



Retirement and Compass Plan Glossary

Participant

An individual who is eligible to participate in an employer-sponsored retirement plan.

IN COMPASS:

A clergyperson who is eligible to enroll in the Compass retirement plan.

Beneficiary

A person or entity designated to receive retirement plan assets if the participant dies.

IN COMPASS:

The person or entity designated to receive a participant's Compass account balance.

Contribution

Money added to a retirement plan account. Contributions may be made by a participant, an employer, or both, and may be made on a before-tax, after-tax, or Roth basis.

IN COMPASS:

Contributions come from a participant's paycheck and from employer (UMC) contributions and are credited to different balances based on the source of the contribution.

Participant (Personal) Contributions

Contributions made to a retirement plan from a participant's compensation.

IN COMPASS:

Contributions made from a participant's paycheck to their Compass account, including before-tax, after-tax, and Roth contributions.

Church Contributions (Employer Contributions)

Contributions made to a retirement plan by an employer on behalf of a participant.

IN COMPASS:

Contributions made by The United Methodist Church (UMC) to a participant's Compass account, including:

- A flat dollar contribution starting at \$150 per month
- A 3% plan compensation contribution—non-matching contributions
- Up to a 4% matching contribution when the participant contributes 4% or more of plan compensation

Matching Contribution

An employer contribution based on the amount a participant contributes to the plan.

IN COMPASS:

A UMC contribution made when a participant contributes up to 4% of plan compensation.

Non-Matching Contribution

An employer contribution that does not depend on the participant's personal contribution amount.

IN COMPASS:

The flat dollar and plan compensation contributions made by the UMC regardless of participant contribution levels.

Before-Tax Contributions

Contributions made to a retirement plan before income taxes are withheld. Balances grow tax-deferred. Taxes are paid when the money is distributed.

IN COMPASS:

Before-tax contributions made to Compass through payroll deductions.

After-Tax Contributions

Contributions made to a retirement plan after income taxes are withheld.

IN COMPASS:

After-tax contributions made to Compass that are not designated as Roth contributions.

Roth Contributions

After-tax contributions to a retirement plan that may be distributed tax-free if IRS qualified distribution rules are met.

IN COMPASS:

Roth contributions made to Compass that grow tax-deferred and may be distributed tax-free if qualified.

Plan Compensation

Pay used to calculate retirement plan contributions, which may differ from taxable income.

IN COMPASS:

Plan compensation includes base pay, housing allowance or parsonage value increased to 35% of base pay.

Parsonage Value

A value assigned to employer-provided housing for retirement plan purposes.

IN COMPASS:

A percentage of base pay added to plan compensation for participants living in a church-provided housing. Increased to 35% of base pay under Compass.

Defined Contribution Plan

A retirement plan in which benefits are based on the amount contributed to an individual account and investment performance. An account balance type plan.

IN COMPASS:

Compass is a defined contribution plan structured as a 403(b).

Defined Benefit Plan

A retirement plan that provides a monthly benefit for life based on a formula, typically using service and compensation.

IN COMPASS:

Some legacy UMC retirement plans are Defined Benefit plans, unlike Compass.

Balance

The total value of money held in a retirement account.

IN COMPASS:

The combined value of a participant's Flexible and Directed balances.

Compass Account Balance Types

Separate portions of a retirement account that may follow different investment or withdrawal rules.

IN COMPASS:

Compass accounts include two balance types: a Participant Flexible Balance and a Participant Directed Balance.

Participant Flexible Balance

A portion of a retirement account that receives participant contributions, rollovers and earnings.

IN COMPASS:

The balance that receives contributions from a participant's paycheck beginning in January.

Participant Directed Balance

A portion of a retirement account that receives Church contributions.

IN COMPASS:

The balance that receives Church contributions, including flat dollar, pay-dependent, and matching contributions.

Automatic Enrollment

A plan feature that automatically enrolls eligible individuals or increases contributions at a default rate.

IN COMPASS:

A Conference-elected feature that automatically begins or increases contributions at a 4% rate.

Automatic Contribution Escalation

A plan feature that automatically increases a participant's contribution rate on a scheduled basis to a stated maximum, unless the participant opts out.

IN COMPASS:

A Conference-elected feature that increases participant contributions annually by a set percentage, if eligible.

LifeStage Investment Management

An investment service that allocates assets among funds based on age or retirement horizon.

IN COMPASS:

A service that invests Compass balances using Wespath's LifeStage asset allocation approach.

Distribution

A payment taken from a retirement plan account.

IN COMPASS:

A payment taken from a Compass account, typically during retirement

Qualified Distribution

A Roth distribution that meets IRS requirements and may receive favorable tax treatment.

IN COMPASS:

A Roth distribution from Compass that meets IRS age, timing, or eligibility rules.

LifeStage Retirement Income

A retirement income service that converts account balances into scheduled payments intended to last a lifetime.

IN COMPASS:

A distribution option that uses Compass balances to provide monthly income designed to last throughout a participant's lifetime.