

TO: Plan Participant, Church Treasurer, or Benefits Administrator
FROM: PCA RBI Office
SUBJECT: PCA Group Insurance – November Headlines and Notes to Know
DATE: November 2020

Please share the information in this memo with others in your church or organization so they are aware of the dates of Annual Enrollment. Thank you for taking a minute to forward to others!

Annual Enrollment Update:

This year's Annual Enrollment will be for one week, December 1 – 7. For your peace of mind, existing benefit elections will continue to be in force throughout the new 2021 plan year with no confirmation of enrollment needed. However, if a change is needed to update Dependents on life, dental, or vision insurance, this is the time to process an Annual Enrollment in SmartBen. The new link for SmartBen and a reminder of the username and password can be found on the reverse side of this memo. New enrollments or plan changes will be effective January 1, 2021.

Two New Benefits Available:

Annual Enrollment is a great time to update your Insurance Adoption Agreement (IAA) and enhance the PCA insurance benefits offered to your church or organization staff.

Short Term and Long Term Disability – Effective January 1, 2020 we began offering Short Term Disability to combine with your Long Term Disability benefit. Short Term Disability is only available when bundled with our Long Term Disability benefit.

ServantCare Counseling – As of August 1, 2020 the counseling benefit is our newest benefit and may be added for your staff. There are three free sessions as well as 4 discounted sessions available per year. See our website to review the specific details for this benefit: <https://pcarbi.org/servantcare-counseling/>

Monthly Payment – COVID Credit:

As a reminder, RBI applied a \$15 COVID credit for each person on your June invoice. While some of you have adjusted the monthly payment to absorb this credit, others are running this credit amount forward from month to month. We trust this token per-person amount will be absorbed into your Insurance payment during the 2020 plan year. While there are various "Totals" on the invoice, you may use the numbers in the **Invoice Summary** box at the top of the page to review *Previous Month Invoice Due*, the prior month's *Payment Received*, the total due for the *Current Month Invoice*, and any premium *Adjustments* which calculate a *Total Now Due*. Please make the monthly payment for the **Total Now Due**.

Two Enclosed Memos:

Each November we provide two additional informative memos with the hopes the details will confirm your current processes or bring about an update to current processes. You will find information about taxability for Employer-provided Life Insurance and Taxable LTD premiums on the additional memos. If these memos bring up questions, your CPA or tax accountant is the best resource for guidance relating to these two topics.

Call our office today with questions you may have about the information in this memo. You may also send your question by email to insurance@pcarbi.org.

KEEP FOR FUTURE REFERENCE

Mailing Addresses with Optional FAX and Email Information		
<u>Insurance Payments ONLY</u>	<i>Insurance Correspondence</i>	<u>Retirement Plan Contributions</u>
<p>Make check payable to: PCA Group Insurance <u>On-line payments are now accepted.</u> Please call RBI for details.</p>	<p>Notes, employment, and/or coverage changes, completed forms, salary updates, etc. should be sent directly to our office:</p>	<p>Make check payable to: PCA Retirement Plan On-line retirement plan contributions are now accepted. Please call our office for details.</p>
<p><i>Mail payment and voucher to:</i> PCA Group Insurance PO Box 896529 Charlotte, NC 28289-6529 This lockbox is <u>ONLY</u> for insurance payments. No correspondence please.</p>	<p>PCA Retirement & Benefits 1700 N Brown Rd Ste 106 Lawrenceville, GA 30043 FAX: 678-825-1261 Email: insurance@pcarbi.org</p>	<p><i>Mail payment with matching remittance form to:</i> NWPS - PCA Service Center 4025 Delridge Way, Suite 250 Seattle, WA 98106</p>
How to let RBI know of Staff Employment and Benefit Changes:		
<p>1. Make a copy of the current invoice page listing the employee's name and coverage.</p> <p>2. Add a note under the employee's name with the <i>effective date of the change (MM/DD/YY)</i> and include a short informational description or explanation for this change and the termination of benefits. Some examples are: Part-time as of this date, Retired, Resigned Call, Terminated, End of Call, etc.</p> <p>3. Email, FAX, or mail this page to our office for processing. Our email address, FAX number, and mailing address are listed above. <i>Please do not send employment changes or notes to the lockbox with your monthly payment.</i></p> <p><i>PCA monthly coverage is terminated as of the last day of the last month the employee worked.</i></p> <p>RBI will process the employment change as well as premium credits for the month the employee was on your invoice beyond the last date worked. Premium credits will be reflected on your next monthly invoice.</p>		
www.pcarbi.org	800-789-8765	FAX: 678-825-1261
<p>Insurance Plan questions including: Enrollment Eligibility, Forms, Insurance Products, Employment Changes, SmartBen, Insurance Invoice or Payments</p>	Bonnie Nowak x1284 Sandie Robertson x1184	
<p>Financial Planning Advisors: Schedule a phone call appointment to discuss:</p> <ul style="list-style-type: none"> • appropriate benefit structure and insurance benefits • planning for retirement • specific questions about RBI investments • Call Package Guideline content • structure of a TE's compensation package 	Peggy Henry x1198 Katelyn Rogers x1192	
<p>Retirement Plan questions including: Enrollment Eligibility, Forms, Contributions, Withdrawals</p>	Myra Davis x1282 Ingrid Krein x1190	
<p>Ministerial Relief</p> <ul style="list-style-type: none"> • Offering • Applications • On-line Donations 	Vickie Poole x1280 Jon Medlock x1270	
Employee Access to SmartBen		
<p>All employees <i>currently enrolled</i> in PCA insurance plans may log into SmartBen by entering their User Name (nine-digit Social Security Number with no dashes used, e.g., 111-11-1111 would be entered as 111111111) and Password (six-digit date of birth in the format of MMDDYY with no dashes or slashes; so, January 7, 1980 would be entered 010780). After the initial login, employees will be asked to change their password to a new password.</p> <p>You may reach SmartBen by (1) visiting the RBI website (www.pcarbi.org) and selecting "login" or (2) going directly to SmartBen (https://pca.smartben.net) to login. In SmartBen you may review and print your current benefit enrollments: from My Benefits, select <i>View Enrollment Confirmation</i>. The plan certificates (plan details) for your current benefits are available by selecting Plans from the selections available along the top of the Welcome page.</p>		

TO: Plan Participant, Church Treasurer or Benefits Administrator
FROM: PCA RBI Office
SUBJECT: PCA Group Insurance – Long Term Disability Post-Tax Premiums
DATE: November 2020

Premiums are Post-Tax Deductions:

This memo is our annual reminder that the PCA Long Term Disability plan premiums were updated effective January 1, 2015 and changed to *Taxable Premiums*. We had received feedback from disabled participants concerned that their monthly disability check was not the full amount of enrolled coverage due to being reduced by tax deductions. We discussed options with Unum, our carrier, and they have enriched our disability benefits with the addition of Taxable Premiums.

Practically stated, the concept is that income taxes are paid on the premium dollars so benefits paid to the disabled employee will be tax-free. As noted above, receiving a tax-free disability benefit payment is tremendously beneficial and has been requested by disability claimants over the years.

While some churches and treasurers implemented the Taxable Premium plan change right away, we know others have yet to apply this update for their staff. We want to encourage everyone to implement this change for your employees for the coming tax year. While Unum initially agreed to review the disability claims and decide the taxability of the benefit pay-out as each claim was received, it seems we have run out of a generous 5-year “grace period” on compliance with this change. Unum’s disability claim adjusters email us with concerns that payroll and premium documentation submitted with a claim does not match how the PCA benefit is provided. We had a claim which was not approved this year due to the church not providing the benefit correctly for the employee. We are working to be proactive with our communication and provide these specifics at the time the LTD becomes a benefit offered to your staff.

Action Required for Post-tax Funding:

The LTD taxable premiums require a change to your current payroll process for your enrolled employees. The payroll term, *fringe benefit*, is often associated with post-tax deductions.

LTD3 – Voluntary – Premiums are paid by the Enrollee with a payroll deduction of the premium *after appropriate income taxes and withholdings have been taken*.

LTD1 – Enhanced and LTD2 - Basic – Premiums for Enrollees are paid by **employer funding and** the employer **reports the premiums as taxable wages** on the employees’ W-2 by grossing up the employees’ income in the amount of the annual LTD premium.

Premiums – Carrier Review at Time of Claim:

There is a 36-month look-back conducted by our carrier, Unum, for taxability decisions on submitted disability claims. If an employer moved to post-tax from pre-tax on January 1, 2017 and an employee is approved for disability on July 1, 2017 only 6/36ths of the disability payment is tax-free. This is determined by Unum claim adjusters by reviewing local employer pay stubs and W-2s. Each additional monthly premium paid post-tax after January 1, 2015 reduces the ratio of taxability one more month for this 36-month look-back should a disability claim need to be processed and payments begin for one of your staff members.

Please call our office today with questions you may have about the updates to the Long Term Disability benefit and implementing post-tax premiums.

TO: PCA Church Treasurers, Business Managers, and Administrators
FROM: Ed Dunnington, President
SUBJECT: Potential Tax Liability for those Covered by PCA Life Insurance Plans
DATE: November 2020

Federal law requires that the imputed (assigned) cost of employer-provided group term life insurance in excess of \$50,000, or dependent coverage if it exceeds \$2,000, be reported as *taxable income*.

This means that some participants in the PCA insurance plans may have a taxable fringe benefit for group term life coverage in the Basic Life, Standard Life, Enhanced Life, Enhanced Spouse Life, and Enhanced Dependent Life Insurance Plans. Although the tax liability will probably be minimal, it does need to be added to the employee's W2 form as taxable compensation for 2020.

The first steps to determine whether your pastor(s) and/or church employee(s) have a taxable fringe benefit are:

- 1) Who paid the premiums for coverage in the PCA group term life insurance plans?
If the *participant* personally paid with *taxable income*, there is no additional taxable compensation to be added to the W2.
On the other hand, if the *church/employer* paid the premiums as an employee benefit with *non-taxable dollars* see information in the next step to determine if there is additional taxable compensation to report on the employee's W2.
- 2) Does the total benefit of employer-paid group term life insurance coverage for any individual exceed \$50,000?
If the answer is "No," the participant does not have additional taxable compensation to be added on their W2.
On the other hand, any coverage *over* \$50,000 paid by the church/employer must be reported on the employee's W2 as taxable compensation.

If you have now determined that your pastor(s) and/or church employee(s) have *employer-provided group term life insurance that exceeds \$50,000*, you will next need to calculate the amount of taxable compensation that must be added to their W2 form.

- FICA Taxes: For lay employees, FICA taxes need to be paid on the additional taxable fringe benefit amount. FICA taxes may be processed on each paycheck OR on the final paycheck each year.
- SECA Taxes: Ordained Ministers covered by Social Security will need to pay SECA taxes on any additional taxable fringe benefit unless the minister has opted out of Social Security.

Federal law also requires that the cost of employer-provided group term life coverage for spouses and dependent children be reported as taxable income *if the amount exceeds \$2,000*. The additional amounts are to be calculated based on age of spouse and/or dependent child(ren) according to the rates in the IRS Monthly Rate Table (a copy is available on the reverse of this memo). Only those pastors or lay employees who have employer-paid Enhanced Life spouse and/or children's coverage are affected.

The worksheet for Employer-Provided plan information found on the reverse of this memo applies for churches or organizations who provide employee life insurance benefits. In *other situations* the provided worksheet will not be used, rather, the actual premium costs should be added to the pastor's or lay employee's taxable income and federal income and social security taxes (if applicable) should be withheld. To determine how to handle your church or organization, please consult your local tax expert. As an additional resource, our Call Package Guidelines booklet provides some options for setting up or re-organizing benefit packages to enhance tax savings.

The example worksheet and four-step process on the back of this memo is intended to be a helpful resource as you continue to work through this process. At the bottom of the page you will also find a copy of the IRS Monthly Tax Rates by age.

If you have questions concerning the actual tax liability of your pastor(s) and/or employee(s), please see the www.irs.gov website and read IRS Publication 15-B (2020) "Employer's Tax Guide to Fringe Benefits" beginning on page 13. You may also want to call your local tax professional for assistance with questions that are specific to your pastor and/or church staff.

Example Worksheet for Calculating Tax Liability

STEP 1 Instructions: Calculate **Total Employee Taxable Life Insurance Coverage Paid by the Employer**

Use this section to circle the employee age and enter the current level of coverage for each PCA plan in which the employee is enrolled. *Locate your current monthly PCA Group invoice which lists these coverage levels for each employee.*

Age	Basic Life	Standard Life	Enhanced Life for Employee	Dependent Enhanced Life (See Step 3 below.)	TOTAL of PCA Life Insurance	SUBTRACT \$50,000 as Non-Taxable	TOTAL of TAXABLE Life Insurance
Under 49	\$25,000	\$250,000		N/A		-50	
50 – 54	\$25,000	\$150,000		N/A		-50	
55 – 59	\$25,000	\$100,000		N/A		-50	
60 – 64	\$25,000	\$60,000		N/A		-50	
65 – 69	\$16,250	\$38,000		N/A		-50	
70 – 74	\$12,500	\$30,000		N/A		-50	
75 – 79	\$8,750	\$21,000		N/A		-50	
80+	\$5,000	\$15,000		N/A		-50	

Step 1 Example: Pastor, age 39, is enrolled for employer-provided PCA benefits effective October 1.

He is enrolled for Basic, Standard, and \$250K Enhanced life insurance.

Calculate total coverage using the table above. Use the example in Step 2 to calculate the total hundreds of employer-provided life insurance.

STEP 2 Instructions: Calculate **Taxable Income Amount for Employer-provided Employee Coverage**

Step 2 Example: Using your numbers (from Step 1), calculate the **Total Taxable** in hundreds using the second table below.

Calculate tax amount by completing the table below with the appropriate IRS TAX RATE from the IRS Monthly Rate Table.*

Age as of 12/31/2020	Basic Life (000's)	Standard Life (000's)	Employee Enhanced Life (000's)	Dependent Life (See Step 3 for example)	Total	Subtract \$50K (as non-taxable)	Total Taxable
39	25	250	250	N/A	525	-50	475
	Total Taxable X	IRS Monthly Rate per \$1,000 * X	Number of Months Covered =	TOTAL TAX Amount			
Pastor	475	0.09	3	\$ 128.25			

STEP 3 Instructions: Calculate **Taxable Income Amount for Employer-provided Dependent Coverage** if greater than \$2,000.

Note: These are calculated separately using the ages of the spouse and the child as of December 31 of the tax year.

Step 3 Example: The church also provides \$50K Enhanced for Spouse, age 32, and \$10k Enhanced for child, age 6.

Dependent Age as of 12/31/2020	Basic Life	Standard Life	Dependent Enhanced Life X	IRS Monthly Rate per \$1,000* X	Number of Months Covered =	Subtract \$50K	Total Tax Amount
32	N/A	N/A	50	0.08	3	N/A	\$ 12.00
6	N/A	N/A	10	0.05	3	N/A	\$ 1.50

STEP 4 Instructions: To Calculate the Total Taxable Wages Amount from Life Insurance to add to W2:

- Combine the totals from the Employee and the Dependent TAX totals (see Steps 2 and 3 above).
- Add the total of those combined amounts to the Employee's Taxable Income for 2020.

Step 4 Example: Calculate Tax Amount for Employee, Spouse, and Child tax amounts totaled for inclusion on the employee's W2 form:

Employee Tax Amount calculated in <i>Step 2 Example:</i>	\$128.25
Spouse Amount in <i>Step 3 Example:</i>	12.00
Child Amount from <i>Step 3 Example:</i>	1.50
Total Amount (from your own worksheet calculations) to be added to the W2 Taxable Wages Boxes 1, 3, 5 and 12, Letter C	\$141.75

*** IRS Monthly Rate Table**

IRS Rates for Computing Additional Taxable Income. Uniform Premium Table with monthly rate per \$1,000 of Insurance.

Select rate for the age as of the last day of the tax year (December 31).

Ages	Monthly Rate per \$1,000	Ages	Monthly Rate per \$1,000
Under 25	\$0.05	50 – 54	\$0.23
25 – 29	0.06	55 – 59	0.43
30 – 34	0.08	60 – 64	0.66
35 – 39	0.09	65 – 69	1.27
40 – 44	0.10	70 and over	2.06
45 – 49	0.15		