



Wespath

BENEFITS | INVESTMENTS

AUMCPBO—NOVEMBER 2018

2019 Called General Conference

Pension and Benefits Proposals

Agenda

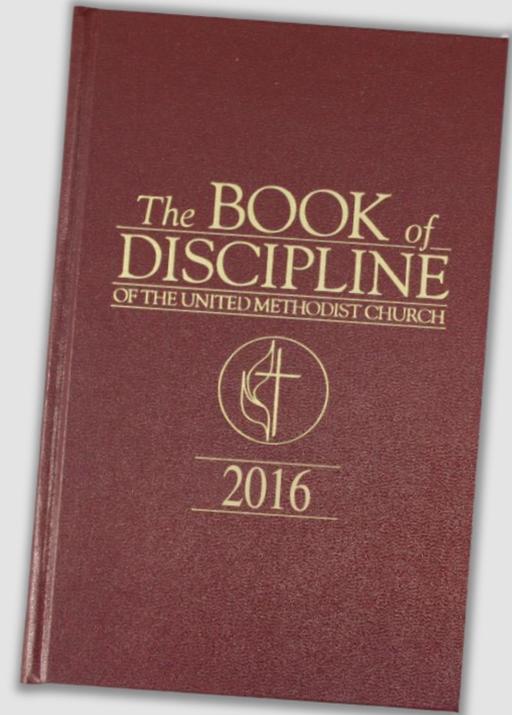
- Background: Scenario Planning at Wespath
- Commission on a Way Forward
- Wespath Legislative Proposals
- Pension Considerations for Commission Plans
- Judicial Council and Other Legislation

Wespath Priorities for Participants

Discipline ¶1504.14: Duty to act “solely in the interest of the [benefit plan] participants and beneficiaries.”

Wespath priorities for participant needs:

- Pension and annuity benefits being paid to retirees and beneficiaries
- Pension benefits earned by active clergy
- Future benefits for all who remain connected to the UMC



Wespath Priorities for Plan Sponsors

Wespath Board of Directors “Global Ends” policy: “...balance between the common good of participants as a group and annual conferences as a group.”

Protecting participants’ benefits

- Keep benefits affordable and sustainable for annual conferences
- Minimize conference impact of decisions of other conferences and local churches

Commission on A Way Forward Request

- Information and analysis about potential pension impacts of Commission's options
- Recommendations and proposals to address pension and benefits issues



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We care for those who serve by providing investment and benefit services that honor the mission and principles of The United Methodist Church.

Result: Appendix 4 of Commission Report

- Response to Commission and the three plans
- Wespath's best thinking about:
 - Safeguarding retirement benefits already earned
 - Protecting conferences' capacity to keep pension obligations fully funded



UMC Defined Benefit (DB) Plans

Pre-82 Plan

- Approximately 26,000 receiving benefits
- Approximately 3,000 yet to begin receiving benefits

Ministerial Pension Plan

- Approximately 33,000 annuities currently being paid
- Approximately 26,000 additional annuities expected

CRSP*

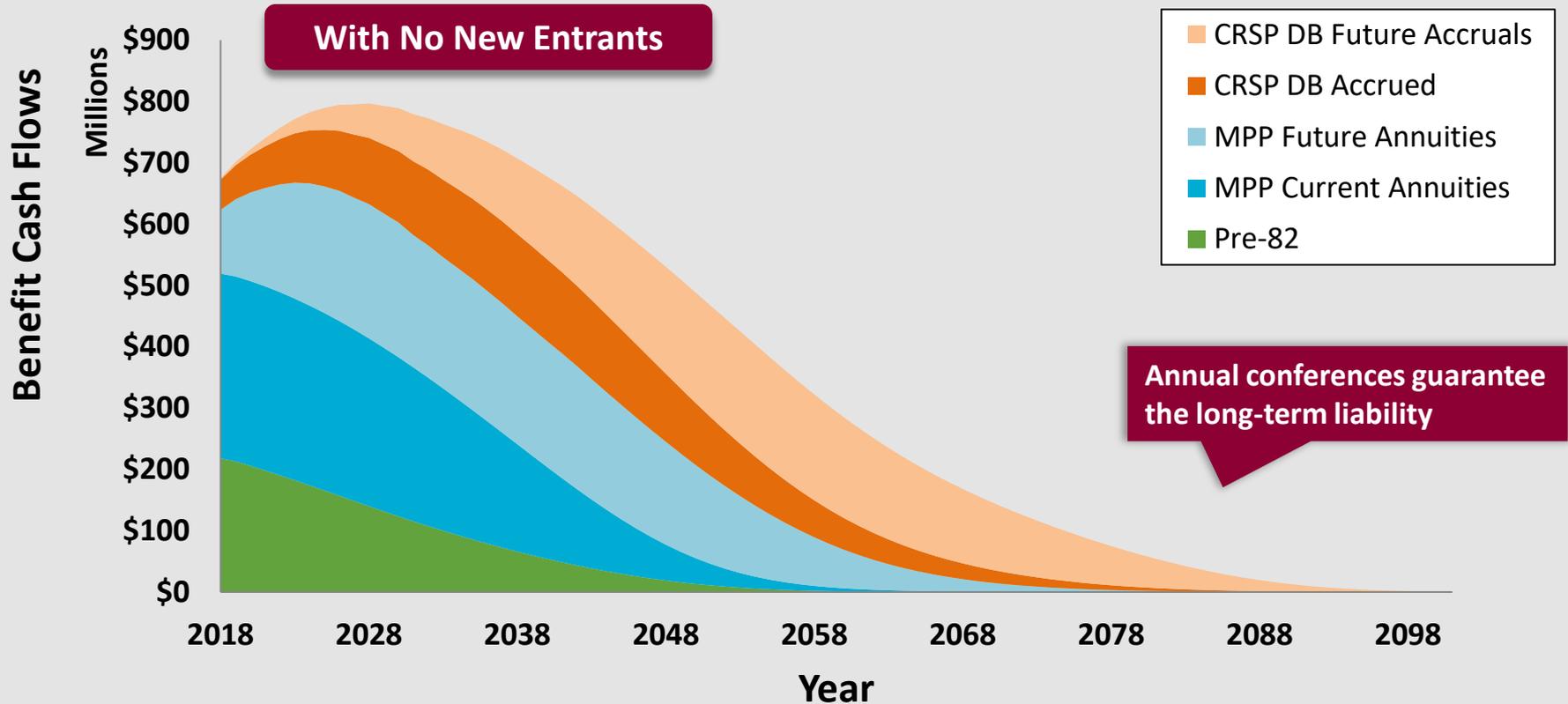
- Approximately 10,000 receiving benefits
- Approximately 22,000 still accruing benefits
- Approximately 5,000 no longer accruing and awaiting commencement



Legacy Plans

* **CRSP**: Clergy Retirement Security Program

Long Tail of Pension Payments

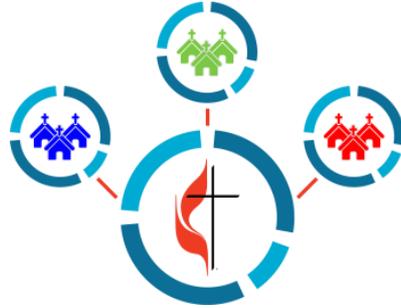


Plans in the Commission's Report



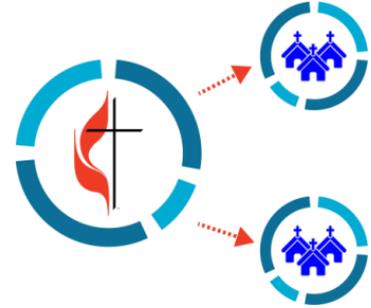
One Church Plan

- No “exit path” in Commission petitions
- Churches and clergy may leave anyway



Connectional Conference Plan

- Conference and local church realignments
- Clergy transfers
- Complex administration



Traditional Plan

- Conferences may leave
- Local churches and clergy may leave

Other Models or Petitions for GC 2019

Proposal	Brief Description
Simple Plan	Removes all Disciplinary restrictions on same-sex practices
Modified Traditional Plan	<ol style="list-style-type: none">1) Global Episcopacy Committee to deal with bishops who do not comply with <i>Discipline</i>2) Provides financial transitional assistance for conferences withdrawing from UMC
Plan of Dissolution	Dissolve the UMC and replace with two or more successor entities. 2020 General Conference implements the dissolution
Surrender of Charter and Disaffiliation	Process for local church to leave the UMC and keep its property and funds; unfunded pension liability would be reduced by conference share of general agencies' unrestricted reserves



Exiting Church Units

Wespath-Related Proposals

Included in Commission's Report:



1) Local church withdrawal liability



2) Terminated clergy DB→DC conversion



**3) Conference becomes autonomous Methodist church
→ Conference reorganization; sequestered benefits**

Local Churches and Clergy Leaving



* Withdrawal fee on commercial insurer basis

Legislative Text – Appendix 4:
Wespath Resource Page 90

Church exit (¶2548 or ¶2553) → *

Church Exits
Clergy Exits



+ DB converted to DC on funding basis

Legislative Text – Appendix 4:
Wespath Resource Page 91

+ Clergy withdraws (¶1360)

Church Withdrawals

Recommend with any plan or no plan—amend *The Book of Discipline* by adding a new subparagraph 23 to ¶1504:

If a local church or charge in the United States changes its relationship to The United Methodist Church through closure, abandonment, or release from the trust clause pursuant to ¶2548, ¶2549, or otherwise, notwithstanding whether property with title held by the local church is subject to the trust (under the terms of ¶2501), the local church or charge shall contribute a withdrawal liability in an amount equal to its pro rata share of any aggregate unfunded pension obligations to the annual conference. The General Board of Pension and Health Benefits shall determine the aggregate funding obligations of the annual conference using market factors similar to a commercial annuity provider, from which the annual conference will determine the local church's share.

From page 90 of COWF Report

Summary: Local church pays withdrawal liability on market basis

Clergy Withdrawals

Recommend with any plan or no plan—suggested non-Disciplinary language follows:

The General Board of Pension and Health Benefits is directed by the General Conference to amend the Clergy Retirement Security Program such that active clergy participants who terminate their annual conference relationship under ¶360 of *The Book of Discipline* will be treated as terminated vested participants under the Clergy Retirement Security Program. The terminated vested participant's accrued pension benefits shall be secured and protected from future disruptions by converting such benefits to an actuarially equivalent account balance, using factors corresponding to those used when determining annual conference plan sponsor contributions to the Clergy Retirement Security Program. Such converted benefits, along with all other retirement account balances, shall be transferred to the United Methodist Personal Investment Plan, a voluntary defined contribution plan maintained by the General Board of Pension and Health Benefits under ¶1504.2. The General Board of Pension and Health Benefits is directed, authorized and empowered to amend the Clergy Retirement Security Program **as of the close of the 2019 General Conference** and in the manner described above.

From page 91 of COWF Report

Summary: Terminating clergy (¶360) have DB accruals “converted” to account balance on funding basis

Recommended Petitions



- Calculate using same factors as conference funding calculation
- **Why?** Removes risk from UMC and gives clergy market opportunity

Legislative Text – Appendix 4: Wespeth Resource page 91



- Calculate on basis of outsourcing to commercial insurer
- **Why?** Local church leaves risks to UMC

Legislative Text – Appendix 4: Wespeth Resource page 90

Other Factors in Local Church Exits

Wespath's proposal addresses only pension liabilities

- Some “gracious exit” proposals add apportionments
- Other financial considerations could include:
 - Retiree medical liabilities
 - Non-benefit conference obligations
 - Repayment of grants or loans



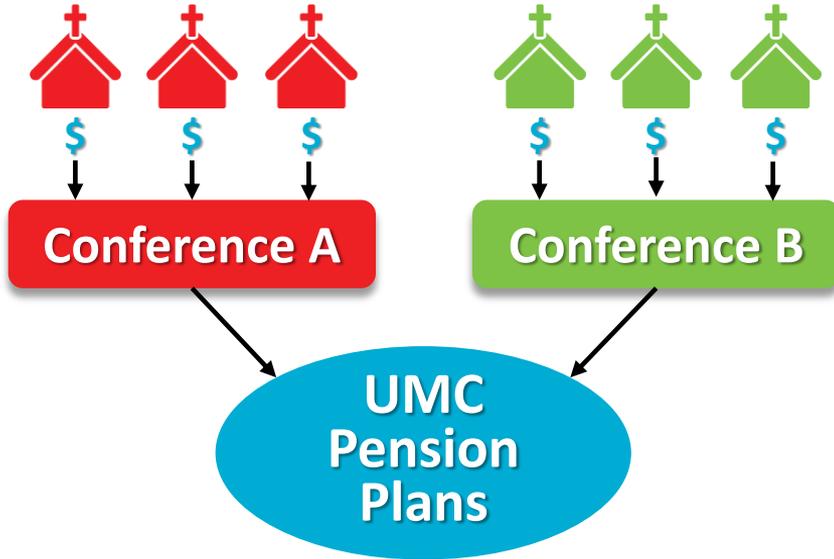
Feedback on Two Petitions

- What is **your response** to:
 - Local church pension liability exit payments?
 - DB to DC conversions for exiting clergy?
- What **issues or complications** do you see?
- What **changes or additions** would you offer?

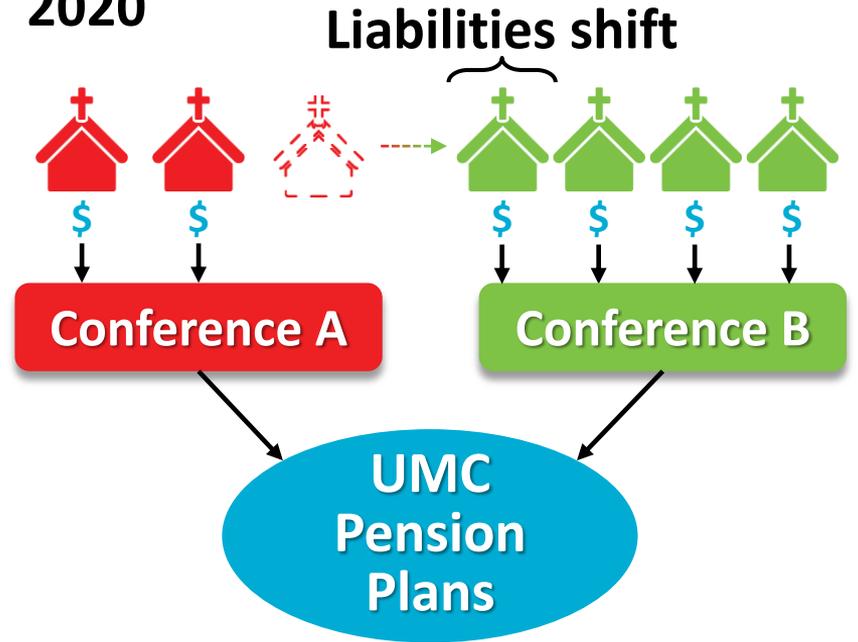


Connectional Conference Plan

2019



2020



Clergy Pension Complexity

Pastor 1

1976 – 1979	Pre-82	Conference A	Formula A
1979 – 1981	Pre-82	Conference B	Formula B
1982 – 1990	MPP	Conference B	Contributions based on actual compensation
1990 – 2006	MPP	Conference A	Contributions based on DAC
2007 – 2013	CRSP DB	Conference A	Formula 1
2014 – 2018	CRSP DB	Conference A	Formula 2

Connectional Conference Plan

Multiply the existing complexity by 3

Pastor 1

1976 – 1979	Pre-82	Conference A	Formula A
1979 – 1981	Pre-82	Conference B	Formula B
1981 – 1990	MPP	Conference B	Contributions based on actual compensation
1990 – 2006	MPP	Conference A	Contributions based on DAC
2007 – 2013	CRSP DB	Conference A	Formula 1
2014 – 2018	CRSP DB	Conference A	Formula 2

Pension recordkeeping today

Pension recordkeeping
in a Church restructure

1976 – 1979	Pre-82	Conference A	Formula A
1990 – 2006	MPP	Conference A	Contributions based on DAC
2007 – 2013	CRSP DB	Conference A	Formula 1
1979 – 1981	Pre-82	Conference B	Formula B
1981 – 1990	MPP	Conference B	Contributions based on actual compensation
2014 – 2018	CRSP DB	Conference A	Formula 2



Connectional
Conference 1



Connectional
Conference 2



Connectional
Conference 3

Traditional Plan: Annual Conference Exit



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UMC Plans

Pre-82 • MPP • CRSP

Conference



Conference



Conference



Traditional Plan: Annual Conference Exit



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UMC Plans

Pre-82 • MPP • CRSP

Conference



Conference



**Former
Conference***



* Remains a “plan sponsor” with liability for pension benefits of its participants

Legislative Text – Appendix 4:
Wespath Resource Page 91

Sequester assets and liabilities on long-term funding basis—similar to Puerto Rico

Traditional Plan: Annual Conference Exit



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UMC Plans

Pre-82 • MPP • CRSP

Conference



Conference



**Former
Conference**



**Legislative Text – Appendix 4:
Wespath Resource Page 90**

**Former conference clergy who remain in UMC:
UMC plan retains assets and liabilities on market basis**

Traditional Plan: Annual Conference Exit

If former conference doesn't satisfy pension obligations:

- Convert DB accruals to DC account balance in accordance with former conference's funding level
- Continue "in pay" DB benefits only to the extent funded
- Sequestered from remainder of "UMC" plan



Unexpected Turns—Judicial Council and Other Petitions

Judicial Council Decision

- Council of Bishops sought declaratory decision from Judicial Council
 - Should GC 2019 be limited to Council's recommended One Church Plan?
- Judicial Council Decision No. 1360



Decision No. 1360

“Petitions to the special General Conference 2019 may be filed by any organization, clergy member and lay member of The United Methodist Church as long as the business proposed to be transacted in such petition is in harmony with the purpose stated in the call. It is the obligation of the General Conference to determine, in the first instance, through its committees, officers and presiders, acting in accordance with the *Discipline* and the rules and procedures of the General Conference, whether any such petition is “in harmony.” However, business not in harmony with the purpose as stated in the call is not permitted unless the General Conference by a two-thirds vote shall determine that other business may be transacted. See ¶14.”

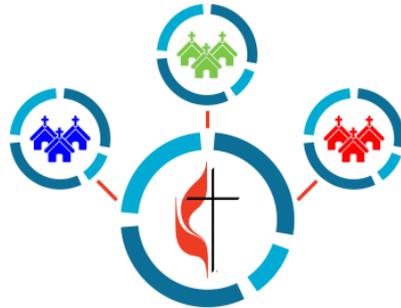
Judicial Council Docket 1081-12

Council of Bishops request: declaratory decision on 3 plans' constitutionality



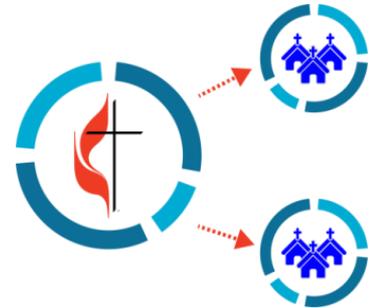
One Church Plan

- **Fewest constitutional flaws** (probably fixable by GC2019)



Connectional Conference Plan

- Judicial Council **lacked jurisdiction** (too hypothetical)



Traditional Plan

- **Several significant constitutional issues**

A photograph of a white Gothic Revival church with a prominent steeple. The church features a large gable with a circular window containing a white pentagram. Below the gable are three tall, narrow stained-glass windows. The entrance has a pointed archway with a wooden door. A red cross is mounted on the wall to the left of the entrance. The sky is blue with light clouds. A dark red banner is overlaid across the middle of the image.

Emerging Scenarios

Two Publicized Petitions

A Plan of Dissolution as Way Forward

- Dedicate whole 2020 General Conference to dissolving UMC and forming two or more successor entities.
- Proposes Wespath become an “independent non-profit corporation” serving more than one of the new entities.
- Proposes dividing pension assets using counts of professing members in successor entities rather than based on accrued benefits.

Surrender of Charter and Disaffiliation

- Path for local church disaffiliation based on vote of members.
- Pension obligations of departing churches reduced by pro rata allocation of “general church” and annual conferences unrestricted reserves.

Other Non-COWF Petitions

- COWF submitted **48 petitions**
- Others submitted 79 petitions
 - Some excluded due to invalid format
 - **51 petitions** with valid format
 - Review by Committee on Reference
 - Will be acted on if “**in harmony with the call**” of GC2019

A sunset over a field with a road leading to the horizon and a white arrow pointing up on the road.

Looking Beyond 2019

Long-Term Benefit Plan Direction

- Changing society and Church
- Accelerated change arising from GC 2019
- Uncertain future

Traditional Pension Plan



Account Balance Type of Plan

**DC Plan for the Future
and Freeze DB Plan**

- Sustainability
- Alleviate liabilities
for the future Church



Legislative Text – Appendix 4: Wespith Resource Page 90

Summary

News Events Resources Video About Contact Account Login

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COMMISSION ON A
WAY FORWARD**

Wespath FAQs: Commission on a Way Forward

[Submit a Question](#)

The Commission on a Way Forward sought additional expertise from Wespath regarding the potential pension impacts of the Commission's three proposals to the 2019 Special General Conference. Wespath provided information and analysis about how various scenarios under consideration might impact clergy pensions (U.S. plans), as well as related effects on local churches and annual conferences. Wespath provided detailed analyses in "Appendix 4 - Wespath Resource to the Commission's Report," which was published in Exhibit D of Judicial Council Docket No. 1018-12 (see pages 216-224 of the Docket PDF).

Wespath is prepared to serve the Church in whatever form it takes in the future under any scenario. The following FAQs provide additional information. We will update this page as more information becomes available.

Do you have an additional question for Wespath Benefits and Investments on how the scenarios under consideration might impact clergy pensions, as well as related effects on local churches and/or annual conferences? Please [submit your question](#) to Wespath.

Wespath Preparations

- Make changes needed to serve the Church in whatever form it takes
- Care for those who rely on UMC benefit plans for retirement security

wespath.org/WayForwardWespathFAQ/



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