

# Understanding Pension/Economic Impact of Commission on a Way Forward Plans

## Why Wespath?

As administrator of UMC benefit plans, Wespath was asked by the Commission on a Way Forward to analyze pension impact of plan scenarios to be considered by General Conference 2019. Wespath's analysis is described in *Appendix 4 of the Commission's Report to the General Conference*.

This document offers highlights based on the Commission's three proposals.

## Commission on a Way Forward Proposals

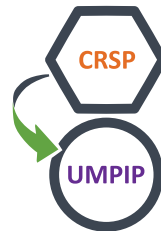


## What if clergy leave the UMC?



### Accrued benefits are secure.

Clergy who leave the UMC will not forfeit *already-accrued* retirement benefits. However, they may not earn future accruals or receive cost-of-living increases.



### Benefit format may change.

*Book of Discipline (BOD) ¶1360:* Clergy who terminate their annual conference relationship are considered "terminated vested participants." Accrued CRSP\* pension benefits would be converted and transferred to UMPIP.\*

## Which Commission plan is recommended?

### Wespath is neutral.

As a general agency of the Church, Wespath does not have a preferred plan. Wespath is prepared to continue serving the Church in whatever form it takes after General Conference 2019.

## Are clergy pensions "one size fits all"?

### Clergy have personalized pension benefits.

Clergy retirement benefits are individualized, based on personal years of service and other factors.



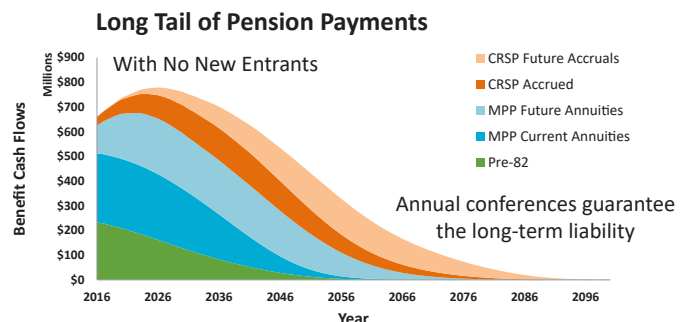
## Who pays clergy pension benefits?

### Annual conferences are the "plan sponsors."

*BOD ¶1507:* Annual conferences are legally responsible for paying benefits promised to clergy.

### Pension liabilities are a long-term obligation.

With current defined benefit (DB) plans, annual conferences have pension liabilities through about 2090 for currently active clergy.



\*CRSP: Clergy Retirement Security Program    UMPIP: United Methodist Personal Investment Plan    MPP: Ministerial Pension Plan

(continued)

## How does “Connection” impact pension liabilities?

### We’re all connected.

UMC’s connectional structure means that departure by one local church affects other churches in the Connection.

Similarly, if one annual conference doesn’t fund its pension obligations, other annual conferences need to make up the difference.



### Departing church pays “fair share”; annual conference defines “fair share.”

A local church that leaves the UMC would pay a withdrawal liability to cover long-term pension liabilities promised to clergy.

Annual conferences currently determine pension liability amounts for local churches. Similarly, the annual conference (not Wespeth) would determine “pro rata fair share” payment amount for any local church that exits.



### Annual conference remains responsible.

If an annual conference were to change its connection to the UMC, it would remain responsible for its portion of the plan and cease to benefit from support of other annual conferences.

## Are plan design changes driven by General Conference 2019?

### Proposed plan design addresses changing Church needs.

Regardless of what happens at General Conference 2019, Wespeth believes that plan changes are needed to address shifting demographics, the declining size of the U.S. church and other factors. Plan recommendations for General Conference 2020 also will accommodate feedback from conferences and other Church constituents.



## How is Wespeth planning for the future?

### “Account-based” is designed for the future.

Wespeth believes that an account-based retirement plan design will be more sustainable over the long-term for U.S. clergy—and would allow portability for clergy who shift conferences or leave the UMC. Wespeth is developing plan design proposals for General Conference 2020 consideration.

### Plan considerations balance varied priorities.

Plan design considerations strive to balance affordability, sustainability and risk fairly across clergy and conferences.

Sustainability



Affordability



Equitable Risk



## Where can I learn more?

Visit this website for more information and updates.



[wespeth.org/WayForwardWespethFAQ](https://wespeth.org/WayForwardWespethFAQ)

