



Conference Forum – March 2021



**Wespath**

BENEFITS | INVESTMENTS

# Compass Road Map

# Agenda

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## *Roadmap Reminder*

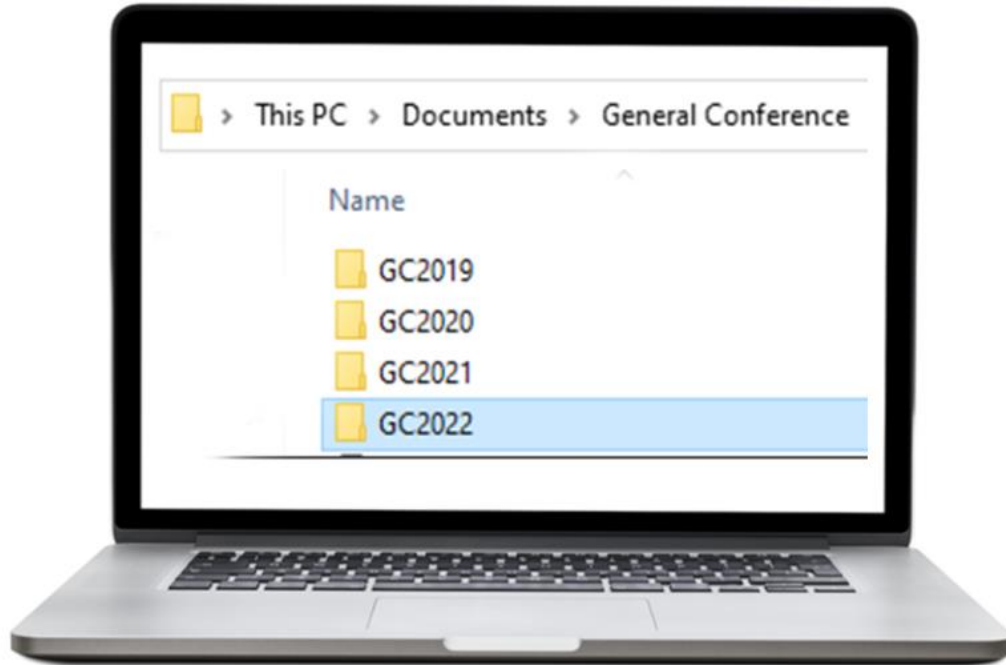
## *Compass Features*

- Conference Remittance
- MPP Annuitization
- LifeStage Retirement Income (LSRI)



# My Computer

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**Stop it!**  
***This is not normal!***

# Postponement of General Conference


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## Slide from Fall Conference Forum

Impact of Postponement of General Conference

Do we still plan to implement  
Compass as of 1/1/2023?

~~Yes ✓~~



3 | [Wespath](#)

# Postponement of General Conference

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**NEW** target  
implementation date  
for Compass  
Retirement Plan



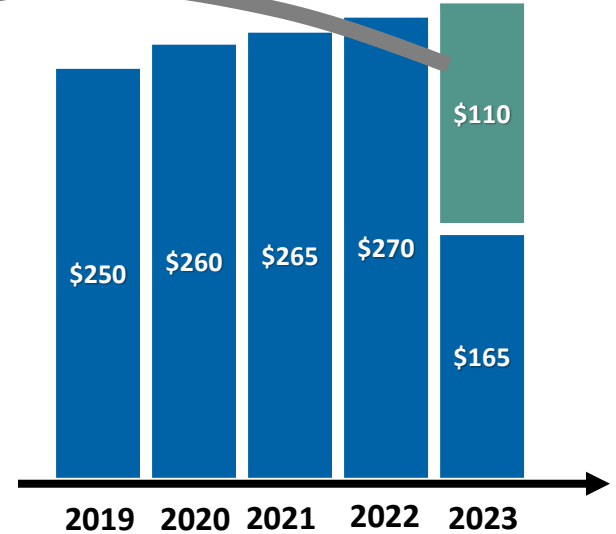
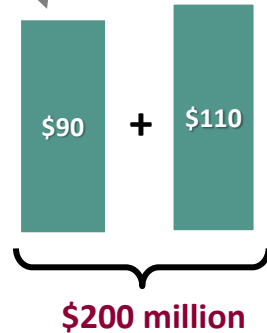
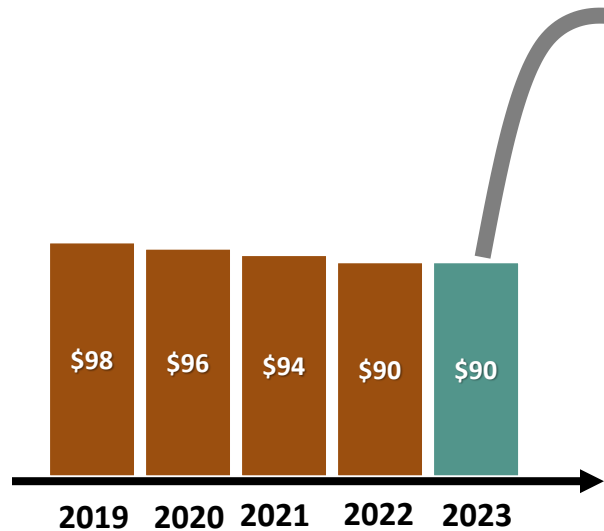
# Liability Avoidance Through Pension Changes



CRSP Accruals



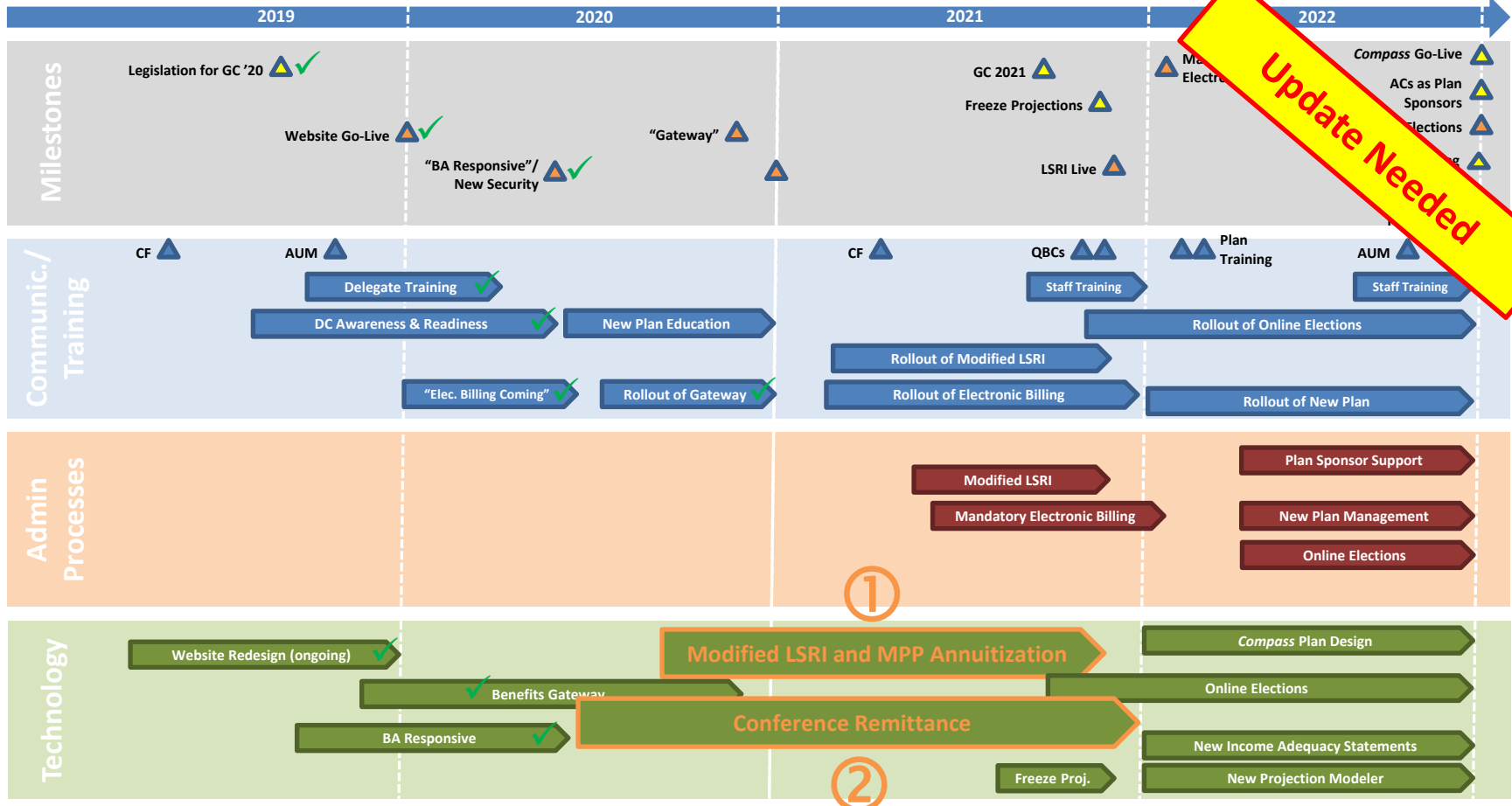
Lower MPP Conversion



Amounts are in \$millions and approximate

# Revised *Compass* Implementation Roadmap

DRAFT as of July 2020



Update Needed

①

②





# Conference Remittance



# Remittance Process

Conference remits both Employer and Employee contributions to Wespath



**Wespath**  
BENEFITS | INVESTMENTS

Annual Conference  
Sponsored Plans

←→

Retirement  
Elective Deferrals



Conference  
Collection of  
Clergy Benefits

←→

Retirement  
Elective Deferrals



**Churches and Employers can continue to sponsor UMPIP and remit contributions to Wespath**

# Enhancements Go Live April 30<sup>th</sup>

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- Billing changes
  - UMPIP nightly billing
  - UMPIP adjustment billing for compensation and elective deferral changes
- Elective deferrals retention
- Enhanced reporting



# Retention of Elections Notice

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- Elective deferrals will be retained for clergy who move to a new appointment within the same conference
- Notifications will be sent to the **participant** and **salary paying unit**
  - Assures proper deferral amounts are withheld at churches who remit elective deferrals in 2021 – 2022
  - Serves as a reminder for conferences and SPUs as they transition to the new one-to-one billing model



# Enhanced Reporting

# Future Dated Event Report

- **Include all clergy with active Future Dated Events**
  - Events with an effective date greater than current date
  - Conference or organization specific
- **Examples of included data**
  - Membership effective date, conference, type
  - Service effective date, type
  - Total compensation
  - Contribution effective date, types
  - Address information



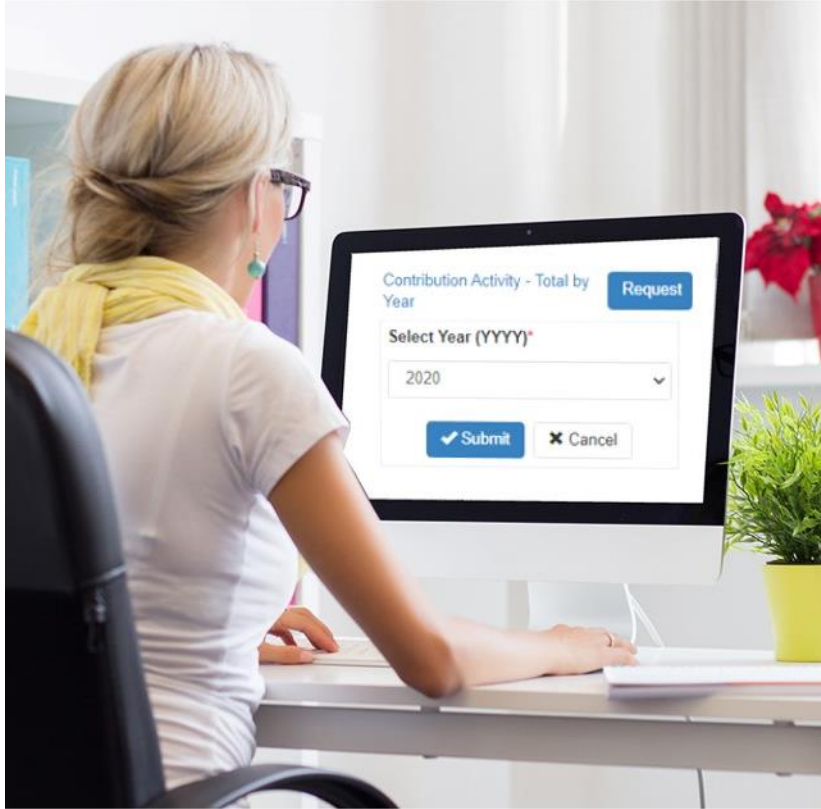
Click [here](#) for more information on these and other available reports.

Census reports

Active Participants	<a href="#">View</a>
Retired Participants	<a href="#">View</a>
Death Notifications	<a href="#">View</a>
<b>Future Dated Events</b>	<a href="#">View</a>

The screenshot shows a user interface for reporting. At the top, there is an information icon and a link to click for more information. Below this, under the heading 'Census reports', there is a list of report categories. Each category has a corresponding 'View' button. The 'Future Dated Events' category and its 'View' button are highlighted with a red rectangular border.

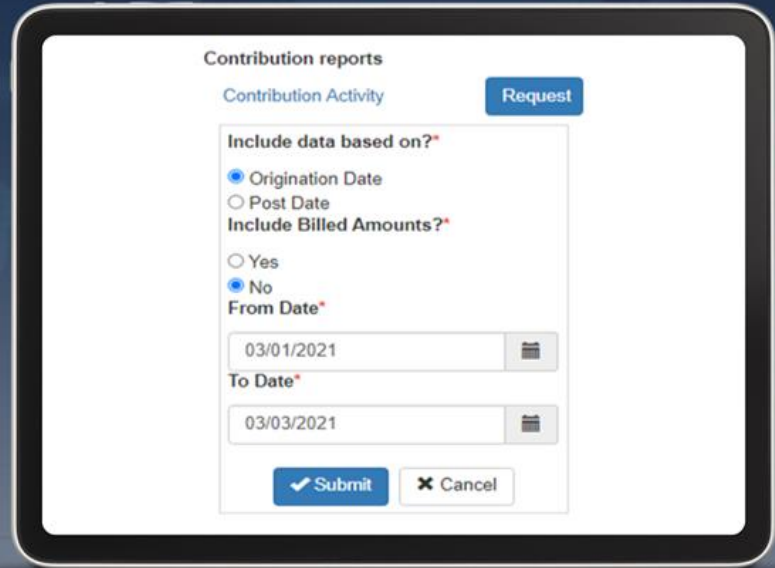
# New Contribution Activity Report



- Contribution total by year
- Annualized data for participants; may be pulled up to 5 years from current year
- Plan and contribution type

# Existing Contribution Activity Report

- Enhanced to allow for data to be pulled by **origination date** and **post date**
- Ability to include amount billed
- Report up to 3 years prior to current year



The image shows a tablet displaying a web form titled "Contribution reports". The form has a "Request" button in the top right corner. Below the title, there is a section for "Contribution Activity" with a "Request" button. The form contains several options and date fields:

- Include data based on?\***
  - Origination Date
  - Post Date
- Include Billed Amounts?\***
  - Yes
  - No
- From Date\***  
03/01/2021
- To Date\***  
03/03/2021

At the bottom of the form, there are two buttons: "Submit" (with a checkmark icon) and "Cancel" (with an X icon).



# Pilot Process



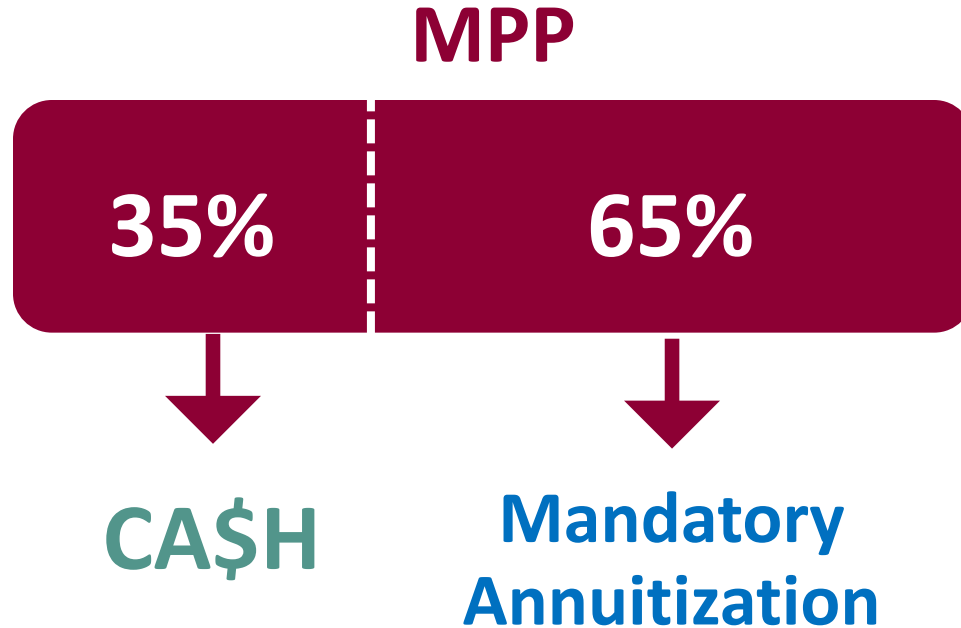
<b>Plan</b> 3 -5 months prior to change	<b>Prepare</b> 3-2 months prior to change	<b>Communicate</b> 1 month prior to change	<b>Pilot Launch</b> Month of change	<b>Post-Pilot</b> Up to 3 months after launch
<ul style="list-style-type: none"> <li>• Review intent to Pilot new model with Wespath Plan Administrator</li> <li>• Determine action needed to incorporate billing of participant contributions to the local church</li> </ul>	<ul style="list-style-type: none"> <li>• Submit amended Adoption Agreement to Wespath</li> <li>• Set-up direct billing with local church</li> </ul>	<ul style="list-style-type: none"> <li>• Notify local church</li> </ul>	<ul style="list-style-type: none"> <li>• Include participant contributions in existing local church billing processes (e.g., reconciliation processes, etc.)</li> <li>• Monitor receipt of participant contributions from churches</li> </ul>	<ul style="list-style-type: none"> <li>• Provide feedback to Wespath to assist other Conferences</li> </ul>



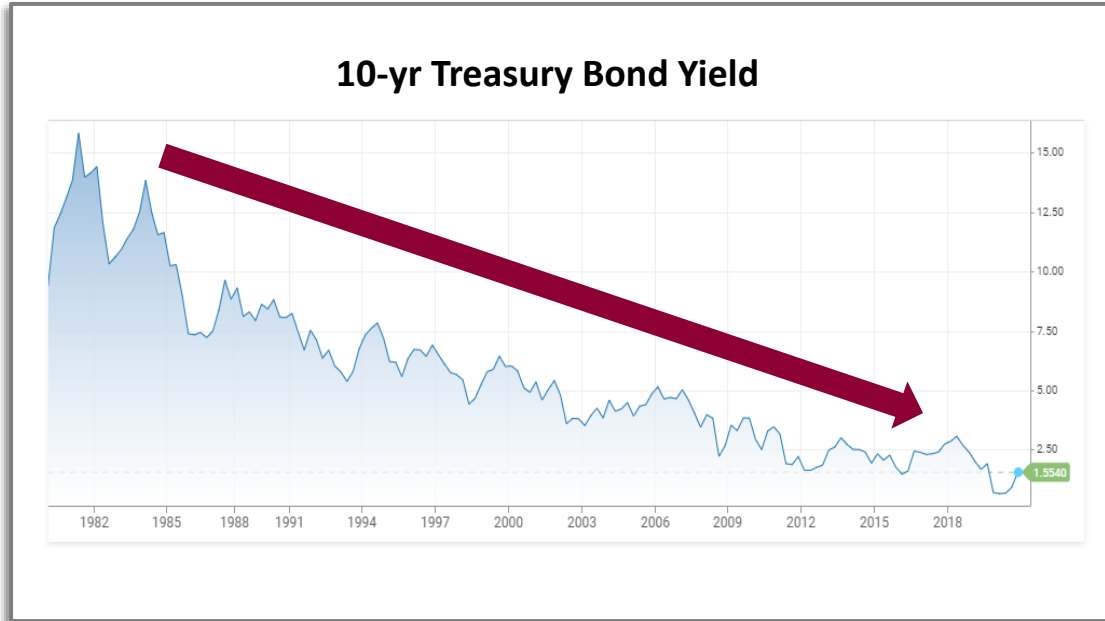
# MPP Annuitization

# MPP Conversion—Current State

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# Interest Rate Drop



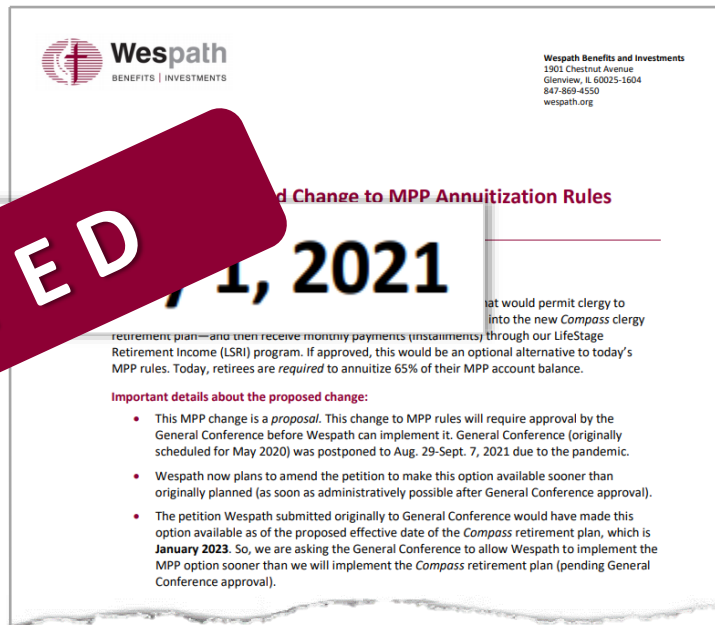
Low interest rates  
make annuities  
**EXPENSIVE**

# Wespath Petition

## Wespath proposed to:

- Permit clergy to transfer 65% of MPP account balance to Compass
- Receive payments as installments from LSRI
- Intent was to introduce this option effective [December 1, 2021](#)


**DELAYED**



# Information Mailed Out

## Insert into Retirement Kits

*This amendment will require General Conference approval to become effective. If the proposal is NOT approved by General Conference 2021 (e.g., because a majority of delegates oppose the change, because General Conference is postponed further or because circumstances limit the General Conference agenda), then the current plan rules would continue to apply and this option would NOT be available. Please note: The annuitization conversion rate could be higher or lower in late 2021 than it is now based on interest rates at the time you annuitize.*



### An Important Message for MPP Participants Eligible to Retire

**Potential New Options**  
Wespath submitted a petition to General Conference to permit Ministerial Pension Plan (MPP) participants to transfer 65% of their account balance to the new Compass retirement plan (proposed to become effective in 2023) and receive monthly installment payments made via the LifeStage Retirement Income distribution feature. This option would offer an alternative to the current annuitization requirement.

**New Timing**  
Wespath has decided to amend this proposal at the upcoming General Conference and make this new distribution option available as early as administratively feasible after the close of the General Conference 2021 [with the goal of implementing before December 31, 2021, which is the date by which some participants will be required under "required minimum distribution" (RMD) rules to begin receiving their retirement benefits]. This amendment seeks to accelerate the effective date because current interest rates are at historic lows, which means annuitizing results in lower annuity amounts from MPP.

**What This Means for You**  
Because you are now or will soon be eligible to annuitize 65% of your MPP account balance, we want you to be aware of these potential changes—including the potential earlier implementation date. Please take this information into consideration before making any decisions regarding your retirement benefits.

**Weighing Your Options**  
If approved by General Conference, this proposal would give you an alternative to consider for your MPP account balance. You would be able to either: annuitize 65% of your MPP account balance based on the interest rate at the time you annuitize (current rules), or receive monthly payments through LifeStage Retirement Income.

**As required under current plan terms, 65% of your account balance in the Ministerial Pension Plan (MPP) is required to be "annuitized." This means that 65% of your account balance must be converted to an annuity that is paid over your lifetime (or the joint lifetimes of you and your spouse). Because you are now (or soon will be) eligible to begin receiving your annuitized payments, we would like to alert you to a potential change to this requirement.**

**More Information!**  
We will provide more information about this proposed alternative to 65% annuitization as we get closer to General Conference 2021. You can find more information at [wespath.org](https://wespath.org):

- [Compass: \[wespath.org/about-wespath/general-conference\]\(https://wespath.org/about-wespath/general-conference\)](https://wespath.org/about-wespath/general-conference)
- [MPP and LifeStage Retirement Income: \[wespath.org/retirement-investments\]\(https://wespath.org/retirement-investments\)](https://wespath.org/retirement-investments)

**Financial Planning services**  
1.800.368.2539  
8:00 a.m. to 7:00 p.m., Central time  
Call to speak with an ET financial planner! Confidential, objective financial counseling is available at no additional cost\* to eligible participants.

\*Costs for these services are included in Wespath's operating expenses that are paid for by the funds.

1545 BR12021

# Information Mailed Out

## AN IMPORTANT MESSAGE ABOUT YOUR RETIREMENT BENEFITS



### Potential New Options

Wespath submitted a petition to General Conference to permit Ministerial Pension Plan (MPP) participants to transfer 65% of their account balance to the new *Compass retirement plan* (proposed to become effective in 2023) and receive monthly installment payments made via the LifeStage Retirement Income distribution feature. This option would offer an alternative to the current annuitization requirement.



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*This amendment will require General Conference approval to become effective. If the proposal is NOT approved by General Conference 2021 (e.g., because a majority of delegates oppose the change, because General Conference is postponed further or because circumstances limit the General Conference agenda), then the current plan rules would continue to apply and this option would NOT be available. Please note: The annuitization conversion rate could be higher or lower in late 2021 than it is now based on interest rates at the time you annuitize.*

If the proposal is approved, Wespath will implement the new distribution option as quickly as possible after General Conference 2021, with the goal of having the distribution option effective before December 31, 2021 to satisfy any 2021 RMDs.



### What This Means for You

Because you are now or will soon be eligible to annuitize 65% of your MPP account balance, we want you to be aware of these potential changes—including the potential earlier implementation date. Please take this information into consideration before making any decisions regarding your retirement benefits.



### Weighing Your Options

If approved by General Conference, this proposal would give you an alternative to consider for your MPP account balance. You would be able to *either*: annuitize 65% of your MPP account balance based on the interest rate at the time you annuitize (current rules), or receive monthly payments through LifeStage Retirement Income.

Postcards  
(USPS and  
e-mail)



# Impact of General Conference

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**NEW** target date for the end of mandatory MPP annuitization:

**As soon after GC 2022 as administratively possible  
(likely January 1, 2023)**



## LifeStage Retirement Income (LSRI)



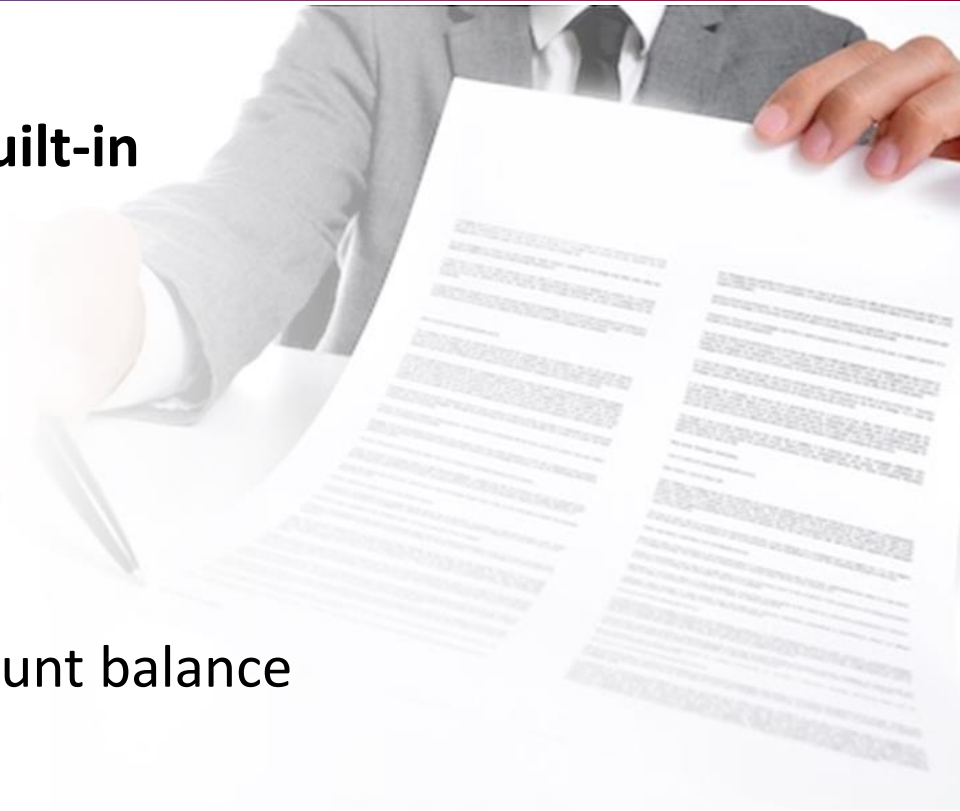
*Compass* and Automatic Distribution Feature

# Distributions from Compass

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**Compass is proposed to have a built-in distribution feature that:**

- Provides a stream of income throughout retirement
- Is similar to lifetime income from a pension plan, but
- Payable from an individual account balance



# Compass Distribution Phase

Fundamental issue all account based plans face:  
**How much can a participant safely withdraw?**

## Problem:

**Spend too much** → Risk of outliving assets

**Spend too little** →

- Standard of living unnecessarily low
- Assets intended for retirement go to heirs

# Distribution Phase: Overarching Objectives

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## Important/Desired

- Emphasize retirement income for retirees and spouses
- Maximize lifetime income
- Minimize income volatility
- Minimize longevity risk

## Less Important/Less Desired

- Money left to heirs
- Ability to access money for non-retirement income purposes

# Compass Distribution Features

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## Tools offered to optimize retirement income

- Automatic payout system—  
LifeStage Retirement Income (LSRI)
- Deferred annuity—  
Qualified Longevity Annuity Contract
- Social Security Bridge





# Automatic Payout System—LSRI

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## Optimized payments from account balance

- Already have LSRI feature (voluntary)
- Seeks to:
  - Maximize monthly payments
  - Reduce risk of outliving account balance



# LSRI Mechanics

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- Considers account balance, age and risk tolerance
- Calculates monthly payment amount
  - Set with a high likelihood of lasting an entire lifetime
- Establishes payment safety zones (guard rails)
  - Range of payments where no adjustment is needed
- Annually adjusts payment amounts
  - **Expected returns:** Increases payment amounts with inflation
  - **Lower guard rail hit:** Increases payment amount
  - **Upper guard rail hit:** Suspends COLA or (if severe) reduces payment



# Risk of Running Out of Assets

## Potential problem to address:

- Example: Participant who retired at age 65 reaches age 88, beyond original life expectancy, and account balance is running low

**How should LSRI calculate monthly payments going forward?**



# Deferred Annuities (“QLACs”)

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- An annuity bought at retirement that makes payments in the future
  - No payments made if death occurs prior to payment start date
- More affordable than regular annuities
- Provides
  - Longevity protection
  - Peace of mind
  - More freedom to spend in the early retirement years



# Deferred Annuities (“QLACs”), cont.

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- Annuity payments begin at advanced age (e.g., 80 or 85)
- Can pay single life annuity or joint life annuity
- Provides potential “end date” for LSRI payments
  - Enhances LSRI’s ability to provide steady stream of payments over lifetime



# Social Security “Bridge”

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- Deferring Social Security has benefits
  - Raises the Social Security benefit level
  - Increases the portion of late retirement income from a DB source
- Voluntary deferral of Social Security could be facilitated by using the LifeStage Social Security Bridge (“Bridge”)
- If chosen, the program will pay out higher amounts to replace the lost Social Security income in the early years of retirement





# Social Security “Bridge”, cont.

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## How the “bridge” enhances LSRI:

- Fills income gap by permitting higher LSRI payments until Social Security payments commence
- Once Social Security payments commence, LSRI payments decrease, “leveling” your income
- Investments adjusted to reflect short-term period of bridge





# Summary of LSRI Enhancements

- Revised methodology to calculate monthly LSRI payments
- Deferred annuity (“QLAC”) feature
- Social Security “Bridge”

**Which features are mandatory, and which are voluntary?**



# Mandatory vs. Optional Features

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- Employer contributions are **required** to be distributed via managed payout (LSRI)
  - Benefits Access will display QLAC (age 80) and SS bridge to age 70
  - Participants not required to purchase QLAC or use bridge
- Employee contributions may **voluntarily** be distributed via managed payout
  - Participant chooses whether such amounts are subject to LSRI
  - Participant's choices for employer contributions (QLAC / Bridge) apply to employee contributions as well

# Hardship Provision to Mandatory LSRI

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**Administrative processes will be established to allow accelerated access to money otherwise reserved for lifetime income (LSRI)**

- Intent is to provide needed flexibility in cases of terminal or critical illness
- Similar to “living benefits” in life insurance



# Distribution Phase: Reminders

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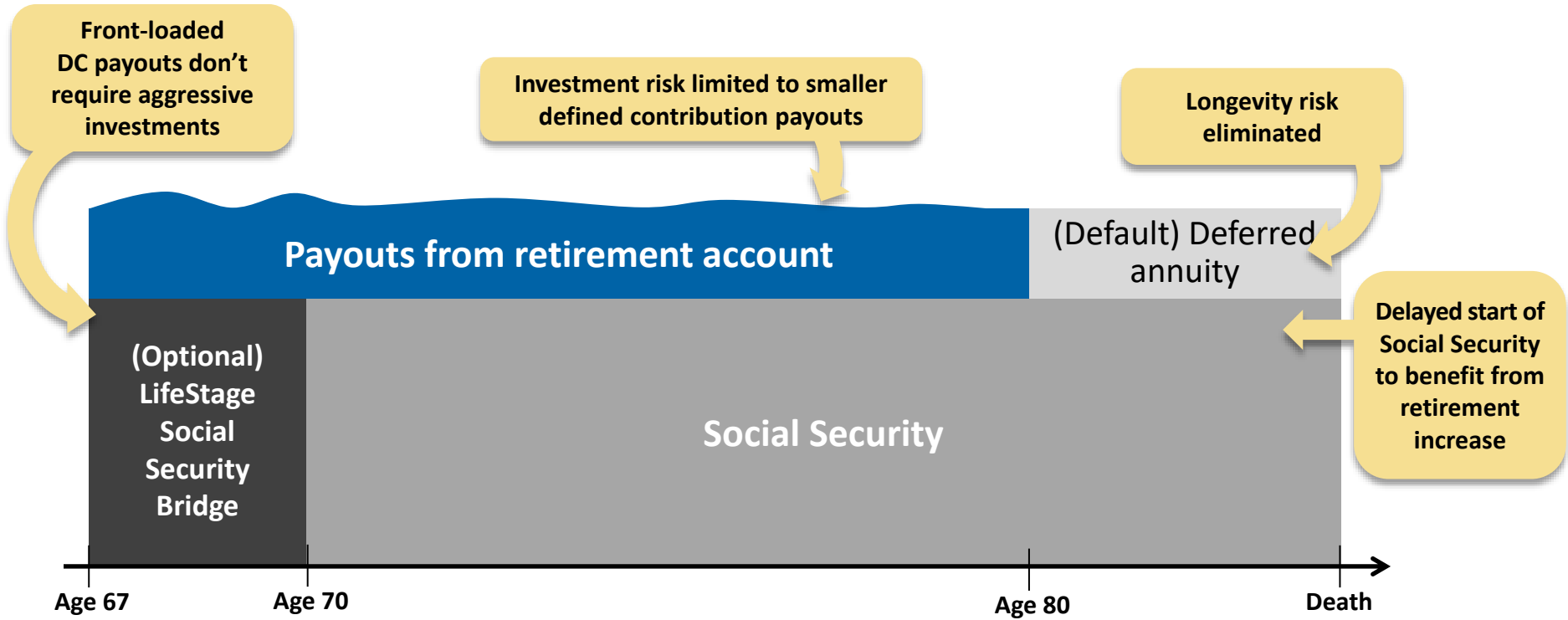
## Future enhancement

### **LSRI payout level is only maximum amount**

- Participant can choose to draw lower income
- Minimum is the Required Minimum Distribution (RMD) under the Internal Revenue Code



# Visual of *Compass* Distributions



Picture shows payouts without cost-of-living increases

# Project Update

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# Project Update

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## Steps

- Revised LifeStage algorithm (spending tables, etc.)
- Revised Retirement Set-Up Wizard in Benefits Access
- Identify insurance vendor for QLAC
- Create interface between Wespath and vendor
- Develop and deploy communication plan

# Vendor Partner for QLAC—RFP Process

## Initial Candidates

AIG

Guardian Life

Lincoln National

Mass Mutual

MetLife

New York Life

Pacific Life

Symetra

## Finalists

AIG

MetLife

Pacific Life

## Winner

Pacific Life







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