



Conference Forum—April 2019



Wespath
BENEFITS | INVESTMENTS

General Conference 2019 Outcomes and Discussion



General Conference 2019

Agenda

- Wespeth legislation
- Clergy departures/terminations
- Local church exits
- What is next for the UMC?
- Feedback and discussion

For more information:

wespeth.org/WayForwardWespethFAQ





Wespath Legislation

Protecting Conferences (Petition 90016)



Departing church pays “fair share” to the Annual Conference

- A local church that withdraws from the UMC leaves a portion of its **long-term pension obligations** to the conference it is exiting from
 - Covers long-term costs of retirement benefits to clergy and beneficiaries
 - Conference determines “**pro rata fair share**” amount for local church that closes or exits
- Amendment during General Conference: Exiting local church may owe other payments to the conference
 - “**Nothing in the forgoing prevents an annual conference from collecting other obligations from a church or charge.**”

Benefits Earned to Date Are Secure (Petition 90017)



Benefits for clergy who remain in the UMC connection continue as usual

- Active clergy who leave the UMC will not lose pension benefits they have earned—but the **form of retirement benefits will change**
 - Pension benefits earned to date of termination from defined benefit (DB) plans will be converted to an equivalent account balance, and then transferred to UMPIP
 - MPP account balances will also be transferred to UMPIP
 - Terminated clergy will not receive lifetime monthly pension payments, but can access the full UMPIP account balance at any time
- **Benefits for clergy already retired are not impacted (even if they subsequently surrender credentials)**



Other Related Legislation

Disaffiliation

A disaffiliation Petition 90066, sometimes called an “exit plan” or “gracious exit,” was also approved.

- Allows local churches to leave the UMC “for reasons of conscience” regarding issues of human sexuality and keep their property
- Requires: discernment; 2/3 vote of church; **pension** and other payments; approval of conference board of trustees
- Effective date: **February 26, 2019***

* To be reviewed by Judicial Council (April 23–26)



Implementation of Wespath Legislation

Petition 90017—DB to DC Conversion

- **Revised communications** to clergy surrendering or losing credentials
- **Actuarial equivalent** account balance **calculation** of terminated clergy accrued defined benefit
- **Account balance** addition to **UMPIP account**

Clergy leaving the UMC continue to follow processes of ¶360

Implementing Petition 90016

- Wespeth will supply annual conference(s) with **market basis** pension net liabilities upon request
- Conference determines allocable share to local church based on reasonable factors such as (not limited to):
 - Apportionment decimal
 - Church's revenue relative to other churches
 - Local church membership relative to conference
 - Relative clergy compensation
- Wespeth is available to consult with conferences or help with exit payment formulas upon request





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Withdrawal Liability Calculation

Local Churches

Withdrawal Liability Calculation

Specified in *Discipline* ¶1504.23 as added by Petition 90016 during GC 2019



Withdrawal Liability Calculation

1. Wespath determines **conference's unfunded pension liability**

- Based on “**market factors** similar to a commercial annuity provider”
 - I.e., the **basis at which the obligation could be sold to an insurer**
 - Interest rate on a market basis (derived from corporate bond rates)
 - **110% factor** applied to liabilities to account for risk and administrative cost
- Results are based on the **most recent actuarial valuation**
 - Currently: **January 1, 2018**
 - Results may be “rolled forward” to more current date to account for asset returns and changes in interest rate environment.

Church Withdrawal Liability

Ok, I get the picture
by conference

But what does that mean
for individual churches?

Church Withdrawal Liability

2. Conference determines **local church's share**

- It can do so by any reasonable measure it chooses
 - **Church Income**
 - **Church Expense**
 - **Clergy Salary**
 - **Apportionment Decimal**
 - **Church Membership**
 - **Etc.**



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