



Wespath

BENEFITS | INVESTMENTS

Compass Retirement Plan

Conference Forum | April 2023





Proposed Clergy Retirement Plan—*Compass*

Foundational Principles

Compass is designed to **uphold longstanding values** of Church retirement programs

- Provide lifetime income for clergy
- Ensure adequate retirement income for lower-paid clergy

Compass **addresses emerging needs**

- Help clergy with seminary debt

Compass considers a **changing Church**

- Decline in U.S. membership
- Denominational uncertainty

Current Pension Plans and Eligibility

- Current plan (CRSP) is a hybrid pension and account-based plan
 - New plan (*Compass*) is an account-based plan
- Active clergy who have earned a pension in defined benefit plans (Pre-82, MPP, CRSP) will keep those benefits*
- *Compass* will have no impact on retired clergy
- Categories of clergy who are eligible to participate in the current plan will remain eligible under *Compass*

* *Except for clergy who withdraw or certain short-service participants.*



Objectives of Compass



Sustainability



Affordability



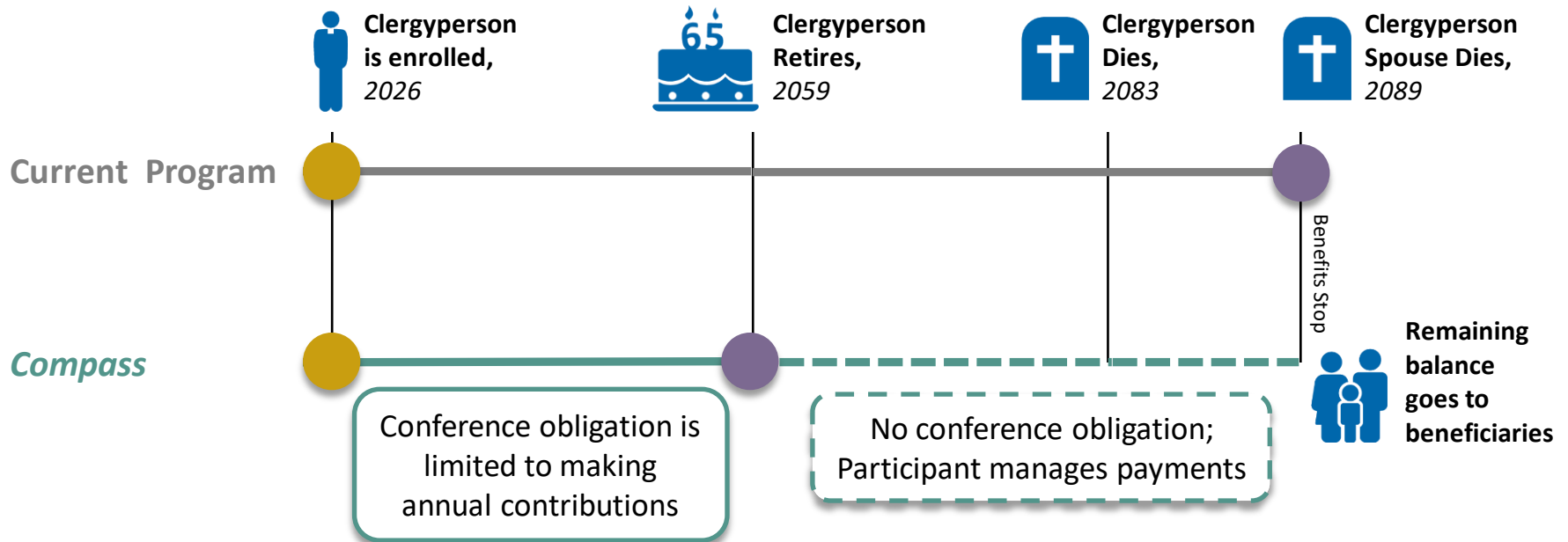
Adequacy



Flexibility

Increasing Sustainability

Current plan: Promises made today won't be fulfilled until decades into the future



Account-Based Plan



Savings Phase

Clergy Contributions

Employer Contributions



Investment Earnings



Individual Account



Spending Phase



Individual Account

Retirement

Compass (Effective 1/1/2026)



Help lower-paid clergy

Flat-dollar
contribution

\$150* per month



Relate retirement income to
pre-retirement earnings

Pay-dependent
contribution

3% of pay



Promote clergy
engagement and savings

Matching
contribution

**\$1/\$1 match on
up to 4% of pay**

** 2026 amount; will be indexed for inflation.*

Compass Formula Example

Compensation	\$40k	\$75k
Flat dollar contribution (\$150/month)	\$1,800	\$1,800
3% of Plan Compensation	\$1,200	\$2,250
4% Match	\$1,600	\$3,000
Total Plan Sponsor Contribution	\$4,600	\$7,050
Percentage of Compensation	11.5%	9.4%

Parsonage Value Increase

- Parsonage value and housing allowance are included in the increase in pensionable earnings
- Deemed parsonage value to increase from 25% to 35% of pay
 - Reflects a more realistic value
 - Subject to minimum and maximum



Helping Clergy With Student Debt

- Clergy with student loans often can't afford to make the full 4% contribution
 - Significant seminary debt
 - Low starting pay
- Recent law change (SECURE 2.0) permits matching contributions on qualified student loan payments
 - Clergy may self-certify such payments annually



Automatic Features

Making contributions is the key to retirement preparedness:

- More money left on the table if no personal contributions are made



Automatic Features will help protect clergy who are less engaged:

- **Automatic enrollment:**
Get clergy contributing
- **Automatic escalation:**
Increase savings rate incrementally over time

**Reminder: Automatic features do not change personal options.
They merely change which option is the default.**

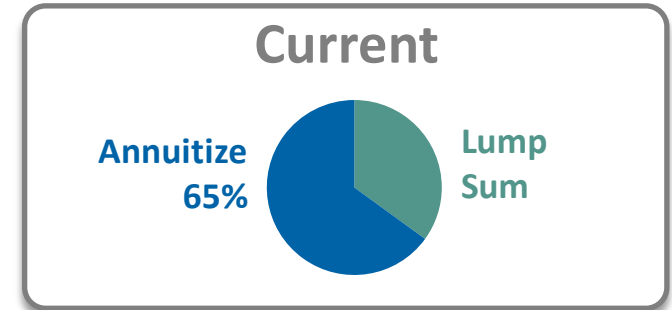
Spending Phase—Payouts

- Optional LifeStage Retirement Income optimizes retirement benefits:
 - Integrates with Social Security benefits
 - Offers deferred annuity to establish lifetime income
- Hardship exception in payout phase allows access to money in case of terminal or critical illness

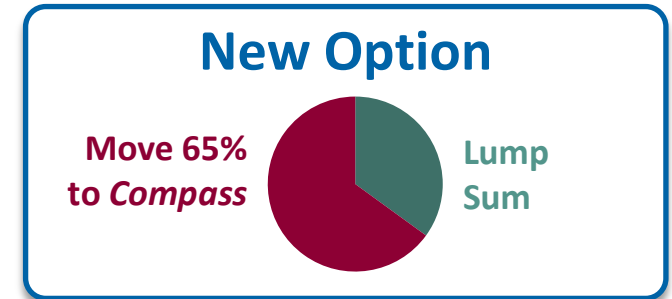


Ministerial Pension Plan Distribution Provision

- Applicable to clergy who began their service before 2007
- GC 2012 change required annuitization of 65% of MPP account balance
- Enables clergy to leave balances to heirs at death



OR



Remittance Process

Conference remits both Employer and Employee contributions to Wespath



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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**



Keys to Success

1.

Increased education

2.

Early, ongoing retirement planning

3.

Increased personal retirement contributions



Summary

- Shift to account-based plan is necessary for sustainability
- Seeks to provide lifetime retirement income
- Strives to provide adequate income for lower-paid clergy
- Balances needs of clergy with needs of conferences



Questions



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