

# Steps Into Retirement

How the  
MMBB Financial  
Services Annuity Works



**MMBB**

A Financial Services Ministry™

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**You're finally ready to begin the next chapter of your life: retirement. With your financial house in good order, the years of planning and saving will allow you to make retirement an expansion of your lifelong spiritual journey. Retirement can be an opportunity to serve in new ways. With MMBB as your partner, retirement is redefined.**

In order to begin that journey, you need to make some decisions about how you wish to receive your retirement income from MMBB Financial Services. This booklet provides instructions and information to help you make these important decisions so that you are able to smoothly transition into retirement. The first section of the book guides you through the process of setting up your MMBB retirement income, with details about the essential forms and explanatory notes. The second section gives more information about your benefits after your retirement begins. It includes common questions for MMBB members planning their retirement.

MMBB Financial Services Senior Benefits Specialists are prepared to discuss any aspect of this decision-making process with you. As you consider each choice, consult the background information and the frequently asked questions in this booklet. Do not hesitate to call MMBB with any questions that remain. It is important that you understand and feel comfortable with your choices, since many of them, once made, cannot be changed. Your future financial well-being will be enhanced by careful decision making now.

# STEPS TO SET UP YOUR RETIREMENT INCOME FROM MMBB

## WHEN TO RETIRE

Your retirement income from MMBB comes to you in the form of an annuity which is, in its simplest terms, monthly income for life. You become eligible to receive your MMBB annuity income in the month following your retirement.

The decision of when to retire is up to you. Your retirement date depends on your own plans and goals. Generally, MMBB considers a premium-paying member to have retired when he or she terminates service with his or her employer and ceases to receive compensation from that employer. If you have questions about your eligibility to begin your annuity, please contact MMBB.

The date on which you retire will affect your retirement income. The earlier your retirement income starts, the smaller each monthly payment is likely to be. This is because you will have fewer years in which to build up your account value and the annuity income will cover a longer retirement period. For example, a monthly annuity that begins when the member is 60 years old is usually smaller than one beginning when he or she is 70.

## STEP 1

### Apply to Begin Your Annuity

Once you have decided on a retirement date, you should notify MMBB Financial Services at least 90 days in advance. For example, if you wish to begin your annuity on January 1, be sure to let MMBB know officially by October 1. You are welcome to send your notification earlier than 90 days ahead if you wish.

Please call MMBB at **800.986.6222** to request a retirement kit.

## STEP 2

### Decide on your Monthly Income Option

When you declare a retirement date, you will receive estimates of your monthly retirement income for each MMBB plan in which you have accumulated savings. The estimates will illustrate the monthly income options from which you will choose and be stated on the following forms:

- **R-2a:** Retirement Plan from Comprehensive Plan (Retirement Plan)
- **R-8a:** Deductible Employee Contribution Account (DECA)
- **R-9a:** The Member Contribution Plan (The Annuity Supplement)
- **R-10a:** Retirement Only Plan (Tax Deferred Annuity)

Step 2 involves three decisions for all those who wish to convert MMBB retirement savings to annuity income:

1. How much of your account value do you wish to convert to annuity income?
2. Which monthly payment option works best for you?
3. Do you want to have the 120-month certain guarantee built into your annuity?

#### 1. How much of your account value do you wish to convert to annuity income?

On the R-2a form, under "Monthly Annuity Amounts," you will find estimates of your monthly income if you convert your entire Comprehensive Plan (Retirement Plan) account or if you convert the minimum amount. The minimum you must convert from the Comprehensive Plan (Retirement Plan) is 50% of your account value at the time of retirement. You can also convert a percentage of the account that is somewhere between the maximum and minimum. If you want to do that, please request additional estimates from MMBB for the portion of the account you want to convert.

If you have funds in the Member Contribution Plan (The Annuity Supplement), Retirement Only Plan (Tax Deferred Annuity) and/or DECA, you will notice that the estimates provided do not include any minimum amount.

## CONVERTING YOUR ACCOUNT TO INCOME

The portion of your Comprehensive Plan (Retirement Plan) account and any other funds from Member Contribution Plan (The Annuity Supplement or TAS), Retirement Only Plan (Tax Deferred Annuity or TDA) or Deductible Employee Contribution Account (DECA) that you choose to convert to annuity income, are added to the Annuity Fund, a financial "pool" from which all annuities are paid. Mortality tables tell us that a certain number of the members with reserves in the Annuity Fund will die each year. MMBB can therefore rely on the "law of averages" to provide lifetime income for each member that draws retirement income from the fund. The Annuity Fund is reviewed annually by independent actuaries for sufficiency.

Half of the persons who reach retirement age will live beyond their life expectancy. The other half will die before they reach their life expectancy. If you live exactly to your life expectancy, you will have received in monthly payments the total value of the account that you elected to convert to an annuity, plus the investment results from the period you received annuity payments. Those who live beyond life expectancy continue to receive lifetime annuity income from the Annuity Fund.

# CONVERTING YOUR ACCOUNT TO INCOME

When you convert your account to an annuity, you are credited with a set number of annuity units. The number of units credited to you depends on the following factors:

- The dollar amount you convert to your annuity
- The monthly income option you select
- Your life expectancy and that of your joint annuitant (if any) at the time you retire

Once determined, the number of annuity units does not change throughout your retirement unless you select a joint annuity. When you or your spouse dies, the number of annuity units may decrease, depending on the option you chose. The number of annuity units credited to you, times the annual annuity payout value, determines the amount you receive for the year. For example, Reverend and Mr. Jones retired and converted her Retirement Plan account to a joint and survivorship annuity. The Joneses chose the 80%/80% payout option and, given this choice, the account value was converted to 500 annuity units. At a payout value of \$60 per annuity unit in the year the annuity began, the yearly value would be \$30,000 (500 x \$60). After several years, Mr. Jones died and Reverend Jones notified MMBB immediately. In the month following his death, the number of annuity units dropped to 400 (80%) and income was paid to Reverend Jones on that basis for the rest of her life.

Each year, the annuity unit's payout value is recalculated. The payout value is the higher of:

- The average of the actual annuity unit values for the six months ending September 30, adjusted for non-investment experience including mortality
- The actual annuity unit value on September 30, adjusted for non-investment experience including mortality

Your annuity income will not fall more than 10% in a given year.

Annual changes in the annuity payout values are effective January 1. The payout value will change on January 1, even if your retirement income began late in the previous year. Your annuity payments remain the same for the year, unless you or your joint annuitant dies during that year.

In the example cited above, Reverend Jones' income after her husband died will continue to change somewhat each year because of the way that investment experience affects the payout value. The number of annuity units, however, will not change. If the payout value is \$60 per unit one year, her annual annuity income will be \$24,000 (\$60 x 400 units). If the payout value changes to \$62 the next year, her income will rise to \$24,800 (\$62 x 400).

## STEP 2 *continued*

These plans do not require you to convert a minimum percentage to annuity income when you retire. You may choose, for example, to convert all of your Retirement Plan account to annuity income and retain your Member Contribution Plan (The Annuity Supplement) or Retirement Only Plan (Tax Deferred Annuity) account for future use. If so, that account will continue to share in MMBB's investment experience and be available to you for investment choices. During your retirement years, you will be able to use those funds for additional annuity income, loans and withdrawals.

Please note that the dollars used for your annuity will be withdrawn pro rata from your MMBB investment options unless you specifically instruct MMBB otherwise. If you wish to learn about withdrawals by specific funds, please contact MMBB.

## 2. Which monthly payment option works best for you?

The R-2a form is accompanied by an R-2b, or "Annuity Selection" form that asks you to choose a type of monthly income. You will also receive an R-9b for the Member Contribution Plan (The Annuity Supplement), an R-10b for the Retirement Only Plan (Tax Deferred Annuity) and an R-8b for DECA, if these apply to you. The same choices will be offered to you for each of these plans; each of MMBB's plans offers the same annuity income options.

Once you have decided how much of your account you wish to convert to annuity income, you will choose whether the income will be in a single-life annuity or a joint and survivorship annuity. The form itself provides explanatory notes defining the options.

1. The single-life annuity provides income for your (the member's) lifetime only. Payments stop at your death.
2. A joint and survivorship annuity provides income for two lives, yours (the member) and your spouse's or other joint annuitant. If you choose this option—as do most of MMBB's married members—you will have another choice to make among three different joint and survivorship annuity income options. In general, the larger the percentage paid to the survivor, the smaller the monthly dollar amount that will be paid to you jointly. The 100%/100% choice, for example, features the largest survivor payments. But of the three choices, it offers the smallest initial monthly payment. None of the options is designed to pay you more money in the long run. No matter which option you choose, you get your money's worth.

## A PRECAUTION: THE INSURANCE "SWITCH" PROPOSAL

Some insurance agents are encouraging married persons to take a single-life annuity and invest the difference between it and a joint-life annuity in life insurance with the spouse as beneficiary. Using assumptions about the return on the insurance investment and life expectancies, they try to demonstrate that couples would receive more income with this switch than with a joint and survivor annuity. If you are considering such a switch, be sure to bear in mind the following:

- MMBB annuities vary each year with investment experience; long term, this fact has allowed MMBB members to keep pace with and even exceed inflation.
- MMBB joint and survivorship annuities feature a recalculation on a single-life basis for the survivor if one spouse dies within six years of the retirement date. The single-life monthly payment is compared with the survivorship monthly payment and the survivor receives whichever is greater.
- Insurance agents receive commissions based on premiums the policyholder pays; compare those costs with the modest basis-point fee charged to all MMBB members.

## CONVERTING YOUR ACCOUNT TO MONTHLY INCOME: 4% ADVANCED EARNINGS ASSUMPTION

One feature of MMBB annuities is the 4% advanced earnings assumption. Your annuity income will include not only a return of principal but also a 4% earnings assumption, regardless of the rate actually being earned at the time your payments are made.

MMBB assumes the funds in the annuity pool will earn 4% a year during your retirement years. The number of annuity units credited to you includes the portion of your MMBB account value that you converted to an annuity, plus the 4% advanced earnings assumption. Any investment experience in excess of the 4% assumption in a given year in retirement may result in an increase in your annuity payments for the following year. On the other hand, if the investment experience of the annuity pool is less than 4%, the following year's annuity payments may be less than the current year's level.

### STEP 2 continued

**a. 100%/100% Joint and Survivor Annuity**

When either you or your joint annuitant dies, the survivor's monthly payments will be based on the same number of annuity units for life.

**b. 80%/80% Joint and Survivor Annuity**

When either you or your joint annuitant dies, the survivor's lifetime annuity income will be based on 80% of the original number of annuity units.

**c. 100%/60% Joint and Survivor Annuity**

If your joint annuitant dies first, your annuity income continues at the same level for the rest of your life. If you die first, your joint annuitant receives a lifetime annuity income equal to 60% of the original number of annuity units.

### 3. Do you want the 120-month certain guarantee built into your annuity?

The last choice for your monthly income option is whether or not to waive the 120-month certain guarantee. The guarantee provides that if you and (if applicable) your joint annuitant die before receiving at least 10 years of income from this annuity, your beneficiary or your estate will receive the remaining value for that 10-year period. If you and/or your spouse live beyond the 120-month period, annuity income continues for as long as either of you lives. This guarantee applies whether you elect a single-life or a joint and survivorship income option, and is available not only with the Comprehensive Plan but also with the Member Contribution Plan (The Annuity Supplement), Retirement Only Plan (Tax Deferred Annuity) and DECA annuities. If you choose not to waive the 120-month certain guarantee, your annuity income will be slightly lower. The estimates shown on your R-2a, R-8a, R-9a, or R-10a allow you to compare income with and without the guarantee and, thus, estimate the cost of this feature.

### STEP 3

#### Choose a Method of Payment

Once you have decided on your annuity payment option, you will also be asked to decide whether you want the monthly income payments electronically transferred to your bank account or whether you prefer to receive a paper check through the mail. MMBB recommends electronic funds transfer (EFT) because it provides greater security and convenience. It eliminates the risk of losing a check in the mail. EFT also allows you faster access to your money; you do not have to visit the bank to make a deposit or wait for the check to "clear".

If you would like this form of payment, complete and return the Electronic Funds Transfer Request form you will find in this kit. Be sure to sign the form and include the voided check (for checking account deposits) or deposit slip (for savings account deposits). Once your annuity has begun, you will receive a monthly advice indicating that a payment has been made directly to your bank account with the amount specified. If you are receiving income each month from more than one MMBB account—the Comprehensive Plan and Member Contribution Plan (The Annuity Supplement), for example—the amounts will be combined into one payment. You only need to complete and return one EFT form. If you do not return the EFT form, paper checks will be sent to your address on file.

The first annuity payment you receive from MMBB will be sent in the middle of the month in which you retire. After that, annuity payments are made on the first business day of each month, providing income for that month. For example, if you plan to begin your annuity in January 2020, the first annuity payment will be sent to you on January 15 and on the first business day of each month after that.

Once your forms are completed and received by MMBB Financial Services, your annuity income will begin as of your retirement date. An Annuity Conversion Report will be sent to you soon afterward, summarizing the payment option you have selected. This report will also let you know if you qualify for the \$8,000 death benefit under the Comprehensive Plan. Please keep the Annuity Conversion Report with your important papers for reference.

MMBB's annuities are all variable annuities. The amount paid to you may increase or decrease each year, depending upon MMBB's investment results. Each November you will receive a "Report of Annuity Payments," showing the number of annuity units you have, the payout value of the annuity unit and the amount of your annuity income for the next year. Remember, the change in the amount of your annuity will occur each year as of January 1, even if you retired late in the previous year.

### Remaining Balances

If you do not convert your entire Comprehensive Plan, Member Contribution Plan (The Annuity Supplement), Retirement Only Plan (Tax Deferred Annuity) and/or DECA account into an annuity when you begin your retirement, you may leave it invested in your account and it will continue to share in MMBB's investment experience. You can direct the investment of your account balances using MMBB's investment choices, just as you could before you retired. Information on MMBB's investment choices can be found online at [www.mmbb.org](http://www.mmbb.org). Quarterly statements of the value of your remaining balance will continue available online as long as a balance remains in your account.

You may convert some or all of your remaining balance into additional annuity income at a later point. The remaining account balance is still available to you for loans and withdrawals. If you are employed in retirement, you may also be able to make contributions to your Member Contribution Plan (The Annuity Supplement) account and your employer may be able to make Retirement Only Plan (Tax Deferred Annuity) contributions. You may also roll money into your account after retirement just as you could before you retired. Many MMBB members have rolled money into Member Contribution Plan (The Annuity Supplement) to consolidate funds with one organization while using MMBB's investment choices to diversify. Contact MMBB Financial Services at 800.986.6222 or email [service@mmbb.org](mailto:service@mmbb.org) for information on eligibility.

Government regulations require that, once retired, you receive an annual minimum amount of your remaining account balance beginning by April 1 of the year following the year in which you reach age 70½. If you are older than 70½ when you retire, you will begin your annual required minimum distributions by April 1 of the following year. You are not, however, required to receive an annual minimum amount regardless of your age if you are employed in a ministry-related job in retirement.

## Taxes in Retirement

In January of each year MMBB will send you Form 1099-R, which will also be filed with the Internal Revenue Service, showing your gross annuity for the preceding year and the taxable amount. Any personal contributions you made to your Retirement Plan account are not taxable when you receive them in retirement. If you have such contributions, you will be informed shortly after you retire about how to include them in your tax filing. They will also appear on the 1099-R form.

For clergy, up to 100% of your MMBB annuity and any withdrawals (excluding loan defaults and rollovers from MMBB) may be designated as housing allowance on the 1099-R form. The portion designated as housing allowance will not be subject to federal income taxes if the lesser of your housing expenses or the rental value of your home, plus utilities, are equal to or greater than your annuity income.

Retired clergy need not report as income the portion of their annuity justified as housing allowance when they file their federal tax return. It is your responsibility to report to the Internal Revenue Service any MMBB annuity or distribution income that exceeds the amount you are entitled to exclude as housing allowance. You must keep all receipts and canceled checks for housing expenses to justify the amount of housing allowance excluded. If you own a home, it may be necessary to substantiate its fair rental value. If you are living in a retirement community, only that portion of the monthly payment that represents housing costs may be taken into account to determine your housing allowance exclusion. Information on filing is sent to all MMBB annuitants early each year.

The designation of the MMBB annuity as housing allowance does not continue for a surviving spouse or other joint annuitant after an ordained member dies. For lay annuitants and widowed or surviving spouses, the total annuity amount will be taxable and federal income taxes can be withheld.

If you are eligible for federal income tax withholding, you may submit the appropriate form (W-4P) and MMBB will withhold federal income taxes from your annuity payments. If you live in a state that requires state tax withholding from your benefit payments, MMBB will help you meet that requirement. Please refer to the state withholding election form in your Steps into Retirement packet and follow the instructions to complete it.

## Medical Coverage

For those who retire at age 65 or older and are eligible through participation in Social Security, Medicare will be the primary health care plan. MMBB sponsors a Medicare supplement—The Senior Medical Insurance Plan—from Hartford Life for MMBB retired members.

The Senior Medical Insurance Plan is administered by MMBB's third-party administrator, UMR. For more information on enrollment, please contact UMR at **866.868.0502**. It is important to note that current government regulations prohibit the purchase of more than one Medicare supplement policy.

## Employment

In most cases, your MMBB annuity may begin only after you leave your present employment. However, your annuity income may begin during employment if you meet age and compensation limits and discontinue Comprehensive Plan premium payments. Once your annuity begins, any employment income will not affect your annuity. Contributions to Member Contribution Plan (The Annuity Supplement) and Retirement Only Plan (Tax Deferred Annuity) may be made in retirement if your employment qualifies.

## Death in Retirement

There is a tax-free death benefit from MMBB if you retire directly from premium-paying membership of at least 15 years in the Comprehensive Plan. The beneficiary you name will receive \$8,000.

Annuity income will continue for your spouse, or other joint annuitant, if you chose a joint and survivorship payout option at retirement. If you also chose at retirement to keep the 120-month certain guarantee and you and your joint annuitant, if any, die before 10 years of retirement have passed, the remaining years' payments will be made to the beneficiaries you have named, or to your estate.

When death occurs, MMBB should be notified as soon as possible to avoid problems adjusting the annuity income. Delayed notification will require MMBB to reduce the joint annuitant's income to recapture the overpayment.

If both you and your spouse die before withdrawing or converting your remaining account balances into an annuity, the value of the remaining account balance will be payable to the beneficiaries you name. If the appropriate beneficiary form has not been completed and filed with MMBB, the funds will be payable to your estate.

If your retirement benefit calls for you to name beneficiaries, MMBB will send you beneficiary forms as you make your annuity choices.

## FREQUENTLY ASKED QUESTIONS

### Q. What is an annuity?

**A.** Your MMBB annuity, in its simplest terms, is monthly income for life. MMBB annuities are paid from an annuity fund that pools resources from many people in order that each may be protected against the financial risk of living without adequate income during retirement years.

### Q. When can I retire?

**A.** You can retire whenever you are ready. When you convert your account to an annuity, the timing of your retirement will affect the dollar amount of your retirement income. The earlier you retire, the less time you'll have to build up your account balance and the longer you are expected to receive benefits.

### Q. What is a variable annuity?

**A.** Unlike a conventional annuity, the amount of income from a variable annuity may change from year to year, going up or down, depending upon investment experience. In a conventional annuity the fixed-dollar income for the annuitant creates unstable purchasing power due to inflation. The purpose of MMBB's variable annuity is to provide retirement income that is more responsive to economic change.

### Q. Is the amount of my monthly income guaranteed?

**A.** Though the monthly amount will not change in a given year, the amount can go up or down once each year based on investment experience.

### Q. What happens to the balance of my Comprehensive Plan account if I don't convert all of it to an annuity when I retire?

**A.** The balance in your Comprehensive Plan account continues to be invested in the MMBB funds of your choice until it is paid to you later as additional annuity income, a loan, partial withdrawals or a complete settlement.

### Q. Can I increase the number of annuity units I have?

**A.** The only way you can increase the number of annuity units is by converting an additional portion or all of your remaining balance in your Comprehensive Plan, Member Contribution Plan (The Annuity Supplement), Retirement Only Plan (Tax Deferred Annuity) or DECA account to annuity income.

### Q. How was the 4% advanced earnings assumption determined?

**A.** The percentage was determined after reviewing the past and future earning potential from plan investments and consulting with the plan's actuaries. It is designed to level out the change in your annuity income from year to year.

### Q. Can I choose the form of payment I prefer, regardless of my marital status at retirement?

**A.** Yes, but if you are married, your spouse's written consent is required when you select your annuity payment option.

### Q. At what age do Social Security payments begin?

**A.** Social Security payments can start at a reduced amount at age 62. The normal retirement age for full benefits for anyone born before 1955 is 66. Those born in or after 1955 can expect full benefits to begin later than age 66. Check with The Social Security Administration for further information.

### Q. Can I waive the 120-month certain guarantee feature for an increased benefit?

**A.** If you choose to waive the 120-month certain guarantee, your annuity payment will increase somewhat. Most members choose to retain the guarantee.

### Q. Are loans and withdrawals available in retirement?

**A.** Yes, loans and withdrawals are available in retirement if you have remaining balances in your Comprehensive Plan, Member Contribution Plan (The Annuity Supplement) or Retirement Only Plan (Tax Deferred Annuity) account.

### Q. How do I apply for a loan?

**A.** Loan kits are available by calling 877.626.4032 or visiting [www.mmbbaccounts.org](http://www.mmbbaccounts.org).

### Q. Can I continue contributing to my account after I retire?

**A.** Yes, within certain guidelines. You may make contributions if you are employed by an eligible organization in retirement. You may even roll dollars into your account from other sources. While you cannot make contributions to your Comprehensive Plan account, you may contribute to Member Contribution Plan (The Annuity Supplement), and your employer can contribute to Retirement Only Plan (Tax Deferred Annuity). Check with MMBB for further details.

### Q. How do I update my beneficiary form(s)?

**A.** To update beneficiary forms, contact MMBB at **800.986.6222** or [service@mmbb.org](mailto:service@mmbb.org).

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