AUMCPBO—September 2019

Wespath
BENEFITS | INVESTMENTS

Plan Design Update

Agenda

Compass Features Not Previously Discussed

- Accumulation phase
- Distribution phase

Administrative Considerations

- Plan sponsor billing
- Deferral elections

Compass Accumulation Phase

Compass Accumulation Phase

- Risks during the accumulation phase
  - Investment
  - Behavioral
    - Money invested too conservatively when young
    - Money invested too aggressively closer to retirement
- To mitigate those risks, professional investment recommendations are available with LifeStage Investment Management (“LSIM”)

LifeStage Investment Management will be mandatory for plan sponsor contributions in *Compass. Currently mandatory for MPP*

Compass Distribution Phase

Distribution Phase

Fundamental issue all account based plans face:

How much can a participant safely withdraw?

Problem:

Spend too much → Risk of outliving assets

Spend too little →
- Standard of living unnecessarily low
- Assets intended for retirement go to heirs

Distribution Phase: Overarching Objectives

Important/Desired

- Emphasize retirement income for retirees and spouses
- Maximize lifetime income
- Minimize income volatility
- Minimize longevity risk

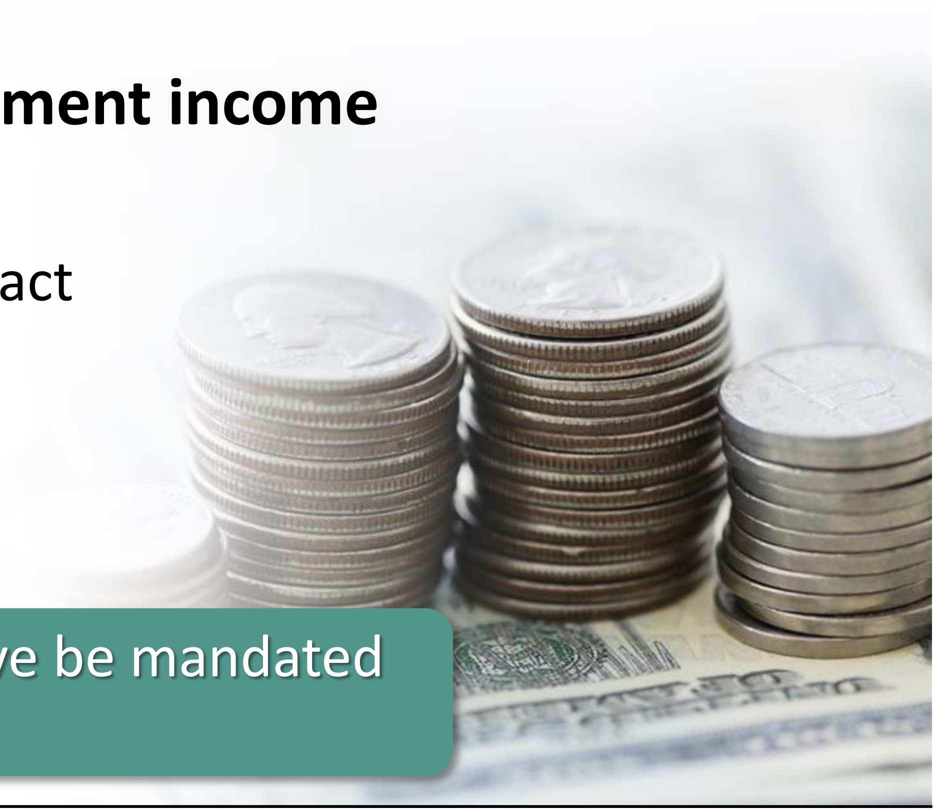
Less Important/Less Desired

- Money left to heirs
- Ability to access money for non-retirement income purposes

Distribution Phase

Tools offered to optimize retirement income

- Deferred annuity—
  Qualified Longevity Annuity Contract
- Social Security Bridge
- Automatic payout system—
  LifeStage Retirement Income



Question: Should any of the above be mandated in the new plan?

Board Deliberations

Most Important Objective:
Ensure participants have lifetime retirement income

- Flexibility is needed
  - Where flexibility is offered, a default can be used to "nudge" participants to behavior that's best for most
- Any optional feature brings risk of assets not being used for lifetime income

Defaults

- Defaults work
  - Signal what the plan sponsor considers to be in participant’s best interest
  - Making a certain option the default has proven to be a strong guide for participants’ ultimate choice
- A default forces participants to “opt out” (if they disagree) whereas an optional feature requires “opt in”

Mandatory vs. Optional Features

	70%	30%
	Employer paid	**Employee paid**
Social Security Bridge	optional	optional
Deferred Annuity	**default**	optional
Managed Payout (LSRI)	**mandatory**	optional

Mandatory LSRI Arguments

Arguments in Favor

- Addresses desired distribution objectives:
  - Emphasizes retirement income for retiree and spouse
  - Maximizes lifetime income
  - Minimizes income volatility
  - Minimizes longevity risk
- Mitigates behavioral risk
- Mitigates risk of retirees requesting additional financial assistance from conference

Arguments Against

- Not a feature of a typical Defined Contribution plan
- Can be seen as overly paternalistic
- Emphasizes security over flexibility
  - Less flexibility with respect to investment of account
  - Less flexibility with respect to distribution options

Hardship Provision in Mandatory LSRI

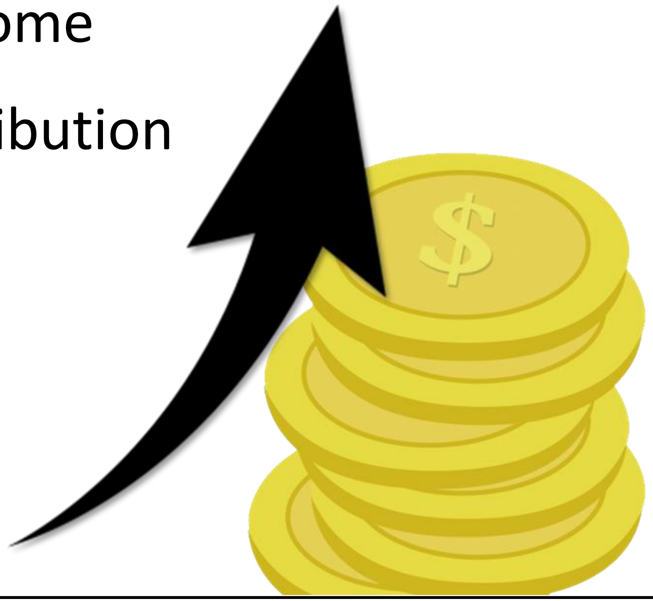
Administrative processes will be established to allow accelerated access to money otherwise reserved for lifetime income (LSRI)

- Intent is to provide needed flexibility in cases of terminal or critical illness
- Similar to "living benefits" in life insurance

Distribution Phase: Reminders

LSRI payout level is only maximum amount

- Participant can choose to draw lower income
- Minimum is the Required Minimum Distribution (RMD) required by tax law



Plan Sponsor Billing

Plan Sponsor Billing

Current State

- About 10,000 paper bills sent every month
- About 2,000 plan sponsors use Contribution Management (CM)
- Alternative is integration with Paychex
  - Currently used by about 300 plan sponsors

Plan Sponsor Billing

Future State Goal

- No more paper bills!
- All billing done electronically
  - Contribution Management
  - Paychex, or
  - New “autopay” system

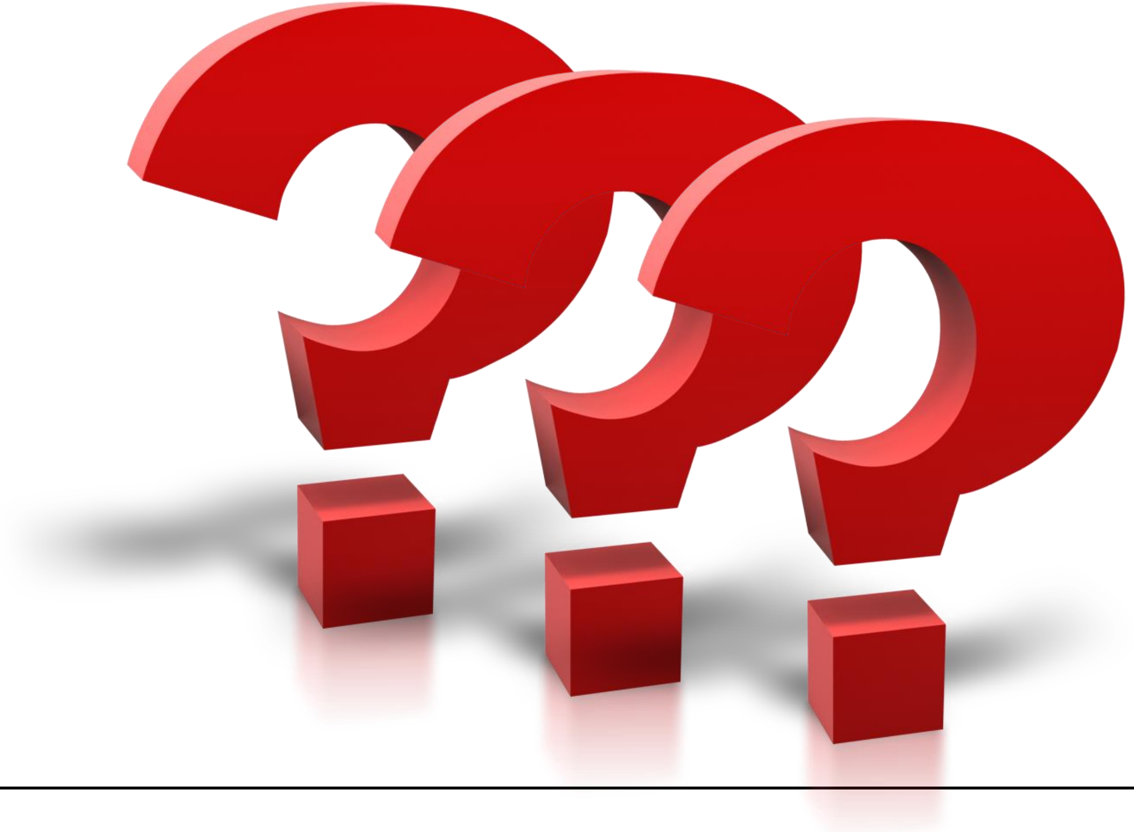
Transition targeted for 2022 and 2023

Challenges

- Lack of technology at many churches
- System access and recertification
- Multiple bank accounts
- Combined clergy and lay billing
- Mechanism if ACH debit fails

We seek your input and guidance

Mentimeter Questions



Deferral Elections

Online Deferral Elections

Convenient **for participant**

Easier **for local churches**

Reliable **for conference**

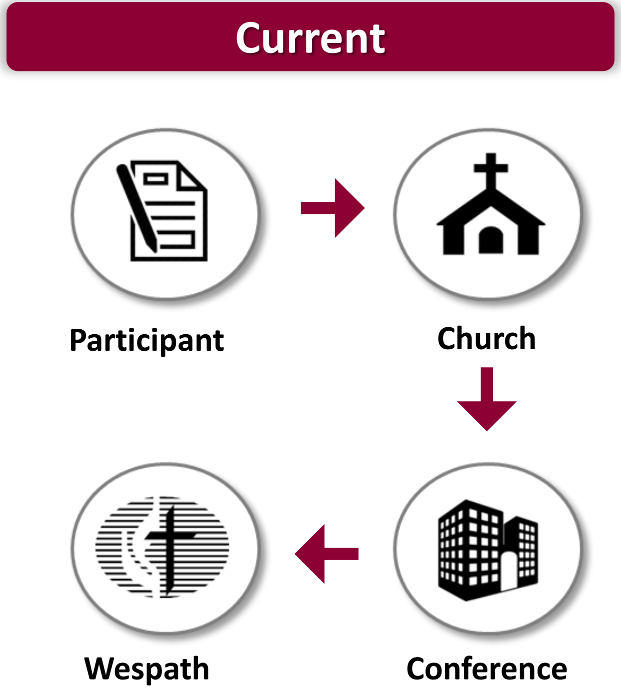
Simpler **for Wespath**

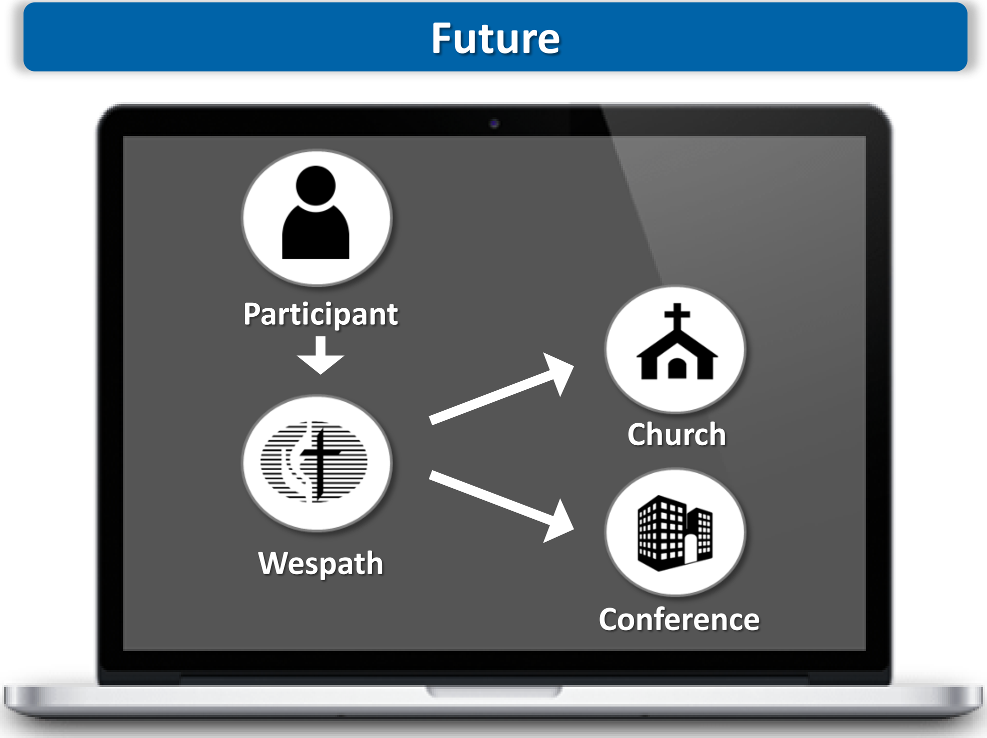
Current Clergy Contributions

	CRSP-Eligible Only	All Clergy
Average clergy contribution rate (excluding 0% rates)	5.67% **5.75%**	6.01% **6.04%**
Average clergy contribution rate (including 0% rates)	4.66% **4.72%**	4.43% **4.48%**
Percentage of clergy not contributing to UMPIP	17.8% **18.0%**	26.3% **25.8%**

Small number on left is as of end of 2017; large number on right is as of end of 2018

Reversal of Information Flow

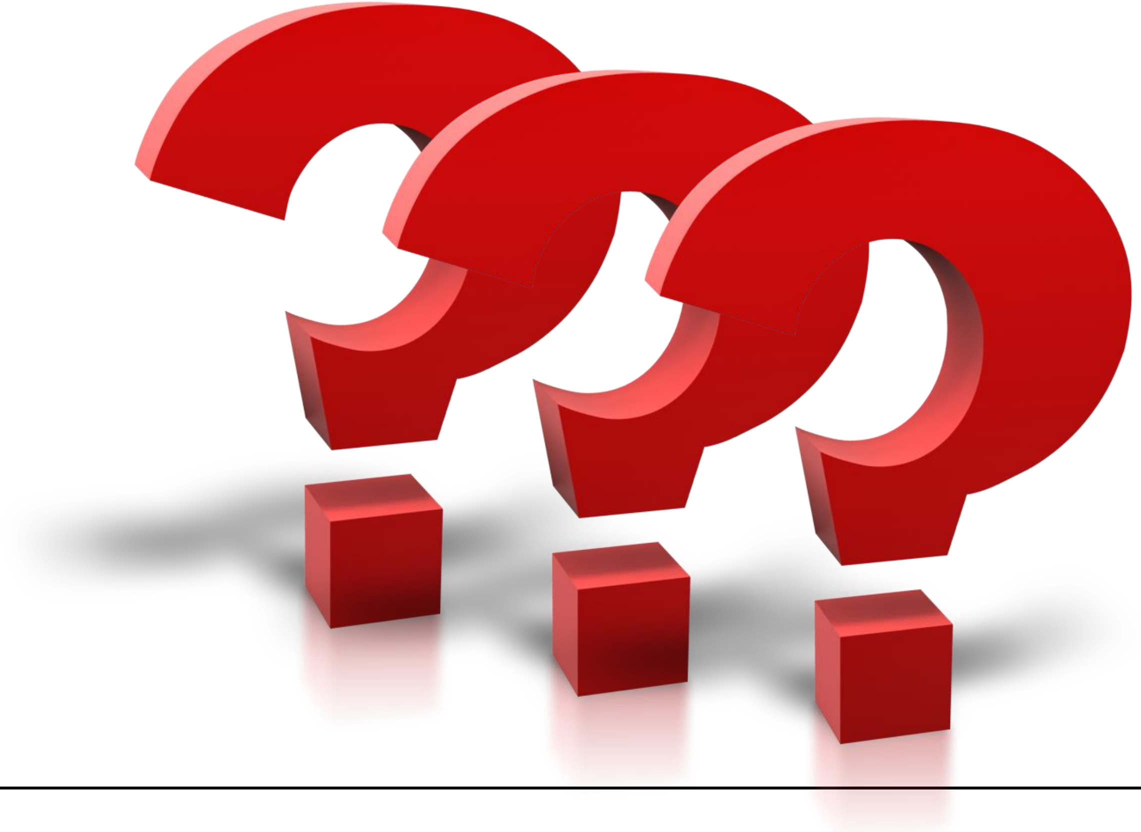




1% Challenge

- Challenge clergy to increase contributions—September – December
- **589** clergy participating
- Most conferences represented
- Good opportunity to learn:
  - Online elections
  - Implications of percent of pay

Mentimeter Questions



Thank You

Wespath

BENEFITS | INVESTMENTS