



Servant Solutions

YOUR RETIREMENT & FINANCIAL PLANNING PARTNER

January 2024

Dear Participant:

You will soon receive an IRS Form 1099-R from Principal (our third-party business partner). Form 1099-R will report the Servant Solutions Retirement Plan payments you received in 2023. If you receive more than one Form 1099-R, the sum of all the forms (box 1) should be reported on line 5a of your Form 1040 Federal Income Tax Return. The appropriately calculated taxable portion, if any, of each Form 1099-R is to be reported on line 5b.

If the taxability of your Servant Solutions Retirement Plan payment(s) has not been determined - the total payments are reported on Form 1099-R as "Gross distribution" in box 1, while box 2a the "Taxable amount" remains blank, and the 2b "Taxable amount not determined" checkbox has been marked - you will need to calculate the taxable portion of your payment(s).

Calculating the Taxability of your Servant Solutions Retirement Plan Payments

The gross amount distributed (shown in box 1) will be taxable unless you meet one (or both) of the following classifications:

1. You are a retired minister (see **Special Provision for Retired Ministers** below).
2. During your ministry career, you contributed dollars to your Servant Solutions account on an AFTER-TAX basis (see **Contributions on an AFTER-TAX Basis** below).

Special Provision for Retired Ministers

Section 107 of the Internal Revenue Code permits a minister of the gospel to exclude from gross income (in computing federal income taxes) a church-designated allowance paid to the minister as part of his or her compensation to the extent that it is used for actual expenses in owning or renting a home. The Clergy Housing Allowance Clarification Act of 2002 amended the Internal Revenue Code to clarify that the housing allowance exclusion is limited to the fair rental value of the property. In 1975 the Internal Revenue Service had also announced that retired clergy are eligible for a housing allowance exclusion if the following conditions are satisfied (Rev. Ruling 75-22):

1. A portion of a retired minister's pension income is designated as a housing allowance by the trustees of a denominational pension fund;
2. The retired minister "has severed his relationship with the local church and is reliant upon the fund for his pension";
3. The pension is paid to retired ministers "to compensate them for past services to the local churches of the denomination or to the denomination".

Based on the above, the payments made to retired ministers from the Servant Solutions Retirement Plan for the year 2023 have been designated as housing allowance by the Servant Solutions Board of Trustees. It is the responsibility of the retired minister to substantiate the amount of retirement income actually spent out-of-pocket to provide a home and verify that the housing expenses do not exceed the fair market rental value of the home, furnished plus the cost of utilities. Qualifying out-of-pocket expenditures on a primary residence would include rent, mortgage payments (principal and interest), insurance, property taxes, utilities, general furnishings, home repairs, and maintenance.

It is recommended that a retired minister utilizing the housing allowance omit the amount of his/her exclusion on line 5b (Form 1040). The minister should attach a note for line 5a and 5b to his/her tax return that explains the reduction on line 5b. Some tax preparation software (TurboTax, for example) automatically prepares a schedule to attach to the minister's tax return. It should include the following information:

- I received \$_____ amount of money from the Principal Life Insurance Co. (TPA for Servant Solutions, Inc.) as reported by Form(s) 1099-R and recorded on line 5a.
- I excluded \$_____ from line 5b under the provisions of Section 107 of the Internal Revenue Code, as a housing allowance exclusion.
- I am a retired minister and am qualified to take a housing allowance exclusion.

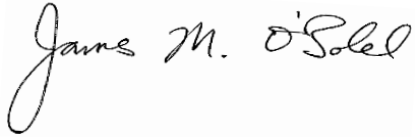
Contributions on an AFTER-TAX Basis

At the onset of retirement, each participant needs to determine their account's "tax basis" – that is, the amount of after-tax contributions, if any, that were submitted to the Plan (that have not been previously withdrawn in the form of a partial lump sum distribution). After-tax contributions represent dollars that have already been taxed; therefore, retirement payments you receive from after-tax contributions are not taxable income in retirement. If any contributions remitted for your account were paid on an "after-tax basis" then you may want to review IRS Publication 575 titled "Pension and Annuity Income" for guidance on how to calculate the taxable portion of your retirement income.

If, during your career, your employer(s) paid all the contributions made to your retirement account, then likely all your contributions were on a pre-tax basis. Therefore, this section does not apply to you and the entire amount of your retirement payments are taxable (unless you are a minister eligible to exclude income as a housing allowance).

Please direct any questions you have to Servant Solutions at 1-800-844-8983. Our team will be happy to assist you!

Sincerely,



James M. O'Bold, President

ANNUAL NOTICES TO PARTICIPANTS

Federal Regulations

The Federal Government requires us to share the following information with you each year:

If Federal Income Taxes have been withheld from the annuity payments you are receiving and if you do not wish to have taxes withheld, you should contact Servant Solutions. However, if you elect not to have withholding apply to your annuity payments, or if you do not have enough Federal Income Tax withheld from your annuity payments, you may be responsible for payment of Estimated Tax. You may incur penalties under the Estimated Tax Rules if the Withholding and Estimated Tax Payments are not sufficient. If Federal Income Taxes are not being withheld from your annuity payments because you have elected not to have withholding apply and if you wish to revoke that election and have Federal Income Taxes withheld from your annuity payments, you should notify Servant Solutions.

National Securities Markets Improvement Act

The National Securities Markets Improvement Act (the "Act") signed into law on October 11, 1996 exempts church plans from federal and state securities laws, except for anti-fraud provisions. In order to qualify for the exemption, church plans must satisfy eligibility requirements under Code Sec. 414(e) and the assets of church plans must be used exclusively for the benefit of plan participants and beneficiaries. Church plans continue to be subject to the Internal Revenue Code and its regulations regarding eligibility, governance, and operations of such plans. The following notice is provided in accordance with the Act:

The Plan or any company or account maintained to manage or hold assets of the Plan and interests in such Plan, companies, or accounts (including any funds maintained by Servant Solutions) are not subject to registration, regulation, or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title 15 of the United States Code, or State securities laws. Therefore, plan participants and beneficiaries will not be afforded the protections of those provisions.