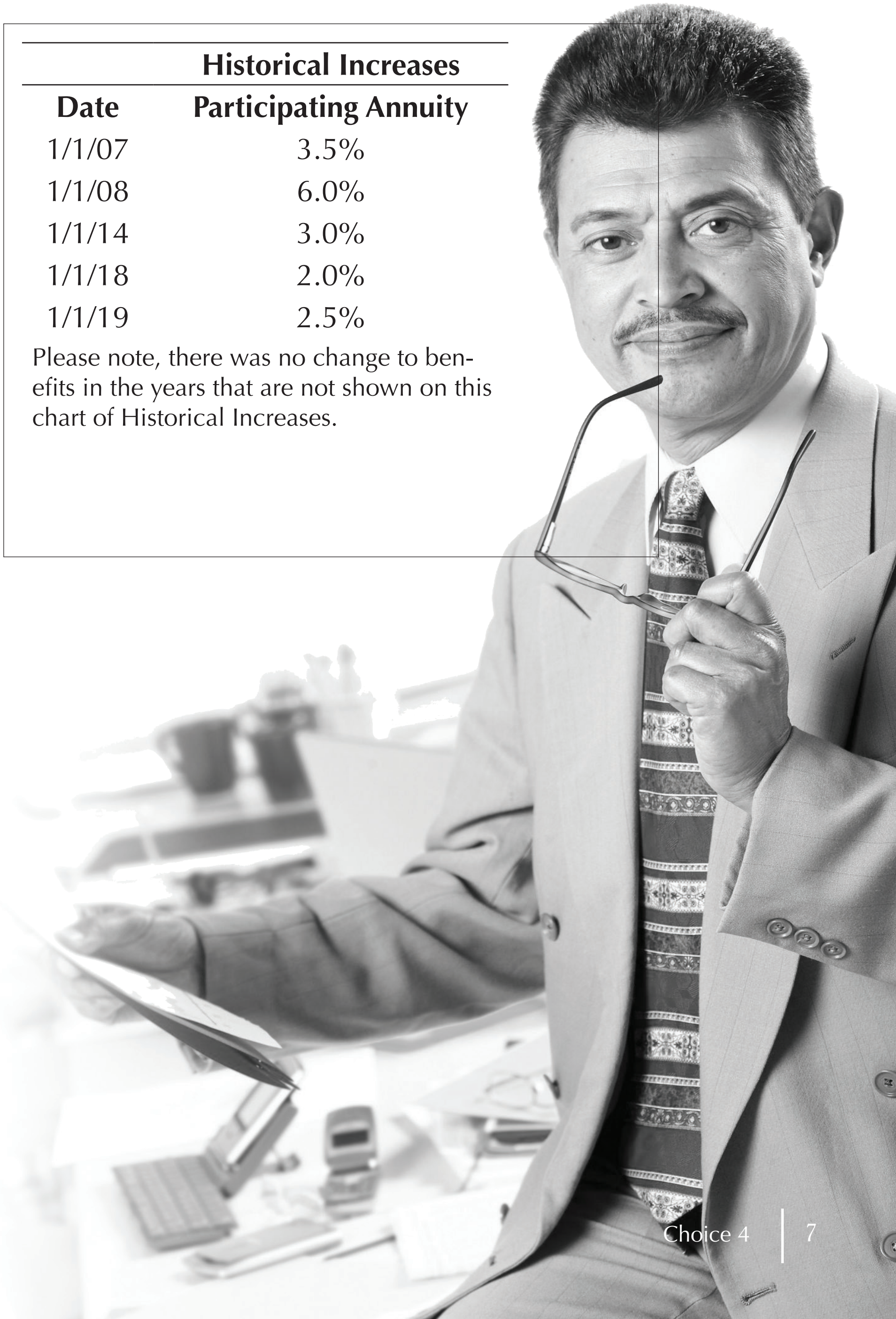
When your accumulation account is converted into an annuity, you must decide how those annuity reserves will be invested during your retirement. This decision will impact the amount of monthly annuity payments you receive in the future.

Initially, your monthly retirement income is determined based upon your age (and that of your Joint Life Annuitant, if applicable). The amount of assets in your accumulation account(s) and the annuity option you have chosen (such as Single Life Annuity or Joint Life and Survivor Annuity), are pooled with retirement reserves of other members who made similar investment choices. It is assumed that retirement reserves will have an average investment return of 4% per year until the time they are needed for benefit payments. When, over time, the investment results average more than 4%, and sufficient reserves exist to maintain a benefit increase into the future, the monthly income is increased to share the unexpected "extra" income with retirees as adjusted payments. When the results are averaging less than 4%, there are no dollars available for increased payments and monthly payments may, in some instances, decline.

Participating Annuity – The assets supporting this annuity are invested in a portfolio of stocks, bonds, and real assets (targeted allocation of 55% to stocks, 35% to bonds, and 10% to real assets). Over longer periods of time, this annuity should produce average returns that are higher than the 4% return assumption built into the base level of annuity benefits and should allow for benefit increases from time to time that are expected to continue to be paid over the annuitant's lifetime. If investment and mortality experience result in decreased assets that no longer support the benefit levels, then the monthly benefit can also decrease.

	Historical Increases
Date	**Participating Annuity**
1/1/07	3.5%
1/1/08	6.0%
1/1/14	3.0%
1/1/18	2.0%
1/1/19	2.5%

Please note, there was no change to benefits in the years that are not shown on this chart of Historical Increases.



Choice 4

Basic Annuity – The assets supporting this annuity are invested in fixed-income securities that reflect high overall quality ratings. Given that most of these securities pay a fixed amount of interest, our current assumption is that these securities will produce an average investment return that is close to the 4% return assumption built into the base level annuity benefits. It is not currently anticipated that the benefit will be adjusted (to increase or decrease) in the near-term future. However, if interest rates rise or fall significantly above or below the 4% earnings assumptions for extended periods, there is always a possibility that the benefit could change.

	Historical Increases
Date	**Basic Annuity**
1/1/14	3.0%
1/1/15	2.0%
1/1/18	2.0%
1/1/19	10.0%

Please note, there was no change to benefits in the years that are not shown on this chart of Historical Increases.

Alternative assets are permitted, within limits, subject to approval by the Pension Boards' Investment Committee. Alternatives may include private equity (buyouts, venture capital, distressed), real assets (real estate, infrastructure, timber, and other natural resource-based assets), and hedge fund strategies such as arbitrage, relative value, directional, and event-driven strategies.

Both Annuities are professionally managed by Pension Boards' investment staff, external and internal asset managers, and are overseen by the Investment and Benefits Committees of the Board of Trustees.

At retirement, your initial benefit will be the same whether you choose the Basic Annuity or the Participating Annuity. Both Annuities are reviewed annually for adjustments to the annuity benefit. If the experience of an annuity portfolio has exceeded the 4% assumption and the extra reserves are large enough so that the benefit increase may be sustained into the future, the benefit will be increased effective January 1. As discussed above, over time, the Basic Annuity is expected to remain relatively flat, while the Participating Annuity is expected to keep pace with inflation and fluctuate with market conditions.

You must choose either the Basic Annuity or the Participating Annuity; you may not have a portion of your benefit paid under each. Once you have made your decision, it cannot be changed.

For persons who value security over the possibility of a benefit increase, the Basic Annuity may be a more comfortable choice. For persons with a greater risk appetite, the Participating Annuity may be the more appropriate choice. Unfortunately, all investment decisions can only be evaluated financially in hindsight. For this reason, your personal sense of security must be your guide in making the investment choice. In addition, you should consult with your personal financial advisor in making this decision in light of your financial circumstances and personal retirement goals.

Do You Want a Partial Lump-Sum Withdrawal?

At retirement, you may choose to have up to 20% of your employer contributions plus earnings and 100% of your personal contributions (if any) plus earnings paid to you in a single lump sum payment. Taking a lump sum payment up front reduces your monthly annuity payments proportionately. You will have to pay income taxes on this distribution unless it is transferred to a Retirement Savings Account (RSA) within the Annuity Plan or to a third-party IRA or other qualified plan. Subsequent withdrawals from RSAs and IRAs are taxable and required minimum distributions must be taken each year as provided by the IRS.

How Much Is the Reduction?

Taking a lump sum distribution reduces your total annuity in exact proportion to your payment. A lump sum payment equal to 20% of your total accumulation reduces your total annuity by 20%; a 5% lump sum payment reduces your total annuity by 5%; etc.

Who Should Elect It?

In determining whether to take the lump sum payment, you should consider whether the remaining annuity payment is sufficient to meet your retirement needs.

Choice 5

Information for After You Retire

The Retired Minister's Housing Allowance

Pension benefits are normally taxable; however, it often comes as a pleasant surprise to clergy (ordained, licensed, or commissioned) that their pension benefits may be treated as housing allowance. Under current regulation and the Pension Boards' actions, 100% of a retired minister's pension may be spent on housing, including furnishings, utilities, and other allowable expenses. Withdrawals from the RSA also qualify for the housing allowance; however, money transferred from the Annuity Plan to an IRA does not qualify for the housing allowance designation. The amount you exclude as housing allowance cannot exceed the fair market or rental value of your property, including utilities and furnishings, if that is less than your actual out-of-pocket costs.

If you are not a minister, the housing allowance is not available. A housing allowance is also not available to a minister's widow or widower for benefits arising from the minister's employment, even if the widow or widower is also ordained.

A housing allowance attributable to pension income should not be treated as self-employment income, and accordingly, should not be subject to Social Security taxes. This is a difference between the housing allowance of an active minister and the portion of pension income treated as housing allowance by a retired minister.

How Are Retirement Benefits Taxed?

Once you start receiving benefits, each year the Pension Boards will send you tax information and instructions necessary to complete your tax return.

Annuities paid by the Pension Boards are generally taxable as income in the year you receive them, in part because the money used to provide them was not previously taxed. However, if you have made contributions that were not tax-deductible, part of your annuity will be tax-exempt.

The IRS requires us to withhold taxes from your pension unless you tell us not to. When you retire, we will supply all the proper tax forms. If you do not submit a tax form, we are required to withhold as if you are married with three exemptions.

You should check for possible changes in IRS rules by visiting the IRS website at **www.irs.gov**, and consult with your personal tax advisor to discuss the tax ramifications of your retirement decisions. If you wish to change your withholding election, please submit a new Form W-4P to the Pension Boards, a copy of which is available on our website, **www.pbucc.org.**

Please visit the Social Security website at **www.ssa.gov** or call **1.800.772.1213** for information concerning taxation and tax exemption of Social Security benefits.

What About State Taxes?

Each state has its own tax policy on retirement benefits, so it is important for you to be aware of your local and state tax regulations. You should review any tax-related issues with your personal tax advisor. We will withhold state tax according to your state's legal requirements.

If You Move

Please notify us immediately of any address changes so that we can keep your information current, advise you of any changes affecting your benefits, and provide you with Form 1099-R, which is important for you in the preparation of your tax returns.

Changing Your Beneficiary

Once your annuity payments have begun under the Joint Life and Survivor Annuity, you cannot change your named Joint Life Annuitant, who will receive lifetime payments after your death.

However, if you have selected the 10-Year Guarantee feature, you may change the 10-Year Guarantee beneficiary at any time. Such payments would be received after the death of the second to die of the member and the Joint Life Annuitant, if any, if such deaths occur before 120 monthly payments have been made. You should notify us if a beneficiary dies or if you want to change a beneficiary. You may obtain a new beneficiary form on our website, **www.pbucc.org**.

If you are receiving annuity benefits under the Joint Life and Survivor Annuity Option without the 10-Year Guarantee feature, the death of your Joint Life Annuitant will not change the amount of annuity payments you receive; however, you may not select a new Joint Life Annuitant.

Social Security

If you are retiring at age 62 or older, you should contact your Social Security office or visit their website at **www.ssa.gov** at least three months in advance to tell them of your planned retirement. They will provide you with information about your Social Security benefits.

Medicare

Be sure to enroll for both Parts A and B of Medicare before your 65th birthday. If you are enrolled in the UCC Medical Benefits Plan, send us a copy of your Medicare cards so that we can enroll you in the UCC Medicare Supplement Health Plan at a lower cost to you. You do not need to apply for Medicare Part D, as prescription drugs are covered under the UCC Medicare Supplement Plan with Rx.

Disclaimer

The Pension Boards does not provide any legal, accounting, or tax advice to its members concerning the taxability of any transactions associated with your retirement funds. This material is purely for informational purposes and members should consult their legal, accounting, or tax professional prior to making any decisions concerning their retirement decisions that could result in a taxable event or engaging in any transactions concerning their retirement funds.

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WHERE FAITH AND FINANCE INTERSECT

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