



AUMCPBO—September 2019



**Wespath**  
BENEFITS | INVESTMENTS

# Wespath Benefits Legislation 2020 General Conference

# A Core Value and Guiding Principle



*“...when the Possessor of heaven and earth  
brought you into being and  
placed you in this world,  
He placed you here, not as a proprietor,  
but a steward...”*

– John Wesley 1760

# Being a Steward in 2020

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- Continuing to care for those who serve and have served
- Sustainable, affordable benefit plans
- Response to a changing Church
- Flexibility for an uncertain future
- Simplification and efficiency, as feasible



# Benefits Legislation for 2020

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- New clergy retirement plan
- Plan compensation definition
- Death benefit standardization
- Voluntary Transition Program—delay sunset
- Legacy plan legislation
- Amending mandatory clergy plan
- ¶1500s clean-up



# Proposed Clergy Retirement Plan

# Foundational Principles

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## Uphold longstanding values of Church retirement programs

- Lifetime income for clergy
- Adequate retirement income for lower-paid clergy

## Address **emerging needs**

- Increased personal contributions
- Newly commissioned/ordained clergy with heavy seminary debt



# New Clergy Plan (Effective 1/1/2023)



**Help lower-paid clergy**

Flat-dollar  
contribution

**\$140 per month**



**Relate retirement income to  
pre-retirement earnings**

Pay-dependent  
contribution

**3% of pay**



**Promote participant  
engagement and savings**

Matching  
contribution

**\$1/\$1 match on  
up to 4% of pay**

# Spending Phase—Automatic Payouts



- The new plan will feature an **automatic payout system**
  - Maximizes retirement income
  - Strives for a lifetime stream of income
- Integrates with Social Security
- Offers deferred annuities to help **optimize the result** for clergy
- Hardship exception in autopilot payout phase allows access to money in case of terminal or critical illness



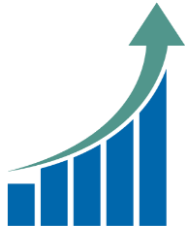


# Automatic Features



## Matching contributions increase from 1% to 4%

- More money left on the table if no personal contributions are made



## Making contributions is the key to success



## Automatic Features will help protect clergy who are less engaged:

- **Automatic enrollment:** Get clergy contributing
- **Automatic escalation:** Increase savings rate incrementally over time

**Reminder: Automatic Features does not change personal options. They merely change which option is the default.**

# Helping Recent Seminary Graduates



- Recent seminary graduates often cannot afford to make full 4% contribution
  - Significant seminary debt
  - Low starting pay
- They will have to contribute only 2% to still get 4% match
- For 10 years from becoming provisional member





## Other Benefit Plan Legislation

# Definition of Plan Compensation

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- Parsonage factor increase from 25% to 35% of pay
  - Minimum
  - Maximum
- Base pay rather than tax code definitions
  - Health insurance stipends
  - Moving expenses



# Clergy Plan Death Benefits—Today

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- Some death benefits are % of DAC\*, some are fixed amounts
- Spouse and child death benefits differ between active and retired clergy
- Retiree death benefits differ based on date of retirement
  - Before January 1, 2013
  - On or after January 1, 2013

\* DAC: denominational average compensation



# Clergy Plan Death Benefits—Proposed

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- Fixed amounts for all death benefits
- Equal to or larger than the greater of current calculations (no benefit cuts)
- Increase 2% annually



# Voluntary Transition Program

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## Current Benefit

- Current plan sunsets on December 31, 2020

## Recommended Change

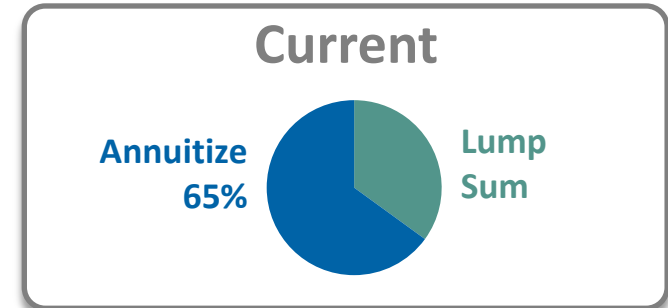
- Sunset the plan in 2028



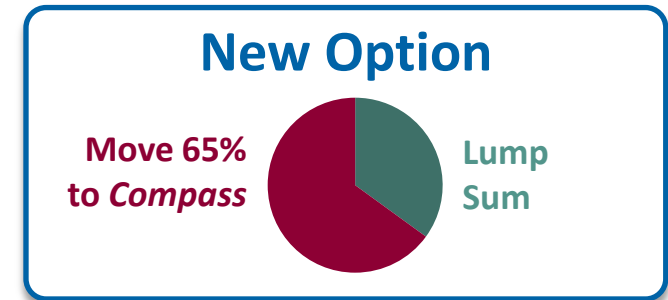
# Ministerial Pension Plan Distribution Provision



- Affects those who started serving before 2007
- GC2012 change required annuitization of 65% of MPP account balance
- Enables clergy to leave balances to heirs at death



**OR**





# Denominational Average Compensation

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- Not a factor in proposed plan
- Not needed for Ministerial Pension Plan or Pre-82 Plan
- Needed for calculating CRSP DB\*
- Proposal
  - Calculate 2022 DAC in 2020 per current method
  - Index 2% annually thereafter for CRSP DB calculations

\* CRSP DB: Clergy Retirement Security Program Defined Benefit

# ¶1504.1—Amending New Clergy Plan

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## Proposal

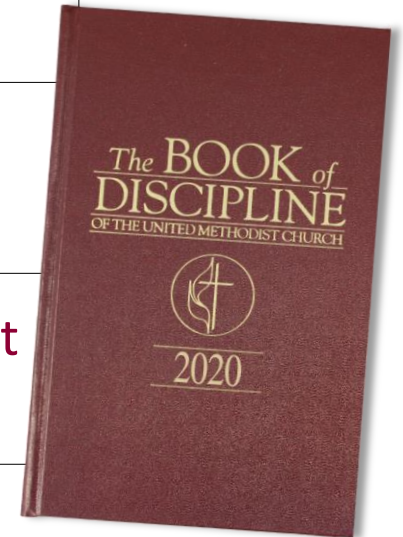
- Add reference to new mandatory clergy retirement plan
- Preserve General Conference authority to amend core benefit design and benefit levels
- Grant Wespath board of directors authority to amend administrative details

## Rationale

- Defined contribution plan not as connectional as a defined benefit plan
- General Conference retains amendment authority over core benefit levels and features
- Provides Wespath with more flexibility to amend administrative provisions

# Annual Conference Administration ¶1500s

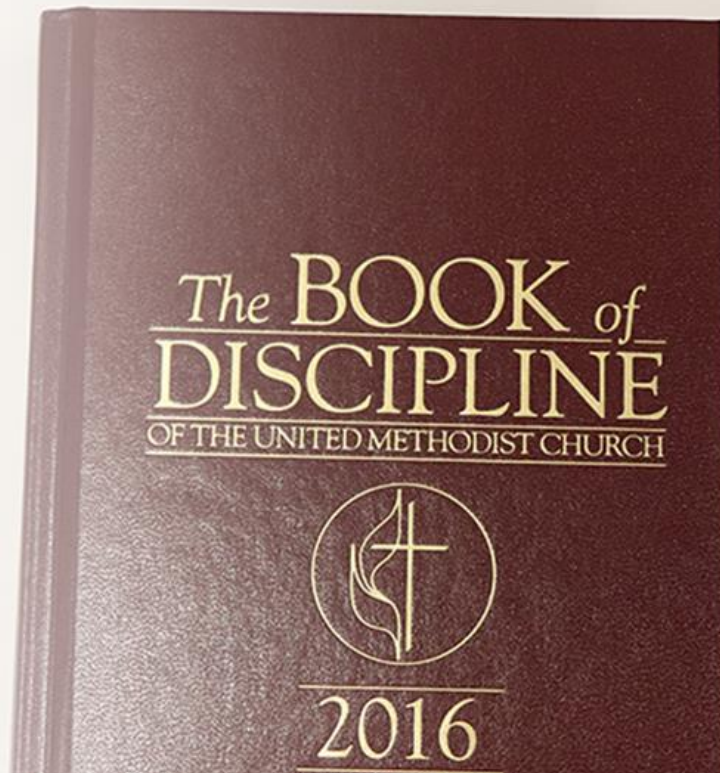
<b>¶1506</b>	<b>Powers, Duties, and Responsibilities...</b> <ul style="list-style-type: none"><li>• Move parts to ¶639, <i>Conference Board of Pensions</i></li><li>• Move a few parts to the plan documents</li></ul>
<b>¶1507</b>	<b>Financing Pension and Benefits Programs</b> <ul style="list-style-type: none"><li>• Add to ¶639</li></ul>
<b>¶1508</b>	<b>...Conflict of Interest and Investment Management</b> <ul style="list-style-type: none"><li>• Add to ¶639</li></ul>



# Proposed Benefits Legislation Summary

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- New clergy retirement plan
- Other welfare plan and retirement plan changes
  - Efficiency
  - Consistency
  - Sustainability
  - Adaptation to changes
- Disciplinary amendments for similar reasons



# Questions





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