

General Conference

Wespath Contingencies for UMC Restructure or Disruption

Updated January 25, 2023

Wespath has been planning for various potential scenarios that might affect the future structure of the Church, with emphasis on assuring that clergy benefits remain as secure as possible. *Wespath strives to be a bridge-building, non-anxious presence in the midst of change.* We seek to maintain the continuity of benefits for those who serve and investment management services for Methodist-related entities.

The decision by the Commission on General Conference to postpone the 2020 General Conference to 2024 has generated new questions from across the denomination regarding how pension obligations will be handled by Wespath if local churches or annual conferences separate from The United Methodist Church (UMC) before the next General Conference. The following new Q&As provide Wespath's responses to these questions.

Important Note: These FAQs address issues that continue to be impacted by rapidly changing circumstances. Wespath will update these FAQs periodically as more information becomes available. We recommend that you check back often for the latest information.

More detailed FAQs are [here](#).

Q: I've heard Wespath has reserves that are more than adequate to cover any pension liabilities, so there is no reason separating/disaffiliating local churches should be required to pay the pension withdrawal liability payments. I've also heard that UMC clergy pensions are fully funded until the year 2090. Are these statements valid?

A: No. Both statements are based on incomplete or erroneous understanding of pension funding. The following details help clarify this complex issue.

1. Pension plan "reserves" are funds of the pension plan—they are not "Wespath reserves." A more accurate term for these amounts is "*plan assets*," and the use of such amounts is restricted to paying the obligations of the pension plan. Whether the plan assets adequately cover pension obligations is measured by the "funded ratio."
2. The funded ratio of a pension plan is indicated as of a specific point in time. This means the funded ratio can change dramatically over time due to changes in the economy, life expectancies (actuarial projections) and other factors. For example, prior to the 2008–2009 economic recession, annuities from the Ministerial Pension Plan (MPP) were funded at approximately 120% on a long-term funding basis (wherein annual conferences retain the risks for keeping the plans fully funded). Less than two years later, the funding level dropped to just over 90% due to changes in the national/international economic climate. As a result, UMC annual conferences had to make contributions for MPP annuities for the first time ever. In 2019 Wespath was anticipating a 2020 General Conference would close the defined benefit (DB) pension plans and adopt a new account-based (defined contribution or DC) retirement plan. Analysis performed in 2019 indicated a 60% likelihood those closed plans would need additional contributions at some point in the future, despite being fully funded at that time on a long-term funding

basis. The target year 2090 for pension payment obligations has nothing to do with the funding level of the plan.

3. “Pensions” (i.e., defined benefit or “DB” plans) pay benefits to the retired clergy (and surviving spouse, if applicable) for the rest of their lives. As such, pension funding is a long-term proposition. The year 2090 is the approximate year in which currently existing defined benefit obligations (in other words, DB benefits promised to clergy) could be expected to be fully paid out based on projected life expectancies of clergy members in the plans.
4. The level of pension plan funding is measured by a funded ratio expressed as a percentage, such as 90% or 100%, not by an “until” date.

Q: Why must a local church or annual conference cover long-term pension liabilities upfront if they leave the UMC when the funded ratio of UMC pensions is at least 100%?

A: If an annual conference were able to offload all its pension liabilities to a third party, such as an insurance company, it would require more upfront funding than would be required if it instead chose to retain the pension liabilities and fund them over a longer term. It is therefore reasonable and appropriate for a disaffiliating church—which is effectively offloading its portion of the conference’s continuing pension obligations to the churches that remain in the annual conference—to make a pension withdrawal payment for its share of the additional funds the conference would need to fund all its pension obligations for clergy over the decades ahead.

This is explained further in these [FAQs](#) (“Local Churches” section) and [“Conversation about pension liabilities” video](#) on Wespath’s [Disaffiliation Information webpage](#).

Q: I’ve heard that Wespath will take a 7-10% fee from the personal pensions of active clergy who disaffiliate from the UMC. Is this true?

A: Absolutely not. Wespath does not charge a fee or penalty to clergy who disaffiliate from the UMC (i.e., withdrawals under ¶360). Rather, if an active elder or deacon withdraws under ¶360, his or her pension benefit will be converted to an actuarially equivalent account balance and transferred, along with their entire MPP and CRSP-DC account balances, to the clergyperson’s individual United Methodist Personal Investment Plan (UMPIP) account. The conversion of pension benefits (i.e., a monthly annuity payable for life) to an equivalent account balance is made using actuarial factors corresponding to those used when determining annual conference plan sponsor contributions to the Clergy Retirement Security Program (as required by legislation passed at the 2019 General Conference). Thus, the same factors that were used to calculate annual conference contributions are also used to determine a withdrawing clergyperson’s equivalent account balance, resulting in a fair individual distribution that neither harms nor benefits the plan.

Information about how and when Wespath converts pension benefits to an equivalent account balance is [here](#).

Q: I’ve heard that disaffiliating clergy are required to withdraw their money from Wespath (i.e., “cash out their pensions”). Is this true?

A: No. Clergy (and lay employees) are welcome to leave their retirement money on account with Wespath for as long as they choose—regardless of whether or not they remain in connection with the UMC. What happens with your retirement benefits if you withdraw under ¶360 depends in part on whether you are an elder or deacon, or local pastor, provisional member or associate member—and which plans you are covered by (which is based on when you served). More information about the impact of clergy withdrawals by specific plans is [here](#).

Similarly, lay employees who retire or move to a new job unrelated to the UMC also are welcome to leave their money on account with Wespath for as long as they'd like. Both clergy and lay employees are subject to [federal rules](#) on required minimum distributions (RMDs). Under these rules, in general, distributions must begin by the April 1 following the year a person reaches age 72. (More details about RMDs are provided in this online [brochure](#).)

Q. Can a local church disaffiliate under *Discipline* ¶2548.2?

A: No. The UMC Judicial Council (the UMC's top court) ruled on **August 22, 2022**, that *Discipline* ¶2548.2 applies only to transferring church property—not the church's members—to another denomination. The Judicial Council held that ¶2553 is the appropriate paragraph for local church disaffiliation; ¶2548.2 can only be used as a supplement to other paragraphs in the *Discipline*, not as its own path for local church disaffiliation.

More information about this Judicial Council ruling is in this [article](#) from UM News. A statement from the Council of Bishops is [here](#).

Q: With the potential split of the UMC, I am concerned about my clergy pension. What will happen to it? Will there be enough money to pay pension benefits?

A: If you currently are receiving pension payments from Wespath as a *retiree, surviving spouse or other contingent annuitant*: **your pension benefits will not change as a result of a separation or disaffiliation of your church or annual conference.**

Similarly, if you are an *actively serving clergyperson and you remain in the UMC*, **your pension benefit coverage is not changing.**

If you are an *actively serving clergyperson and you terminate your annual conference relationship under The Book of Discipline ¶360*, **pension benefits you have earned up to the date you leave will be preserved, but the form of your benefits will change, as described below:**

- Pension benefits earned to date from defined benefit (DB) pension plans [Clergy Retirement Security Program (CRSP) and Pre-82] will be converted to an equivalent account balance (i.e., a lump-sum amount calculated by an actuary to reflect the value of future annuity payments that otherwise would be paid over your lifetime), and then transferred to your United Methodist Personal Investment Plan (UMPIP) account.
- Account balances earned to date through the Ministerial Pension Plan (MPP) and Clergy Retirement Security Program defined contribution (CRSP-DC) will also be transferred to your UMPIP account.
- You will not receive monthly pension payments (“annuities”) at retirement. Instead, you will have access to your full UMPIP account balance once you retire.

UMC annual conferences have been making contributions to the pension trust fund for many years. These contributions are designed to help ensure that the trust has sufficient assets to pay pension benefits earned. In addition, General Conference 2019 approved legislation that added provisions to *The Book of Discipline* that require churches that separate or disaffiliate to pay their fair share of aggregate unfunded pension obligations to the annual conference. This “pension withdrawal payment” is discussed throughout these Q&As. The pension withdrawal payment is specifically intended to help maintain your pension security by providing financial support to the UMC annual conferences that will remain liable for funding pension

obligations owed to current and retired clergy members (including clergy members who remain in the UMC *and* those who change their affiliation to disaffiliating or separating churches), as well as surviving spouses and other contingent annuitants. It's important to remember this human aspect—that a disaffiliating local church is leaving full responsibility with the annual conference and its former sibling churches for pension benefits earned by active and retired pastors in years past.

As a reminder, *lay employees* with benefits from Wespath are covered in different plans, mainly through UMPIP. UMPIP is a defined contribution plan with individual account balances that are held in trust. Account balances are subject to changes in value based on investment performance of the funds.

Q: Can Wespath provide benefits to the GMC and its churches or to a local church that disaffiliates to become an independent Methodist church?

A: Yes. Under *The Book of Discipline*, Wespath is permitted to administer benefit plans and manage related funds for churches that disaffiliate from the UMC and continue to share “common religious bonds and convictions” with the UMC which Wespath evaluates on a case-by-case basis. However, under current terms of CRSP—which cannot be modified without General Conference approval—a local church or group of churches that separates from the UMC may not be a plan sponsor of CRSP. This means that any plan Wespath administers for a new Methodist denomination and its churches (or a local church that becomes an independent Methodist church) that provides for benefits earned after disaffiliation will not be the same as CRSP.

Q: Why would Wespath provide services to disaffiliating churches or a new Methodist denomination?

A: Wespath's mission is to care for those who serve. We believe that includes serving multiple expressions of Methodism. Moreover, the UMC has authorized and encouraged Wespath to do just that (see ¶2553 and ¶1504.17). There are economic benefits in the scale of Wespath's assets, which reduce costs for all participants and investors. Further, there are theological groundings in Methodist unity and Christian unity (see, e.g., ¶16) for Wespath's big tent philosophy for serving multiple expressions of Methodism.

Q: Is Wespath working with the Global Methodist Church (GMC) to provide employee benefit plans to clergy and laypersons of their denomination?

A: Yes. Wespath has worked with GMC leaders to create the *Covenant Personal Investment Plan* (Covenant PIP) for retirement benefits, and the *Covenant LifeOptions* plan for death and disability benefits. The GMC also offers health benefits for eligible clergy and lay employees through HealthFlex, effective January 1, 2023.

Will Wespath administer benefits for clergy moving to the GMC?

Yes. Clergy who join the GMC are eligible for a complete benefits package that includes a retirement plan, health coverage (medical/pharmacy, dental and vision), and death and disability benefits. The retirement plan will be available to full-time clergy (50% or more). The new retirement plan for GMC clergy is called the Covenant Personal Investment Plan (Covenant). It is a 403(b) defined contribution (DC) plan.

- Clergy will be eligible for medical/pharmacy, dental, vision coverage through HealthFlex.
- Clergy will be eligible for death (life insurance) and disability benefits through Covenant LifeOptions.
- Clergy moving to the GMC will receive more details about these plans directly.
- Benefits eligibility for clergy appointed *less than 50%* is determined by the GMC local church/employer.

Will Wespath administer benefits for lay employees moving to the GMC?

Yes. Wespath will administer the retirement, health, death and disability benefits for eligible lay employees who move to the GMC. Eligibility for lay employees will be determined by *the GMC local church/employer*.

When will benefits become available for clergy and lay employees moving to the GMC?

- Retirement programs became available July 1, 2022.
- Death and disability benefits became available July 1, 2022, for eligible clergy. Lay employees have a three-month waiting period from the date they begin service at the GMC to become eligible for death and disability benefits.
- Health benefits are effective January 1, 2023.

Q: Would a reorganization of the UMC affect Wespath’s ability to serve its institutional investors?

A: No, Wespath expects to continue to serve its institutional investor clients through its subsidiary, Wespath Institutional Investments LLC (WII). Under federal and church law, Wespath can serve a broad range of investors that share “common religious bonds and convictions” with, or are otherwise controlled by, associated with or related to the UMC, which Wespath evaluates on a case-by-case basis. A new expression of Methodism likely would share common religious bonds and convictions with the UMC based on shared Wesleyan theology and tradition and Methodist roots. As it currently does, Wespath will continue to evaluate new institutional investor eligibility on a case-by-case basis.

Q: I heard Wespath chose to exclude itself from ERISA. Is that correct?

A: No, that statement is not correct. Wespath has not chosen to exclude itself or the plans it administers from coverage by the Employee Retirement Income Security Act of 1974 (“ERISA”) (the federal law that applies to corporate pension plans). Rather, the pension and other benefit plans Wespath administers are not subject to ERISA because Section 4 of ERISA automatically exempts “church plans” from its coverage by operation of law. A “church plan” is generally any employee benefit plan that is established and maintained for its employees by a church or organizations controlled by or associated with a church. CRSP is a church plan as defined by ERISA.

Q: I’ve heard that there is no unfunded pension liability, so there is no reason that separating/disaffiliating churches should be required to pay pension withdrawal liability. Is that true?

A: No, that is not correct. When a local church separates or disaffiliates from the UMC, it is leaving behind all of its responsibility and risk for the annual conference’s obligation to fund pension benefits that were earned in the past. Instead, the annual conference and its remaining churches continue to be responsible and at risk. This means that the separating/disaffiliating local church is transferring its pension responsibilities and risks to the annual conference and the annual conference’s remaining churches. As such, in the context of church disaffiliations or separations, ¶1504.23 of *The Book of Discipline* calls for a withdrawal liability payment to be made by the separating church and, as part of that, **requires** Wespath to calculate CRSP’s funding status in a specified manner—one that is appropriate for the transfer of one party’s pension responsibilities and risk to another party. Based on that required calculation, pension benefits owed under CRSP are **not** fully funded.

An analogous example is if an annual conference wanted to eliminate its risk and transfer all its pension obligations to another party (such as a commercial annuity provider). In that context, CRSP similarly would **not** be fully funded, and the annual conference would have to pay the shortfall to that other party. In the context of a separating local church, the pension withdrawal liability payment required by ¶1504.23 is the

local church's share of the annual conference's shortfall—i.e., the amount needed to cover the local church's share of long-term pension obligations that will become the responsibility of the churches remaining in the annual conference.

In other contexts, such as determining whether contributions are required from *ongoing* plan sponsors (who are not seeking to transfer their responsibility and risk to another party), Wespath calculates CRSP's funding status in a manner appropriate to that context. This means that, even if *ongoing* plan sponsors do not need to make funding contributions in any given year, the plan still might not be considered fully funded in the context of a transfer of pension risk by a *separating* church. The difference in calculation method recognizes that if additional funding is needed in the future for previously earned pension benefits (for example, if funding status declines due to prolonged poor stock market performance or unforeseen increases in lifespans), there will be fewer churches left shouldering the responsibility to pay for it. Thus, the method used to calculate the amount of pension obligations varies depending on the context and purpose of the calculation, which is consistent with long-standing industry practice for calculating pension liability.

Q: May an annual conference separate from the UMC under *The Book of Discipline*?

A: No. The UMC's Judicial Council has ruled that U.S. annual conferences *do not* have authority to withdraw from the UMC under current church law. Judicial Council Decision 1444 (May 10, 2022) is explained further in this [UM News article](#).

Q: I've heard that some annual conferences plan to use conference reserves to reduce or partly offset the pension withdrawal liability payment for separating local churches. Is that okay? What does Wespath think of that?

A: A conference and its leadership (e.g., bishop, treasurer, chancellor and, as appropriate, board of pensions, board of trustees, and council on finance and administration) should consider the conference's fiduciary duties and procedural requirements when deciding whether and how to take the conference's reserves into account in determining a separating local church's pension withdrawal liability payment. Wespath does not have a position on whether a conference should take reserves into account in this way, although we encourage prudence in any case. The decision is up to the conference and will depend on local context and circumstances. Some conferences might choose to take reserves into account and others might not.

Q: For annual conferences considering whether to use conference reserves to reduce or partly offset the pension withdrawal liability payment for separating local churches, what are some important factors to consider?

A: As noted above, the decision to use conference reserves depends on local context and circumstances and will vary among conferences. Conferences deciding to consider reserves should also consider equity among local churches in the application of reserves. Reserves should not be used to benefit only disaffiliating churches; rather, equitable allocation should also respect and account for the interests of UMC churches that remain in the conference. Conferences should keep in mind the connectional nature of the UMC's clergy pension plan when determining withdrawal liability payments for local churches, the use of reserves and application of payments received, and related considerations. If a conference that applies its reserves for disaffiliating local churches is unable to support its pension obligations in the future for local churches and clergy remaining in the UMC, this would have consequences for other UMC conferences that have otherwise met their obligations.

Additional considerations will likely vary significantly based on the local context. Some relevant questions for the conference to consider might include:

- Are the reserves held in a trust?
- Are the reserves designated for a specific purpose by the conference, or are there donor restrictions, that would allow (or not allow) use of the reserves for pension funding?
- How might the trust clause (§2501) apply to reserves not designated for pension support?
- How might the interests of other potential beneficiaries affect reserves not designated for pension support?
- Are there current or planned future uses of the reserves that would need to be re-evaluated (e.g., use of the reserve to subsidize health plan premiums)?
- Will the conference have sufficient reserves going forward to meet liabilities, unforeseen circumstances, or needs that might arise?
- Will the reserves be applied equitably across all the local churches within the conference, regardless of whether they are separating from or remaining with the UMC?
- Will taking the reserves into account leave the local churches remaining in the conference in no worse of a financial position than they would have been if church disaffiliations had not occurred?
- What are the procedural requirements under The Book of Discipline and applicable conference rules that need to be met?
- Are there any applicable state laws?

Q: If an annual conference decides to reduce or partly offset a separating local church's pension withdrawal liability payment by taking reserves into account, does that require the annual conference to actually contribute those reserve assets to the pension trust?

A: No. A conference could take reserves into account to determine its "net" remaining unfunded pension obligation (and determine a separating local church's share of that remaining amount) without actually contributing those reserves to the pension plan trust. *The Book of Discipline* does not require those reserves to be contributed to the pension plan trust at the time of separation. Whether and when an annual conference contributes assets to the pension plan trust depends on future funding requirements, as well as fiduciary and other considerations based on the relevant facts and circumstances present in the annual conference.

Once a pension withdrawal liability payment is made by the separating church to the annual conference, that payment similarly is not required by *The Book of Discipline* to be made to the pension trust. Rather, the use of those assets by the conference will be subject to its fiduciary duties and any applicable policies, as well as future pension funding requirements (if any) as determined by Wespath.

Q: What is Wespath's role when an annual conference is determining a separating local church's pension withdrawal payment as required by §§1504.23 and 2553 of *The Book of Discipline*?

A: Under *The Book of Discipline*, Wespath's official role is limited to determining the amount of the annual conference's aggregate pension funding obligation using market factors similar to a commercial annuity provider (i.e., in the plan withdrawal context), and informing the annual conference of that amount (i.e., the amount for the conference as a whole). From that point, *the annual conference* is responsible for determining a separating local church's share of that amount, how such payment is to be made to the annual conference (for example, any terms of payment), and the most prudent use or application of the assets once they are received.

These responsibilities appropriately reside with the annual conference because they may involve fiduciary decisions that must be made by the conference considering all relevant facts and circumstances in that particular context. However, Wespath will continue to serve as a resource on pension implications as conference leadership assesses options and potential approaches.

Q: Can the pension withdrawal liability requirement of ¶1504.23 be avoided if a local church takes a particular path of separation from the UMC?

A: No. The pension withdrawal liability requirement of ¶1504.23 of *The Book of Discipline* applies *regardless of the separation path* taken by the departing church. Thus, whether a local church separates from the UMC under ¶¶2553, 2549, or otherwise, ¶1504.23 applies to that change in relationship to the UMC, and the pension withdrawal liability payment is required.

Q: What is Wespath’s view on using a promissory note and/or a lien on assets to secure future pension funding obligations (if any) in an agreement between an annual conference and a separating local church?

A: For disaffiliations under ¶2553, the pension withdrawal payment is required to be paid before disaffiliation is final. Accordingly, it appears ¶2553 does not contemplate the use of a promissory note or similar approach. (A majority of the Council of Bishops has affirmed that ¶2553 is the primary paragraph of *The Book of Discipline* for disaffiliations and separations related to human sexuality. Moreover, the Council of Bishops also affirmed that other paragraphs for changing a local church’s affiliation should be applied in a manner that reflects values and principles similar to those under ¶2553.)

Q: Are there any paths of separation from the UMC that would permit a local church to “take its pension obligations with it”—in other words, continue to be a plan sponsor of the Clergy Retirement Security Program (CRSP) after it separates or disaffiliates from the UMC?

A: No. Under current plan terms—which cannot be modified without General Conference approval—a local church that separates from the UMC *may not* be a plan sponsor of the Clergy Retirement Security Program (CRSP) and, therefore, cannot take pension responsibilities with it when separating from the UMC.

Q: If a local church participates in the HealthFlex Plan through its annual conference and the local church separates/disaffiliates from the UMC, what happens to the HealthFlex coverage for clergy and lay employees of the local church?

A: The local church’s participation in HealthFlex will cease on the effective date of the separation/disaffiliation because, at that point, the church is no longer affiliated with a HealthFlex plan sponsor, i.e., its annual conference. Clergy members who remain with the separated/disaffiliated church and lay employees of the church will lose active coverage on the last day of the month in which the separation/disaffiliation is effective. Those individuals and their covered family members will be eligible for 18 months of continuation coverage. The clergy member or lay employee, as applicable, would be required to pay 100% of the cost of continuation coverage.

If the separated/disaffiliated church immediately joins a new denomination or another group of churches that sponsors HealthFlex, then active coverage may continue for eligible clergy members and lay employees. (Alternatively, if the church has more than 50 eligible employees and continues to share “common religious bonds and convictions” with the UMC, as determined by Wespath, it may be eligible to sponsor HealthFlex without joining another group of churches. Wespath will evaluate church eligibility on a case-by-case basis.) Wespath would need to know more details about the timing of the separation/disaffiliation and the church’s plans to join another denomination or group of churches to consider the timing for when the new coverage could be effective.

If the separated/disaffiliated church participates in HealthFlex with a new denomination or another group of churches, the cost of coverage would likely change for the church because the cost is determined separately for each plan sponsor. Currently, the cost of coverage is determined for each annual conference because annual conferences serve as the plan sponsors. Each annual conference then decides how to allocate the cost to its local churches. If a disaffiliated church joins a new group of churches that sponsors HealthFlex, the cost of coverage will be based on that group, and that group can determine how to allocate it to local churches.

Q: I heard that there is a UMC “comity agreement” for local churches that transfer to the GMC under ¶2548.2 that would accomplish the same things as the Protocol, such as transferring pension liabilities to a GMC plan and preserving clergy pensions—is that right?

A: No, that is not correct.

The UMC Judicial Council (the UMC’s top court) ruled on **August 22, 2022**, that *Discipline* ¶2548.2 cannot be used as an independent pathway for local church disaffiliation. More information about this Judicial Council ruling is in this [article](#) from UM News.

More Resources and Information

- Disaffiliation information: <https://www.wespath.org/about-wespath/wayforwardwespathfaq>
- Wespath’s legislation submitted to General Conference 2020: <https://www.wespath.org/about-wespath/general-conference>

FAQS FROM MAY 2021

The following set of questions relate to the Protocol of Reconciliation & Grace Through Separation (Protocol, i.e., the mediated proposal for separation/formation of a traditionalist Methodist expression), as described here:

- [UM News article](#) (January 3, 2020)
- [Protocol website](#) (Protocol of Reconciliation & Grace Through Separation)

Please note: The Protocol and Wespath's proposed new ¶2555 (described below) become effective only if approved by the General Conference (postponed to **2024**).

Q1: I read that the UMC may split into two or more denominations. How are pension and retirement benefits secured if a split is approved by the General Conference?

A1: A provision of that Protocol incorporates by reference a GC 2020 petition to manage the clergy pension plans in such a reorganization/division scenario that Wespath drafted and submitted to GC 2020 (Wespath's [petition](#) to add a new ¶2555 to *The Book of Discipline*). This petition is designed to protect clergy pensions if annual conferences or groups of local churches separate from the UMC to form or join a new Methodist church, without imposing financial hardship on these groups or leaving undue risk to the UMC. The petition would work in harmony with the mediated Protocol.

Q2: How would pensions be managed under the mediated Protocol for separation/restructure?

A2: Wespath's [petition for a new ¶2555](#) to *The Book of Discipline* would apply in the event that one or more annual conferences or a group of local churches change their affiliation from the UMC to create or become part of a new expression of Methodism, such as a new "traditionalist Methodist church" or other new Methodist expression. A group changing affiliation in this manner would remain or become the plan sponsor of a sequestered portion of the UMC's clergy pension plan [the Clergy Retirement Security Program (CRSP) which includes predecessor pension plans, i.e., the Pre-82 Plan and Ministerial Pension Plan (MPP)] if Wespath determines that the group has sufficient membership and organizational structure and is financially viable. Wespath would manage the spun-off plan for the new Methodist expression.

- Earned pensions of the clergy and retirees whose membership moves to the traditionalist Methodist church or other new expression would be preserved and supported by the new expression. Pension benefits would be secure provided that the traditionalist Methodist church or other new expression or denomination continues to support its spun-off portion of the clergy benefit plan.

Q3: How are pensions secured if the traditionalist Methodist church or other new expression cannot or chooses not to remain a plan sponsor?

A3: It is likely that a traditionalist Methodist church formed under the Protocol will have sufficient scale and organization to be a separate plan sponsor.

However, if a group changing its affiliation does not meet the sufficiency/viability standards, or chooses not to remain a plan sponsor, the local churches making up the group would be required to make a withdrawal payment to cover their share of defined benefit (DB) pension obligations for their associated active and retired clergy. Clergy changing or terminating membership in the UMC would have accrued DB pension benefits converted into an account balance, which would be transferred to their United Methodist Personal Investment Plan (UMPIP) account.

FAQS FROM MAY 2021

Q4: Would defined contribution (DC) accounts (such as UMPIP accounts) be affected by the proposed reorganization of the Church?

A4: No. Defined contribution (i.e., account balance) plans maintained by Wespath (such as UMPIP and some other plans) have individual accountholders. Generally, those accounts are not affected by a separation or reorganization of the UMC like described in the Protocol. The withdrawal payment focuses on liability for *DB benefits only* [i.e., clergy retirement plan benefits payable under the Pre-82 Plan, Ministerial Pension Plan (MPP) and DB portion of Clergy Retirement Security Program (CRSP)].

Q5: Will Wespath's relationship with retirees change if the mediated Protocol is approved?

A5: No. Wespath will continue to support retirees and participants regardless of changes that may be approved in the UMC.

Q6: Would this [proposed reorganization of the UMC](#) affect Wespath's ability to serve its institutional investors?

A6: No. Under federal and church law, Wespath can and will continue to serve its institutional investor clients. Wespath, through its subsidiary Wespath Institutional Investments LLC (WII), can serve a broad range of investors that share common bonds and convictions with or are related to the UMC. Under the mediated Protocol, a new expression of Methodism would share Wesleyan/Methodist roots, and likely would share close ecumenical and missional relationships with the UMC. Wespath and WII can continue to offer an array of professional services and support to organizations, clergy and lay employees that are affiliated with the UMC or new expression.

FAQS FROM MAY 2021

The following set of questions further explain [Wespath's petition for a new paragraph to The Book of Discipline \(¶2555\)](#).

- [Petition](#)
- [Rationale](#)

Q7: What is the purpose of the proposed new paragraph 2555?

A7: A new paragraph (¶2555) would address how pensions are to be handled if an annual conference or a group (or groups) of local churches change their affiliation with or disaffiliate from The United Methodist Church.

- In some circumstances (likely including the mediated Protocol described above), the disaffiliating group(s) would remain a plan sponsor of a separate portion of CRSP (including Pre-82 and MPP). The group would be responsible for plan assets and pension liabilities for clergy who serve in the separated group (i.e., the new Methodist expression).
- In other situations, the disaffiliating group would cease to have any responsibility for pensions. In this case, the disaffiliating group or local church would be required to make a withdrawal payment to cover the group or church's share of DB pension obligations for clergy serving those annual conference(s) prior to disaffiliation from the UMC. The withdrawal payment would be made to their annual conference(s) or to Wespath, depending on the circumstances.

FAQS FROM MAY 2021

Q8: Under what circumstances would a disaffiliating group remain a sponsor of CRSP, as opposed to making a withdrawal payment?

A8: A disaffiliating group would remain a sponsor of a sequestered portion of CRSP if the group is deemed by Wespath to have sufficient membership and organizational structure and is financially viable to remain a plan sponsor (and chooses to remain a plan sponsor).

If a disaffiliating group does not meet the sufficiency/viability standards, or chooses not to remain a plan sponsor, it would be required to make a withdrawal payment to cover its share of pension obligations. The amount of this withdrawal payment is determined by—and paid to—the annual conference that the group is leaving.

Q9: How will Wespath measure whether a disaffiliating annual conference or group of local churches is viable enough to continue plan sponsorship?

A9: Under the petition that would create a new ¶2555, a disaffiliating group would need to be sufficiently large in membership, financially viable and sufficiently structured organizationally in order to remain a plan sponsor of a sequestered part of CRSP.

- For example, 30 geographically dispersed local churches might not be viable as a plan sponsor, but even a small annual conference likely has sufficient scale and organization to be a separate plan sponsor.

Wespath has developed guidelines and considerations related to this determination. Groups considering disaffiliation should contact Wespath's Church Relations Department at **1-800-851-2201** for more information.

Q10: Under proposed ¶2555, are pension assets and liabilities assigned based on the affiliation decisions of clergy, local churches, or a combination of both?

A10: Pension assets and liabilities would generally be assigned to a disaffiliating group based on decisions of clergy (i.e., whether individual clergy terminate their UMC relationship or remain with the UMC). In practice, this means that pension assets and liabilities would be assigned based on individual participants' earned pensions that the group changing affiliation would retain or become responsible for.

However, there would be exceptions for situations where the normal procedures under ¶2555 create a material risk of a plan sponsor being unable to make future contributions. In such cases, the assignment of plan assets and liabilities would instead be determined by a joint distributing committee with representatives from the disaffiliating group and the impacted annual conference or conferences.

Q11: Under proposed ¶2555, are funding factors or market factors used when assigning pension assets and liabilities to disaffiliating/separating groups?

A11: Generally, pension assets and liabilities would be assigned by measuring such liabilities using *funding factors*. (Funding factors are the same factors used when determining required contributions to the plan.)

However, in situations where the disaffiliating group either declines to continue being a plan sponsor or cannot meet its obligations as a plan sponsor, such liabilities would be measured using *market factors*. (Market factors are similar to what a commercial annuity provider would use.)

Q12: What if a disaffiliating group does not want to continue to sponsor its portion of CRSP?

A12: A disaffiliating group may choose to decline sponsorship of CRSP. Under the petition that would create a new ¶2555, such a disaffiliating group would be responsible for making a withdrawal payment to cover its share of the DB pension obligations. Once the group disaffiliates, it could decide if and how to provide pension/retirement benefits for any future clergy service.

FAQS FROM MAY 2021

Q13: Do accruals of new benefits cease when the disaffiliation becomes effective?

A13: Under the petition language, new service-based accruals would cease at the end of a two-year determination period. This period would begin when a group changing its affiliation votes to leave either its annual conference or the UMC. Until the end of that period, annual conferences would remain responsible for plan contributions, and accruals would continue, as if the disaffiliation were not occurring. The determination period gives clergy and local churches time to choose whether to affiliate with a new Methodist expression or remain with the UMC.

The new Methodist expression may choose to sponsor UMPIP or a similar defined contribution (account balance) plan for its clergy who change affiliation to the new Methodist expression.

Q14: How would a new ¶2555 work in tandem with ¶2553? How is it determined which paragraph applies?

A14: If approved by the General Conference, the new ¶2555 would apply in situations where an annual conference or a group of local churches chooses to change their affiliation with the UMC, and the group is deemed by Wespath to have sufficient membership and organizational structure and be financially viable to remain a plan sponsor of a sequestered portion of CRSP.

- If a group changing its affiliation does not meet the sufficiency/viability standards by the end of the determination period, ¶2555 would not apply. In this case, the individual local churches that make up the group changing affiliation would be subject to the terms of ¶2553 and ¶1504.23, which require a withdrawal payment to their annual conference(s). Thus, *either* ¶2555 *or* ¶2553/¶1504.23 would apply to a change of affiliation—*both would not apply at the same time*.

Q15: If a local church stays with the UMC but its annual conference changes its affiliation, would the local church have to pay a withdrawal payment?

A15: No. Local churches that remain part of the UMC would *not* be required to make a withdrawal payment—even if their annual conference changes its affiliation. Instead, the local church likely would become part of another UMC annual conference. The local church's pension obligations would transfer to its new annual conference.

Similarly, annual conferences or groups of disaffiliating local churches that satisfy the sufficiency/viability standards would *not* be required to make a withdrawal payment; they instead would remain plan sponsors of a sequestered portion of CRSP.

A withdrawal payment generally would only be required if the disaffiliated group does not remain a plan sponsor.

Q16: Would ¶2555 cover a scenario under which a group of churches disaffiliates, but later seeks to join a different group that also disaffiliated?

A16: The proposed new ¶2555 would permit Wespath to work with groups changing their affiliation regarding amendments to and administration of their separate portion of CRSP. This language would also permit Wespath to work with multiple groups that have changed their affiliation and that seek to merge and combine their separate portions of CRSP (combining retirement plan assets and liabilities, while keeping such combined pool sequestered from plan sponsors of the UMC).

FAQS FROM MAY 2021

Q17: What if a church or group of churches disaffiliate, but later seek to rejoin the UMC?

A17: If a disaffiliated group later seeks to rejoin the UMC, such a reunion likely would need to be approved by the General Conference. If such an action were to take place, Wespath would be permitted to combine the disaffiliated group's sequestered plan with the portion of CRSP sponsored by UMC annual conferences, giving such reuniting group the benefit of connectionalism once again.

Q18: How will DB pension benefits be handled in the future for the two or more denominations?

A18: For the legacy pension plans, Wespath will manage the divided separate pension plans for the UMC and new expressions as explained above.

Wespath also [proposed a new retirement plan](#) to the 2020 General Conference (postponed to 2024), called the *Compass* plan, which is an account balance plan (defined contribution) for UMC clergy benefits.

- If the General Conference approves *Compass*, Wespath will manage that plan for the UMC going forward.
- For a new traditionalist Methodist church: after the transition period described above, Wespath is permitted to manage a defined contribution retirement plan for the new denomination. That plan would be designed in consultation with the new traditionalist Methodist church to reflect the polity and capacity of that church and may replicate the features of *Compass*.
- If there is a new progressive Methodist denomination: after the transition period, Wespath may manage a defined contribution retirement plan if the new denomination chooses to retain Wespath for benefits administration and the denomination meets the plan sponsor viability criteria described in Q9. That plan would be designed in consultation with the new progressive denomination to reflect the polity and capacity of the progressive denomination and may replicate features of *Compass*.

A summary of the proposed *Compass* plan is [here](#). Links to Wespath petitions and support materials are on our General Conference webpage: www.wespath.org/gc2020.