Wespath

BENEFITS | INVESTMENTS

CONFERENCE FORUM—MARCH 2018

Securing Benefit Assets

Prototype Trust

Problem: Unprotected Benefits Assets

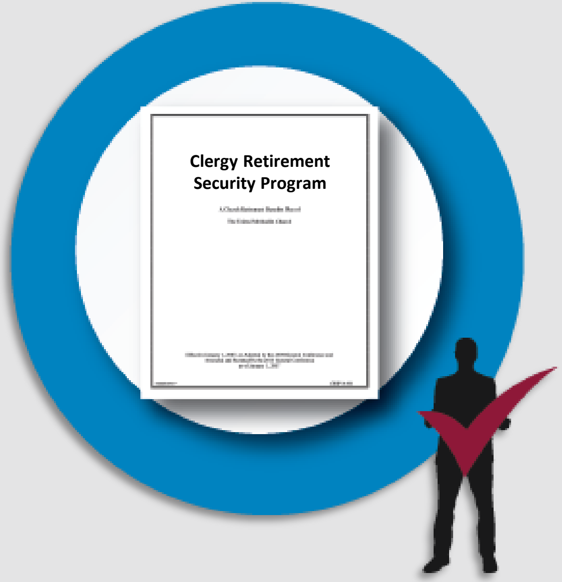
Conference assets set aside to fund benefits

Don’t want to commit to Wespath plan trust until necessary

Earmarked assets are not protected from creditors

- Lawsuits against conferences or local churches could reach conference assets
- Possible even if CBOP separately incorporated

Solution #1: Contribute to Pre-82 Plan



Contributions protected from creditors

"Anti-alienation rule"

"Exclusive Benefit Rule"

Options for surplus

- Redirect to CRSP
- Swap with other conferences

Solution #1: Disadvantages

Surplus use limited to CRSP DB funding as plans become 100% funded

Solution #2: Create Irrevocable Trust

Discussed in “How to Protect Conference Assets”

Irrevocable trust created by conference

- Conference is grantor
- Beneficiaries are named by grantor
- Assets protected from creditors

Solution #2: Advantages

- **Trustees decide how assets invested**
- **Grantor decides beneficiaries**
- **Grantor determines distributions to beneficiaries** (if, when and how much)
- **Assets may revert to grantor when beneficiaries no longer exist**
- **More flexibility than contributing to Pre-82**

How Can Wespath Help?

Conferences could create their own irrevocable trust

Wespath could create a model trust

- Starting point for conferences to modify
- Conference chancellors or outside counsel could review under applicable state law
- Wespath could act as sub-trustee or investment advisor and custodian

Mentimeter Question

In Progress: Draft Prototype Trust

We have begun drafting a prototype trust in response to conference demand

Design based on existing trusts for Wespath and the Tennessee Annual Conference

Discussing the draft with GCFA for their input

Draft Prototype Trust: How it Works

Grantor contributes assets to irrevocable trust, for the benefit of named beneficiaries

Beneficiaries could be certain benefit plans (e.g., CRSP DB or DC) active group health plans or retiree medical plans

Grantor appoints trustees, who decide:

- How assets are invested

Draft Prototype Trust: How it Works

Grantor decisions on distributions:

- To whom, when and how much
- Grantor's discretion whether a beneficiary receives any distributions

Grantor decides whether to add new beneficiaries

Beneficiaries cannot be removed
(but aren't required to receive distributions)

Draft Prototype Trust: How it Works

Beneficiaries drop out when they cease to exist

When beneficiaries no longer exist, any remaining assets may revert to grantor

Trust to be tax exempt under 501(c)(3)

Trust could apply for its own 501(c)(3) letter, or perhaps be added to GCFA’s group ruling

Draft Prototype Trust: Final Thoughts

Prototype trust would be a starting point for conferences

Conferences would work with chancellors/counsel to modify in accordance with state law

Conferences to ensure 501(c)(3) tax exempt status

Conferences to decide Wespath's role, if any, in management of assets

Next Steps

- Wespath to incorporate GCFA's feedback
- Prototype will soon be ready to share with conferences

Feedback?

Wespath

BENEFITS | INVESTMENTS