

General Conference (April 23-May 3, 2024)

Clergy Retirement Plan Proposal—Compass

Petition 20946 – FA

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 clergy who have student loans.



Sustainability



Affordability



Adequacy



Equity



Flexibility

Compass Is Designed to:

- Increase **plan 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 predictable cost that is affordable to local churches and annual conferences
- Promote **equity** across different compensation levels with features to help lower-paid clergy
- Provide **flexibility** that:
 - Allows benefits portability for clergy
 - Permits leaving account balance to beneficiaries

Increasing Long-Term Plan Sustainability

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

Current Plan



Compass Plan



Compass begins, 2026

Compass saving phase (during clergy's active ministry): conference and personal contributions

Compass spending phase (after retirement): no conference obligation; participant receives distributions

Account balance remaining after death goes to beneficiaries

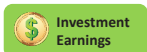
Church Contributions

Clergy Contributions

- \$150 flat dollar contribution*
- 3% of clergy's pay
- \$1/\$1 match on up to 4% of pay



INDIVIDUAL ACCOUNT



Investment Earnings

What are the Compass Contributions?

Compass is an account-based plan with contributions from the Church and the clergy person.

- The Church ('employer') makes three types of contributions.
- Clergy are encouraged to contribute at least 4% of compensation to receive the full matching contribution from the Church.

*2026 amount; will increase 2% per year in \$5 increments

Key Components of the Compass Plan

Denominational Fairness

A flat-dollar contribution 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 \$150 per month, which will increase by 2% each year (in \$5 increments).

Helping Clergy with Student Loans

SECURE 2.0 Act permits plans to match student loan payments.

Compass will provide matching contributions on qualified student loan payments made by clergy. In essence, the plan treats clergy's student loan payments as if they are participant contributions, and then provides an appropriate match as if such payments had been participant contributions to the plan. To receive this match, clergy must certify to their conference annually how much they made in student loan payments for that year.

Retirement Income Sufficiency

Automatic features prioritize saving for retirement.

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

Spending Phase

LifeStage Retirement Income

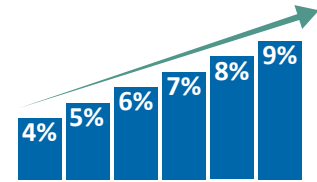
LifeStage Retirement Income is a required feature for managing monies the plan sponsor (i.e., the church) has contributed to Compass. This LifeStage feature is designed to optimize monthly payments so they last throughout the retiree's lifetime (and the spouse's lifetime, if applicable). The online tool demonstrates various retirement income scenarios including two optional features.

Optional Features

- *Social Security Bridge* uses more savings early in retirement so participants can defer applying for Social Security benefits until full retirement age or later.
- *Longevity Income Protection* involves the purchase of a 'deferred annuity' that would make payments guaranteed for life beginning at age 80.



A flat-dollar contribution provides a base account balance.



Automatic escalation will increase the participant's contributions at least 1% per year up to a set maximum. (Conference can elect higher escalations.)



LifeStage Retirement Income optimizes retirement income for the retiree's lifetime.

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.

Wespath is prepared to continue fulfilling our mission of caring for those who serve well into the future.