Why Change the U.S. Clergy Pension Plans?

Changes to the clergy retirement plan are needed so that we can continue to provide reliable and sustainable retirement income to those who serve.

The new retirement plan, Compass, is designed to uphold the longstanding values of the Church retirement programs which include providing lifetime income and ensuring adequate retirement income for lower paid clergy. Compass addresses emerging needs such as helping newly ordained clergy who have seminary debt.

Wespath is prepared to continue fulfilling our mission of caring for those who serve well into the future. While we cannot eliminate all risks, we have actively engaged the stakeholders negotiating the Church’s future in order to mitigate risks to pensions as best we can. Wespath also has flexibility to serve new expressions of Methodism that might emerge after GC 2020.

Compass is Designed to:

- Increase **sustainability**, ensuring reliable retirement benefits for future generations of clergy
- Balance **affordability** with income **adequacy**
  — Strives to provide sufficient retirement income for clergy, at a cost that is affordable to annual conferences
- Provides **flexibility** that:
  — Allows benefit portability for clergy
  — Enables leaving account balance to heirs

**Sustainability** | **Affordability** | **Adequacy** | **Flexibility**
---|---|---|---

Increasing Sustainability

Current plan: Promises made today won’t be fulfilled until decades into the future.

Current Program

**Compass**

<table>
<thead>
<tr>
<th>Clergyperson is enrolled, 2019</th>
<th>Clergyperson Retires, 2059</th>
<th>Clergyperson Dies, 2083</th>
<th>Clergyperson Spouse Dies, 2089</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conference obligation is limited to making annual contributions</td>
<td>No conference obligation; Participant manages distributions</td>
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Benefits End

Remaining balance goes to beneficiaries

What are the Proposed Benefits of Compass?

Compass is an account based plan, with three types of employer contributions:

- $140 per month flat dollar contribution*
- 3% contribution of pay
- $1 for $1 conference match on up to 4% of pay

The Compass plan is proposed to become effective on January 1, 2023.

*2023 amount; will be indexed for inflation.
Key Components of the *Compass* Plan

**Denominational Fairness**

A flat-dollar contribution component provides a base level of benefits to more fairly distribute benefits than a solely pay-based plan.

The proposed plan continues to provide lower paid clergy with a higher level of income replacement. Clergy will receive a flat-dollar contribution of $140 per month, indexed for inflation.

**Helping Recent Seminary Graduates**

Accelerated match will enable newly ordained clergy to contribute half as much to earn the full match.

A $2 per $1 match (on up to 2% of pay) is available to help ease the burden of seminary debt. The accelerated match is available for up to 10 years after becoming a provisional elder or deacon.

**Retirement Income Sufficiency**

Automatic features, will make earning the full plan sponsor contribution more likely.

- Automatic enrollment: Clergy will be automatically enrolled for at least 4% in personal contributions, which qualifies for the full match.
- Automatic escalation: Contributions will increase by at least 1% per year up to a maximum set by the conference.
- Automatic features are optional, clergy can opt out at any time.

**Spending Phase**

**Autopilot Payouts**

The new plan will offer an autopilot payout system to maximize retirement income and strive for a lifetime stream of income.

**Optimized Payouts**

Integrates with Social Security and offers deferred annuities to help optimize payment levels throughout retirement and increase the probability of lifetime income for participants.

**Keys to Success**

- Increased personal retirement contributions
- Increased education and financial literacy
- Early, ongoing retirement planning

What happens to defined benefit pensions that have been earned but not yet taken?

Clergy who have earned a pension in the defined benefit plans will retain those benefits. Clergy compensation used to determine benefits is the Denominational Average Compensation (DAC). The DAC will continue to increase 2% annually through retirement. Defined benefit pensions for some clergy, such as those with fewer than five years of service or who have terminated but not begun benefits, may be converted to a starting account balance.