

## General Conference (2024)

# FAQs Regarding Church and Conference Disaffiliations

Updated January 25, 2023

Wespath has been planning for various potential scenarios that might affect the future structure of The United Methodist Church (UMC), 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 UMC before the next General Conference. The following new Q&As provide Wespath's responses to these questions. We will update these FAQs periodically as more information becomes available.**

***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.***

**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: 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 leave the UMC by terminating your annual conference relationship under *The Book of Discipline* ¶1360, ***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 CRSP 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: 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 ¶1360). Rather, if an active elder or deacon withdraws under ¶1360, 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 ¶1360 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: 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: 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: 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. 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: 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: Will Wespath administer benefits for clergy moving to the GMC?**

**A:** 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 PIP). 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.

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

**A:** 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*.

**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.

**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: 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: 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.

**More information from UM News:** For local churches considering disaffiliation: please see this [information](#) from UM Communications



## Wespath's General Conference Petition—New ¶2555 to *The Book of Discipline*

Wespath submitted legislation to **General Conference 2020** to address the pension and benefits impact of a potential large-scale restructure of the denomination, including pension funding and liabilities for U.S. clergy. *If approved by the General Conference, Petition 20701-FA* [pp. 576-580 of the **Advance Daily Christian Advocate (ADCA) vol. 2**] would create a new *Book of Discipline* ¶2555 (“Pension Matters for Disaffiliating Church Units”) to enable continuity of benefits and funding in much the same manner as exists today—in the event of large-scale movement of clergy, local churches or annual conferences, such as into “New Methodist Expressions.”

The petition legislation and rationale are here:

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

### **Q: What is the purpose of Wespath's proposed new ¶2555 for *The Book of Discipline*?**

**A:** 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.

### **Q: Is Wespath's proposal for a new *Discipline* ¶2555 in alignment with Church restructure proposals submitted to the General Conference?**

**A:** Yes. Wespath has been in dialogue with all major caucus groups who are envisioning different scenarios for a potential restructure of the denomination, so Wespath's proposed ***Discipline* ¶2555** has been incorporated into most major proposals, including: the Protocol for Reconciliation through Separation and Grace, the Indianapolis Plan, Plain Grace Plan, , and Next Generation UMC. Wespath's proposed new ¶2555 is included (either specifically, by reference, or through similar text) in petitions for these various restructure proposals.

*Wespath's petition must be voted on by the next General Conference before it can take effect.*