



Wespath

BENEFITS | INVESTMENTS

Clergy Pension Plan De-Risking

Conference Forum | April 2023



What Risk?

The risk that underfunded pension plans will require future contributions





The Goal

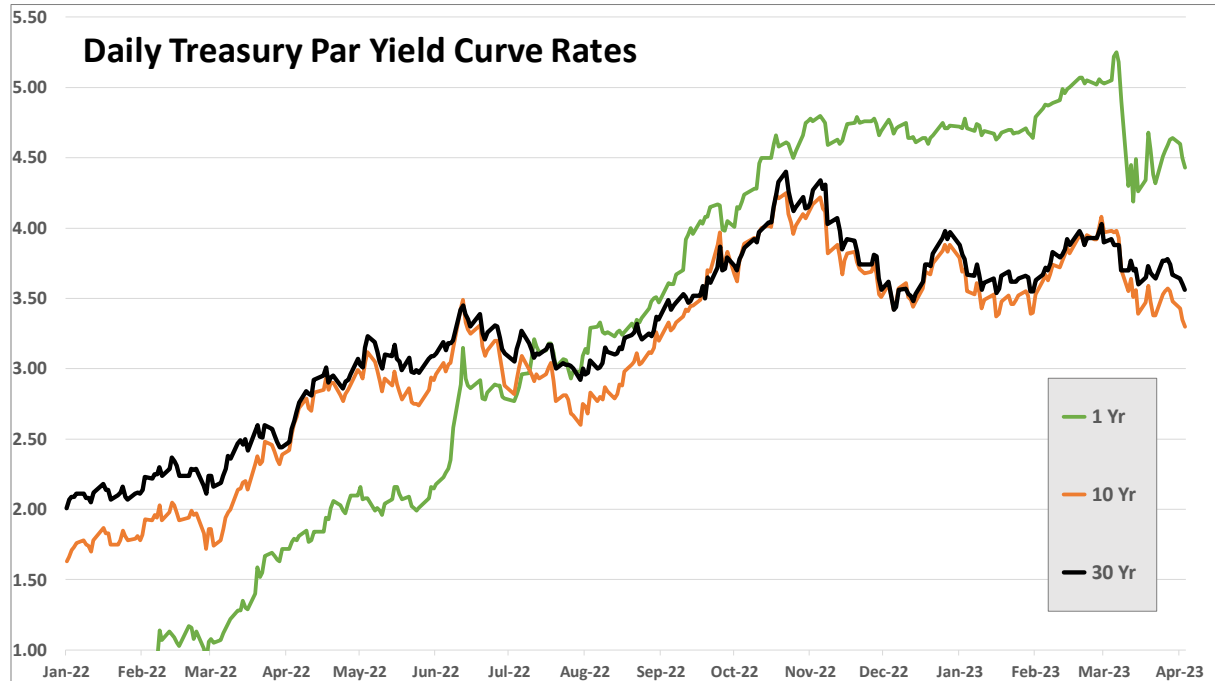
**Minimize likelihood
and extent of future
contributions to clergy
defined benefit plans**

(beyond normal cost for 2022–2025)

Where Does the Risk Come From?

1

Interest Rate
Risk



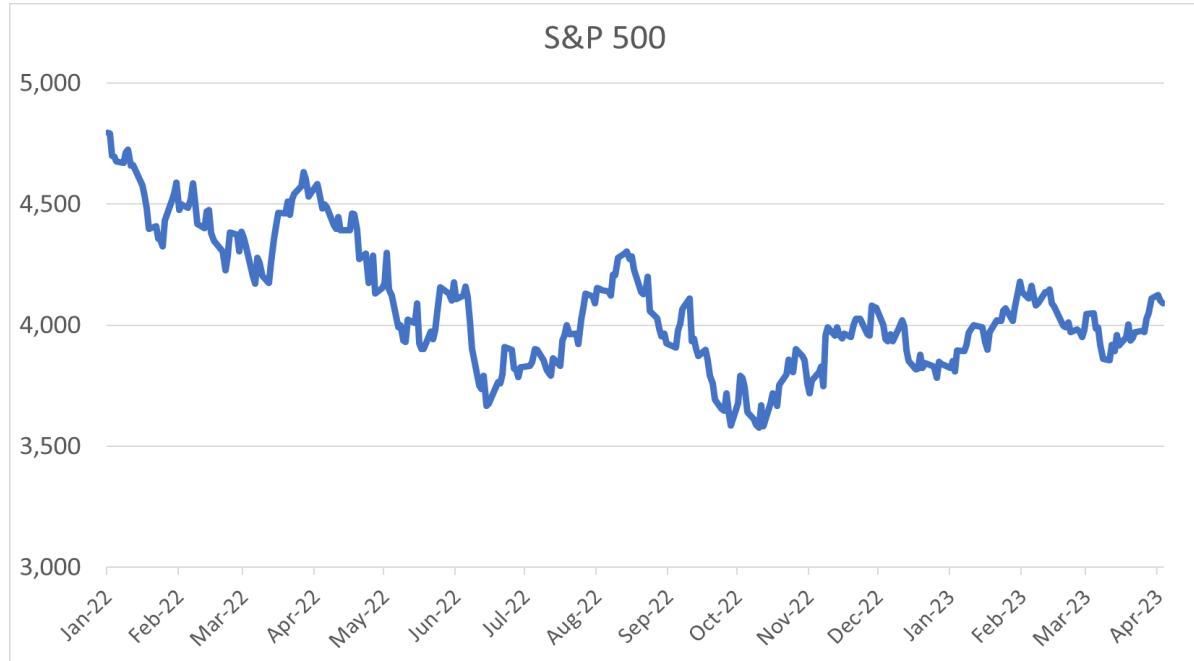
Affects:

- Fixed income investments (bonds)
- Liabilities

Where Does the Risk Come From?

2

Equity
Risk



Affects: • Equity investments (stocks)



Concern

- With a significant portion of the assets invested in equities and other return-seeking investments, the funded status is subject to significant swings
- Potential for resulting underfunding could trigger additional contributions

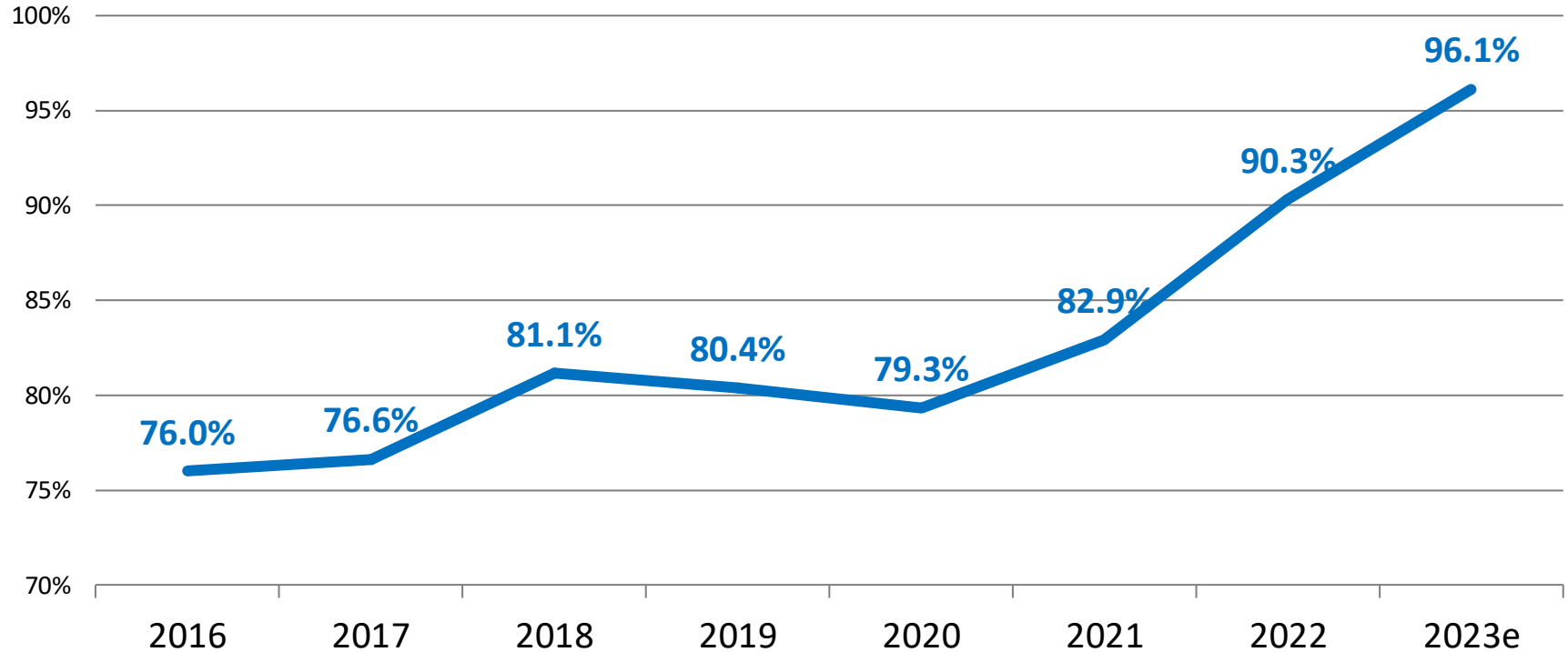
What Has Changed?

- We expect the defined benefit plans to be closed at General Conference 2024
- Market interest rates have risen significantly
- The plans' funded status (on market basis) has improved significantly

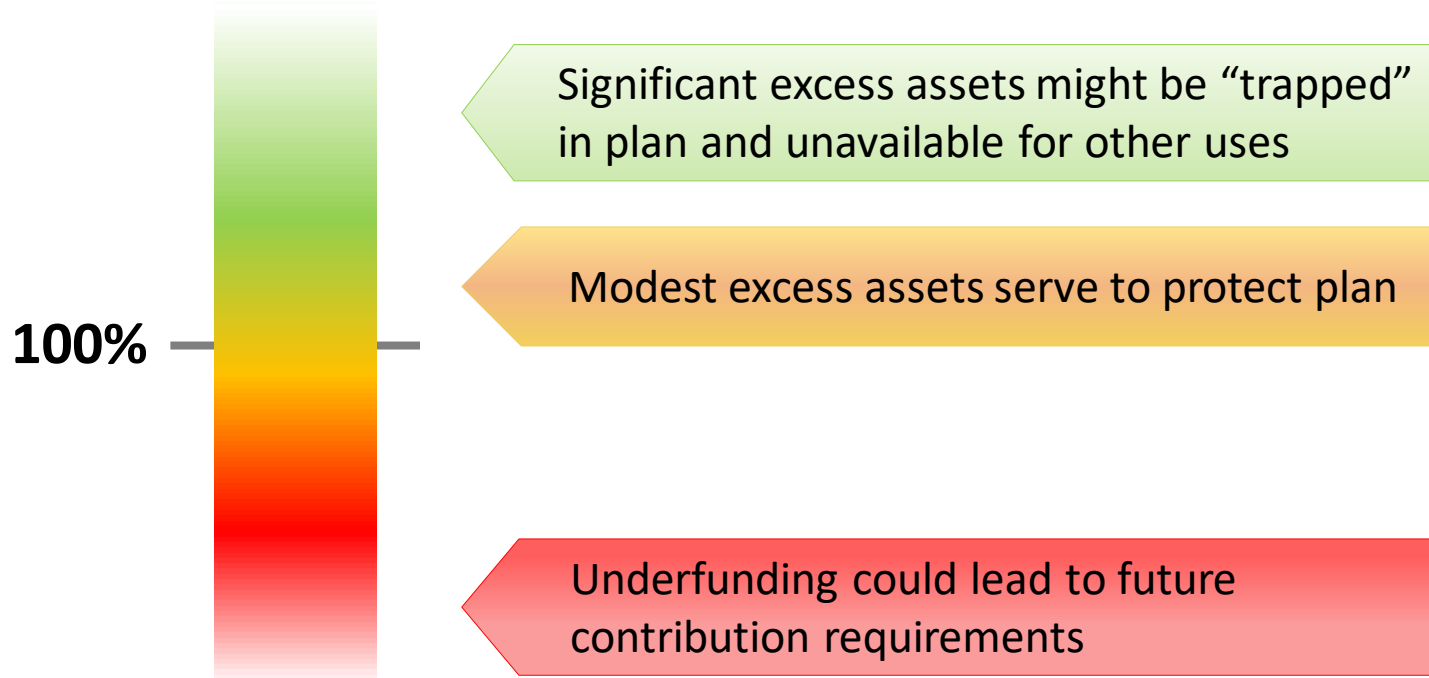


Funded Status on Market Basis

Mandatory Clergy Plans



Risk-Reward Profile



Fiduciary Obligation

Protecting participants' benefits

vs.

Generating surplus assets



De-Risking Approach

- Shift significant portion of assets from equities (stocks) to fixed income (bonds)
- Construct “Completion Portfolio” around Wespath’s existing funds to achieve best possible hedge against interest rate risk



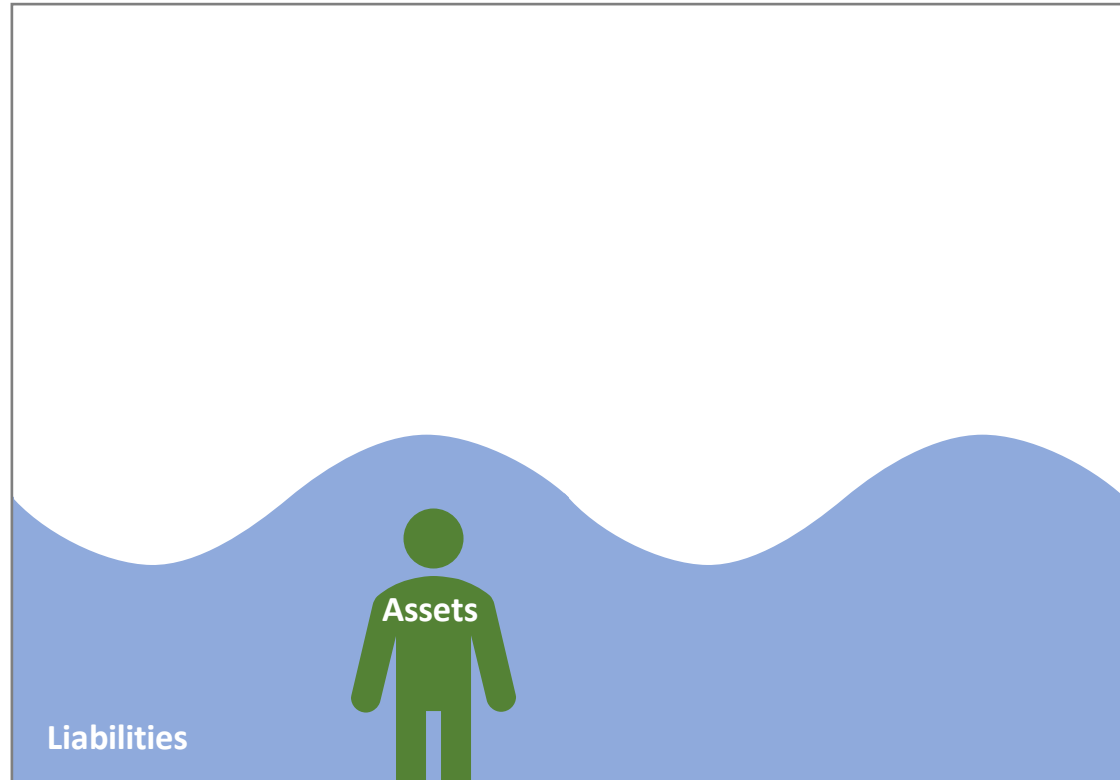


A Simple Illustration...

Risk: Assets and Liabilities Moving Independently



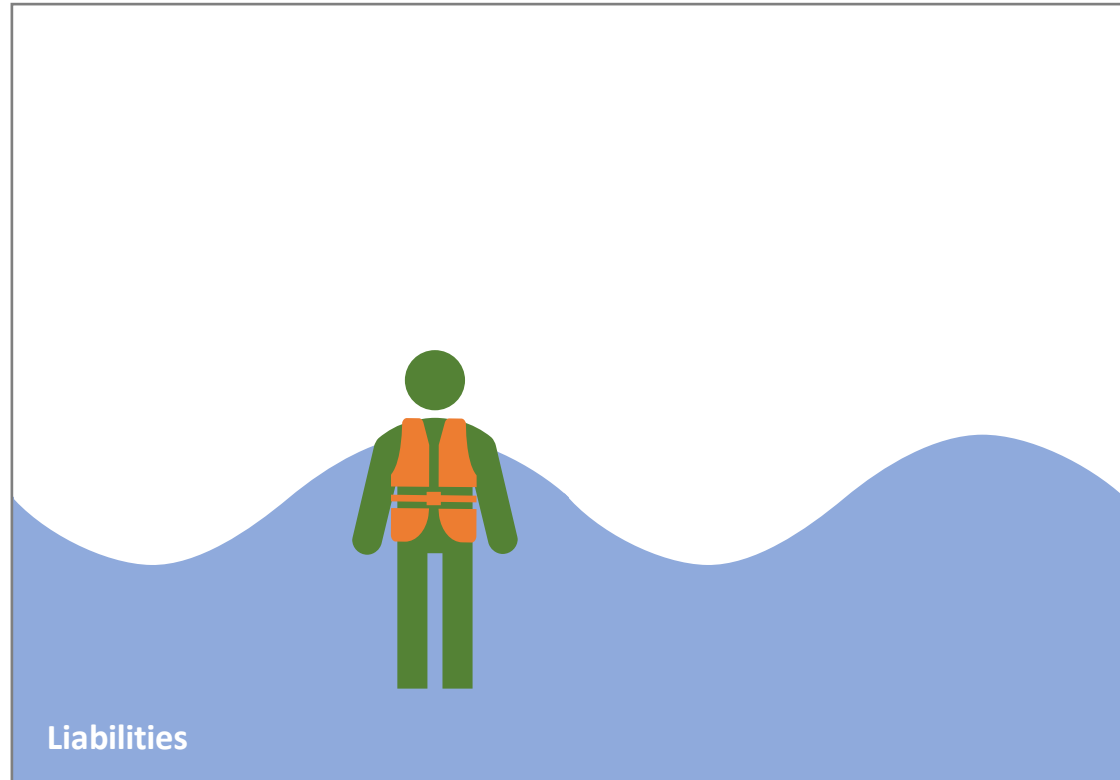
Risk of assets dropping below liabilities, resulting in underfunding and required additional contributions



De-Risked: Assets and Liabilities Moving Together



Assets and liabilities move together, preserving funded status



Change in Asset Allocation (% Return Seeking)

	1/1/2022
Pre-82	44%
MPP	40%
CRSP	65%
Combined	48%

Change in Asset Allocation (% Return Seeking)

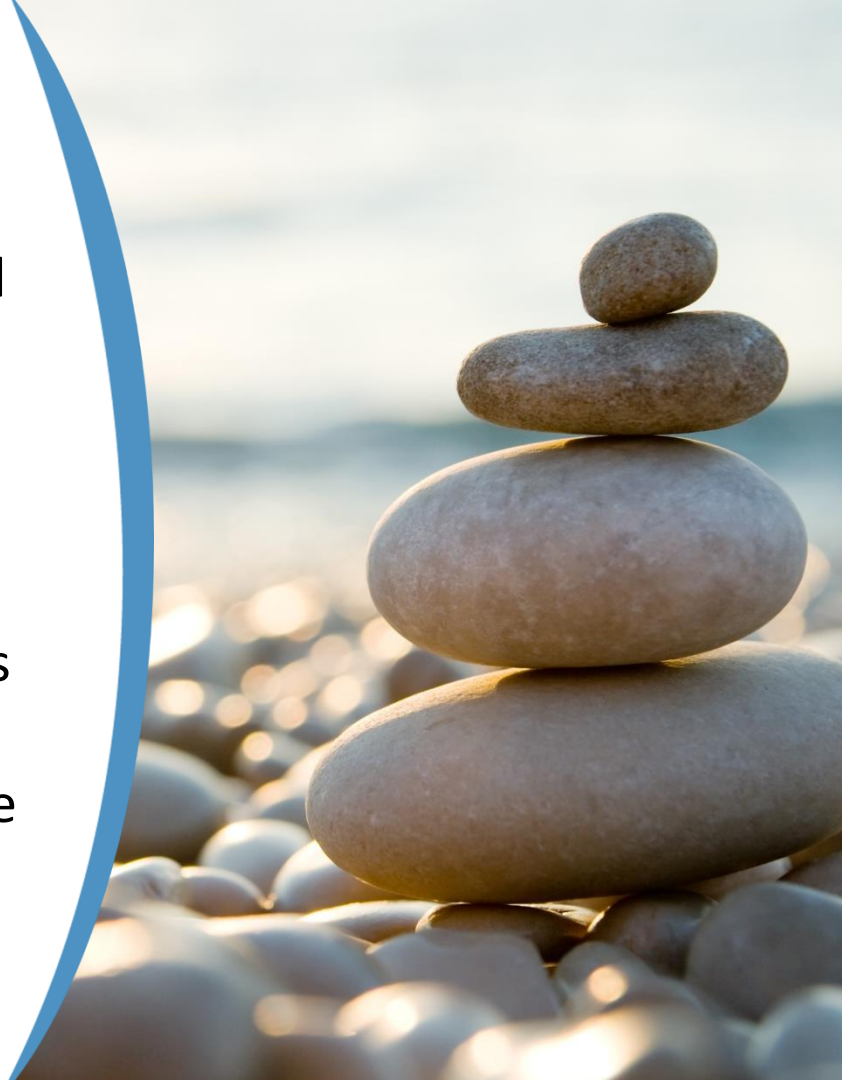
	1/1/2022	1/1/2023
Pre-82	44%	41%
MPP	40%	40%
CRSP	65%	65%
Combined	48%	48%

Change in Asset Allocation (% Return Seeking)

	1/1/2022	1/1/2023	1/1/2024
Pre-82	44%	41%	37%
MPP	40%	40%	25%
CRSP	65%	65%	30%
Combined	48%	48%	29%

Conclusion

- Plans continue to be over 100% funded on a funding basis, resulting in no contributions in near term
- Plans are close to fully funded on a market basis
- There are enough return seeking assets left in the portfolio to expect to get to full funding on a market basis over time
- The plans will be better protected against negative market events





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