

# United Methodist Personal Investment Plan (UMPIP) Auto Enrollment & Auto Escalation



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## UMPIP

- The United Methodist Personal Investment Plan (UMPIP) is a 403(b)-retirement savings plan offered by your employer and administered by Wespath to help you save money for retirement.
- UMPIP is an individual account plan. This means you can make contributions through payroll deductions as a percentage of your compensation or in flat-dollar amounts up to Internal Revenue Code limits



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## Benefits of Contributing to UMPIP

- **Before-tax contributions**
  - Taxes are deferred on before-tax contributions and investment earnings until distribution.
  - For clergy, contributing to UMPIP reduces your income taxes and self-employment taxes.
- **Roth contributions**
  - Contributions are deducted after income taxes are withheld. Under current tax rules, you won't be taxed when you take a distribution. And earnings aren't taxed if your first contribution was made at least 5 years prior to distribution.



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### United Methodist Personal Investment Plan (UMPIP)

- [UMPIP Contribution Election Form](#)- participation is optional, but clergy must fill out this form with each appointment and provide the contribution amount to the church and send the form to the Benefits office via email.
- If you do not send an UMPIP election form with each appointment, you are automatically enrolled at a contribution rate of 1% with auto escalation being the default.
- You must provide the election form at least 7 days before the end of the month prior to the election going into effect. For example, if your appointment is 7/1/2021, you must provide the form by June 24, 2021. After your first election, you can change your election at any time during the year.



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### UMPIP Illustration

- This example is for a single person, being paid minimum comp, not considering the housing exclusion since everyone has a different amount.
- This is not tax advice. This is for illustrative purposes only.
- Please contact a tax accountant or [EY Financial Services](#) for your own planning purposes.



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### UMPIP Illustration

	No Election	1%	5%	10%	20%	MAX
Compensation	57,600.00	57,600.00	57,600.00	57,600.00	57,600.00	57,600.00
UMPIP Election	-	576.00	2,880.00	5,760.00	11,520.00	19,500.00
Taxable Income	57,600.00	57,024.00	54,720.00	51,840.00	46,080.00	38,100.00
SE Tax	8,139.00	8,057.00	7,732.00	7,325.00	6,511.00	5,383.00
Income Tax	3,734.00	3,686.00	3,476.00	3,224.00	2,708.00	1,994.00
Total Tax	11,873.00	11,743.00	11,208.00	10,549.00	9,219.00	7,377.00
Tax Savings	-	130.00	665.00	1,324.00	2,654.00	4,496.00
Cost of UMPIP		446.00	2,215.00	4,436.00	8,866.00	15,004.00

Calculated using: <https://apps.irs.gov/app/tax-withholding-estimator/results>



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### EY Financial Planning Services

- [Unlimited financial planning assistance](#) at 1-800-360-2539, Monday – Friday from 9am-8pm
- Visit EY Navigate to access calculators, webinars, educational content and more: <https://wspath.eynavigate.com/>



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### Automatic Enrollment

- From the Conference Journal: In 2018, the Annual Conference approved the "auto enrollment with auto escalator" feature of UMPIP to ensure that all our clergy take advantage of the UMPIP program. In 2019 we began this plan which included all clergy who had not opted out of the program automatically being enrolled in the program with 1% of their compensation going into the UMPIP plan. Clergy can choose to opt in to a higher or lower percentage as this program just ensures that the clergy are making an election each year for this program.



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### Automatic Escalation

- From the Conference Journal: In 2020, every clergy member who has not opted out will have their election increased by one percentage point. This includes clergy who had made a higher or lower election in the prior year. In order to not have the amount increase, the clergy member would have to actively make an election as opposed to having the prior year amount roll forward.
- When you change appointments, you must provide a new UMPIP form and indicate on that form if you want to opt-out of auto escalation as it starts over with each appointment.



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### Auto Escalation Example – Dollar Amount

- Jane Brown - did not opt out of auto escalation
  - Plan Compensation (cash salary plus housing allowance or parsonage value) effective 1/1/2020 = \$48,000
  - Latest Plan Compensation update = **\$50,000** effective 1/1/2021 (entered in Benefits Access by 12/30/2020)
  - Current UMPIP contribution election (effective date 6/1/2020 – no updated elections in Benefits access after this date) = **\$250/month** before-tax
  - Jane's contribution rate **before** auto escalation =  $\$250 \times 12 \text{ months} / \$50,000 = 6\%$
  - Jane's contribution rate **after** auto escalation =  $6\% + 1\% = 7\%$  (which will be billed as \$291.67/month)
- If Jane had made a different contribution election with an effective date of 1/1/2021, say \$350/month, and this election was entered in Benefits Access with a 1/1/2021 effective date by 12/30/2020, then her new election overrides (in effect bypasses) auto escalation and her contribution will remain at \$350/month.



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### Auto Escalation Example – Percentage

- Jane Brown - did not opt out of auto escalation
  - Current UMPIP contribution election (effective date 6/1/2020 – no updated elections in Benefits access after this date) = **3%**
  - Jane's contribution rate **before** auto escalation = **3%**
  - Jane's contribution rate **after** auto escalation = **4%**
- If Jane had made a different contribution election with an effective date of 1/1/2021, say 5%, and this election was entered in Benefits Access with a 1/1/2021 effective date by 12/30/2020, then her new election overrides (in effect bypasses) auto escalation and her contribution will remain at 5%.



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### Auto Escalation

#### Part 2 – Before-Tax Contribution

Review the Instructions for important information about automatic enrollment and automatic contribution escalation.

Choose one:

- Percentage of compensation: \_\_\_\_\_% of compensation
- Dollar amount: \$\_\_\_\_\_ per month (cannot exceed your monthly compensation)
- I elect **not** to make before-tax contributions (Skip to Part 3)

#### Automatic Contribution Escalation (choose one if this feature applies to you—see Instructions):

- I elect to have automatic contribution escalation apply to my before-tax contributions (default)
- I elect **not** to have automatic contribution escalation apply to my before-tax contributions



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### Auto Escalation – Opt Out

- If you opt out of auto escalation when you make your UMPIP election, each time you move to a new appointment, your contribution will NOT be increased, unless you provide a new UMPIP contribution election form to increase it.



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### Auto Escalation – Opt Out

**Part 2 – Before-Tax Contribution**

Review the instructions for important information about automatic enrollment and automatic contribution escalation.

Choose one:

- Percentage of compensation: \_\_\_\_\_% of compensation
- Dollar amount: \$ \_\_\_\_\_ per month (cannot exceed your monthly compensation)
- I elect not to make before-tax contributions (Skip to Part 3)

**Automatic Contribution Escalation** (choose one if this feature applies to you—see Instructions):

- I elect to have automatic contribution escalation apply to my before-tax contributions (default)
- I elect not to have automatic contribution escalation apply to my before-tax contributions



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### Roth Contributions

- If you are making a Roth contribution only, there is no auto-escalation of the contribution.

**Part 3 – Roth Contribution**

Choose one:

- Percentage of compensation: \_\_\_\_\_% of compensation
- Dollar amount: \$ \_\_\_\_\_ per month (cannot exceed your monthly compensation)
- I elect not to make Roth contributions



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Questions

- For any questions, you can contact the Benefits Office at [benefits@ngumc.org](mailto:benefits@ngumc.org) or [aking@ngumc.org](mailto:aking@ngumc.org)
- Wespeth Retirement Team: 1-800-851-2201, dial 1 for help and then press 0
- <https://www.ngumc.org/pension>
- <https://www.ngumc.org/benefitsfaq>



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