

General Conference 2020

Clergy Retirement Plan Proposal—*Compass*

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



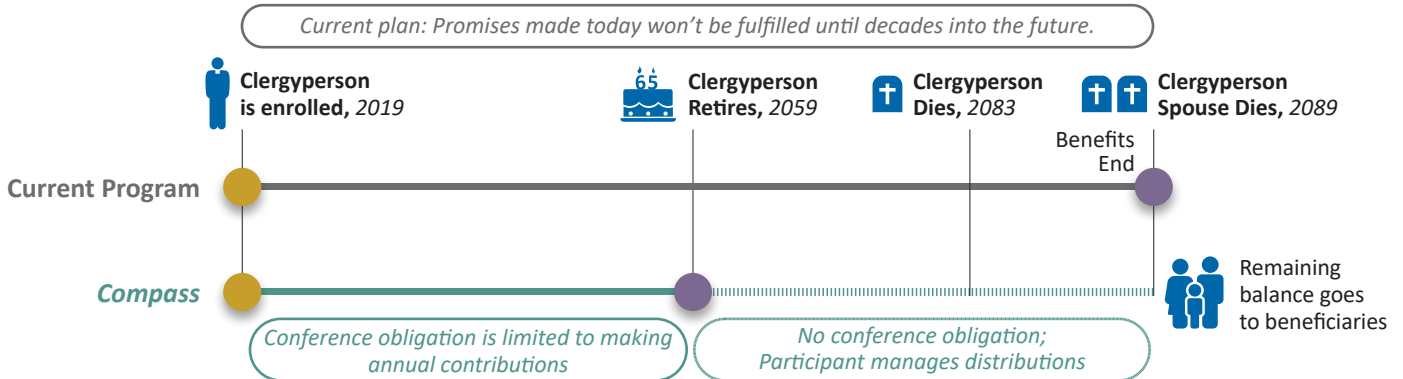
Adequacy



Flexibility



Increasing Sustainability



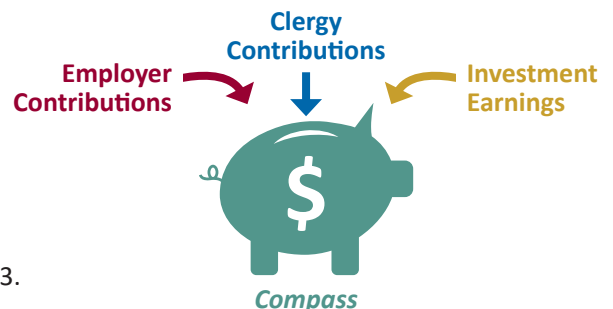
What are the Proposed Benefits of *Compass*?

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.

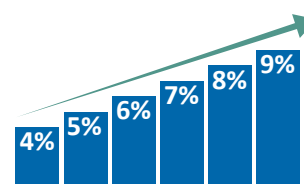
Retirement Income Sufficiency

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.



A flat-dollar contribution provides a base level of benefits.



Automatic escalation will increase contributions percent at least 1% per year up to a set maximum.

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.



Autopilot payout maximizes retirement income.

Keys to Success

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

Personal Contributions



Increased Education



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.