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# GC 2021 FAQs:
# GC 2019 Legislation; Disaffiliation of Local Churches and Clergy

With the 15-month postponement of the 2020 General Conference (GC) to **August 29–September 7, 2021**, Wespath has updated FAQs related to the potential impact to clergy, local churches or annual conferences that may disaffiliate from The United Methodist Church (UMC) or otherwise change their relationship with the UMC.

These FAQs are divided into sections.


- ► Local Churches
- ► Clergy (Active)
- ► Retired Clergy
- ► Lay Employees
- ► Wespath Services


**Please note**: Employee benefit plans mentioned in these FAQs apply *only in the U.S.*, unless stated otherwise.

### What are the two pension-related changes that were approved by General Conference 2019?

Two pension-related petitions were approved by General Conference 2019 and incorporated into *The Book of Discipline*:

- ***Local Church Disaffiliation***
  - **New ¶1504.23 of *The Book of Discipline* requires that local churches changing the nature of their connection to The United Methodist Church (including exiting the UMC) shall pay a proportional fair share of the annual conference's unfunded pension liability to the annual conference.** This payment is designed to account for the investment, longevity and other risks that the exiting local church would be leaving to its annual conference.
- ***Disaffiliation by Certain Active Clergy***
  - **An amendment to the Clergy Retirement Security Program (CRSP) was approved with respect to active clergy who leave the UMC by termination of their annual conference relationship under ¶360 of *The Book of Discipline*.** The vested accrued pension benefits of such clergy will be converted to an account balance. The conversion will use actuarial factors corresponding to those used when determining annual conference plan sponsor contributions to CRSP.
  - The converted pensions—along with CRSP defined contribution (DC) and Ministerial Pension Plan (MPP) account balances—will be transferred to the clergyperson's individual account in the United Methodist Personal Investment Plan (UMPIP), a voluntary defined contribution plan maintained by Wespath.

## Disaffiliating Local Churches

### Did the 2019 General Conference (GC 2019) approve a "gracious exit" for local churches?

Yes. The 2019 General Conference approved Petition 90066, adding a **new *Discipline* ¶2553**, which allows a local church to disaffiliate from The United Methodist Church under certain circumstances. *Discipline* **¶2553** requires a period of discernment by the local church, but then allows the local church to disaffiliate from the UMC by a 2/3 vote of the annual conference, provided that the local church pays its fair share of the annual conference's pension obligations and certain other financial obligations, and the annual conference board of trustees approves.

- This in effect suspends the Trust Clause for departing churches that meet the requirements set out in *Discipline* ¶2553 and thus permits the disaffiliating local church to keep its building.

New *Discipline* ¶2553.4.d is in harmony with ¶1504.23, which was also enacted by GC 2019.

- Both require local churches that are ending their connection to the UMC to pay a proportional fair share of the annual conference's unfunded pension liability to the annual conference (a "withdrawal liability").
- Under ¶1504.23, a local church must pay its annual conference this withdrawal liability whether it is departing under the terms of ¶2553, being closed under the terms of ¶2549, uniting with another evangelical church under the terms of ¶2548, or otherwise changing its connection to the UMC.

### Why would an exiting local church be expected to pay an amount ("withdrawal payment") to the annual conference to cover unfunded pension obligations?

The connectional nature of The United Methodist Church means that departure by one local church affects the whole Connection. An exiting church would leave some portion of its long-term pension obligations to the annual conference from which it is departing. This means that the exiting church in effect would leave behind its share of market and longevity risks related to clergy retirees and survivors who receive benefits to the other UMC local churches in its former annual conference and, to some extent, to other UMC annual conferences and their local churches.

By paying its "fair share" of the annual conference's aggregate unfunded pension liability as part of its exit from the UMC, the exiting local church provides funding to the conference to support the long-term pension payments promised to active and retired clergy and their surviving beneficiaries. This "fair share" payment also compensates the local church's former annual conference for assuming what would have been that church's risks (investment, longevity and mortality risks) for long-term clergy benefits now that the church will no longer be part of the annual conference.

### How is an annual conference's unfunded pension liability calculated by Wespath? What factors go into determining the unfunded pension liability?

Wespath is required by *Discipline* ¶1504.23 to use "market factors similar to a commercial annuity provider" when calculating an annual conference's unfunded pension liability in the context of a local church disaffiliation. Wespath obtains a market interest rate from the FTSE (Financial Times Stock Exchange) Pension Discount Curve, which is an interest rate published monthly by **FTSE Russell** specifically for the valuation of pension liabilities. This rate is similar to what a commercial annuity provider would use. Liabilities calculated using that rate are then increased by 10%, which is similar to how a commercial annuity provider would value pension liabilities that are to be outsourced to such a commercial annuity provider.

For mortality, Wespath uses the same mortality factors that are used in annual actuarial valuations for plan funding purposes. Those mortality factors were selected based on a UMC-specific mortality study conducted by Wespath.

This approach of requiring a "pension withdrawal" payment is similar to what is required by secular plans that are sponsored by multiple employers, when one of the employers elects to leave, i.e., cease supporting, the plan.

**Who calculates an exiting church's share of unfunded pension obligation that must be paid to its annual conference?**

The annual conference would determine the amount that an exiting church owes for its share of the conference's aggregate unfunded pension liabilities. This is similar to the current process where the annual conference determines the amount each UMC local church pays to fund ongoing contributions to the pension plans.

**What role would Wespath have in determining pro rata ("fair share") unfunded pension obligations for an exiting local church?**

At the request of an annual conference officer, Wespath would calculate the total unfunded liability for accrued benefits and annuities being paid, reflecting recent market conditions for the *entire annual conference*, as described above. But the *conference* would then decide how to allocate a proportional share of that unfunded liability to a local church. The total unfunded liability, provided by Wespath, would be calculated using **market factors**, similar to those used by a commercial annuity provider. A conference benefits officer may request to be provided this calculation at any time by contacting their Conference Liaison at Wespath or the Wespath Actuarial Department.

**If a local church exits the UMC, how would that church's pro rata share of unfunded pension obligations be calculated?**

The individual church's share of unfunded pension obligations would be determined *by its annual conference*. Conferences have flexibility in how they might calculate this. Some *potential* options that conferences might use to calculate individual church obligations include:

- The local church's apportionment decimal (sometimes called a mission shares formula)
- The local church's revenue or income as a percent of revenue or income from all churches in that conference
- The pastor's compensation as a percent of total compensation for all pastors in the conference
- Other methodologies as determined by the annual conference, such as local church membership or attendance, or church giving, among others

Wespath is available to help annual conferences in developing their formulas to determine individual churches' share of unfunded pension liabilities.

*This analogy helps explain pension liability.* One could analogize the annual conference's aggregate unfunded pension liability (determined by Wespath using market factors like a commercial insurer) to a pie.

- The market factors are a required ingredient in the recipe for baking that pie, according to the *Discipline*.
- The annual conference determines how to slice or divide that pie reasonably among its local churches.

- The example allocation methods above may result in slightly different pie slices for a local church. But in the end, if all the local churches were to disaffiliate, each of these allocation methods would result in the whole pie being divided and shared.

### If Wespath serves The United Methodist Church as a whole, why does each annual conference have a different formula for distributing the liability among its local churches? Shouldn't a disaffiliating church's share be the same regardless of the conference to which it belongs?

Liabilities vary among annual conferences for various reasons, and annual conferences differ in their approach to allocation of many connectional costs (e.g., general church apportionments, pensions, etc.) based on their context, history, practices, etc.

*Book of Discipline* ¶1504.23 allows annual conferences to determine a disaffiliating church's pro rata share of the conference's unfunded pension obligations, as calculated by Wespath. Because facts and circumstances of each annual conference and disaffiliating church will vary, what may be appropriate or reasonable in one situation may not be in another.

### What is the difference between "market factor" and "funding factor"—and how does that affect an exiting church's "pro rata fair share" payment ("withdrawal liability") to cover its unfunded pension liabilities?

- Pension plan liabilities on a long-term **funding basis** are calculated using a discount rate* that reflects the *long-term, average expected earnings of the plan assets*. All annual conferences currently make contributions on a funding basis for the defined benefit component of the Clergy Retirement Security Program (CRSP DB).
- Pension plan liabilities on a **market basis** are calculated at a discount rate that reflects *what the liabilities would be priced at on the open market. A market-basis calculation is often the starting point that an insurer or other outside party would use in pricing the liabilities if it were taking over the responsibility for benefit payments from the plan sponsor* (in this case, the annual conference). Such a third party would typically add on additional charges for the assumption of risk, profit and administrative fees.

Depending on prevailing interest rates, *market* liabilities are typically higher than *funding* liabilities. This is because market-based discount rates are generally lower, reflecting more conservative assumptions about future earnings of plan assets.

Using *market-based* rates helps minimize the financial risk that is transferred to the party taking over the long-term responsibility for benefit payments (i.e., the local church's former annual conference). Sometimes the difference between market basis and funding basis liability amounts are quite substantial.

**The* ***discount rate*** *is an interest rate used to calculate the present value (i.e., money needed to pay all benefit liabilities today) of expected future benefit payments (i.e., the plan liabilities). Generally speaking: the lower the discount rate, the greater the liabilities.*

### Does Wespath's calculation of an annual conference's aggregate unfunded pension obligations include projected benefit improvements [e.g., estimated increases to the Pre-1982 Pension Plan (Pre-82) past service rates ("PSRs") and denominational average compensation ("DAC")]?

Yes. The aggregate unfunded pension obligations include an annual conference's estimated PSR increases when valuing Pre-82 liabilities (based on the annual conference's PSR increase assumptions in its comprehensive benefit funding plan) and Wespath's estimated DAC increases when valuing CRSP-DB liabilities. This is because such increases are expected to occur regardless of whether a local church chooses to disaffiliate. As such, a disaffiliating church's pro-rata share of the annual conference's unfunded pension obligations should include these expected increases.

### Why is 10% added to the valuation of an annual conference's aggregate unfunded pension obligations, when such valuation is already made using more conservative market factors?

*Discipline* ¶1504.23 requires the use of "market factors similar to [those used by] a commercial annuity provider." Such factors used by a commercial annuity provider include not only the use of market interest rates (i.e., interest rates based on corporate bonds), but also a premium that would be charged by a private insurance company to assume pension obligations. Wespath is required by the legislation to use such similar factors, including this risk premium amount.

The rationale for requiring this additional amount is as follows: Since no one can predict economies or longevity improvements of the future, there is no way to know whether a need for future additional contributions will arise, or the magnitude. *How then can this potential future need for pension funds be quantified?*

- One method is to determine the underfunding if *all* local churches of the annual conference were to leave the UMC. In that scenario, the pension plan would not continue for that annual conference, as it would have ceased to exist. An insurance company or similar outside party hired to pay out the annual conference's benefit obligations would price the liabilities at market value and would also charge a premium for profit and several risks they would be assuming: investment risk, longevity risk, and risk of benefit increases due to higher-than-expected denominational average compensation.
- As tax exempt religious organizations, neither the annual conference nor Wespath factors in profits; however, 110% of market liabilities is nevertheless a reasonable estimate of what a private insurance company would require in order to assume the pension obligations in a hypothetical "pension buyout" transaction.

Funds adequate to outsource the pension benefits (110% of market liabilities) give a significant level of assurance that the annual conference's future pension payments can be met regardless of the economy or other factors. Similarly, if a local church leaving the UMC connection pays the annual conference its pro-rata share of the funding needed to achieve 110% of market liabilities, that local church can be reasonably confident it has shouldered its share of pension needs for annual conference clergy, which includes those who have served as its pastors.

### At what point in the calculation is the 10% additional amount applied?

The 10% increase is applied as a final step in the valuation. Thus, it applies to the total pension obligation valuation using market factors.

### If a local church has dutifully paid 100% of its apportionments and pension payments over the years, why would it still be expected to pay an additional "fair share" if it leaves the annual conference or denomination?

Even though the local church has paid as expected for many years, the church still leaves behind a long-term financial risk when it exits. This is because an exiting church leaves behind what would have been its share of long-term liabilities (i.e., monies the church would have paid in future benefits to retired clergy). The annual conference and the remaining local churches in that conference therefore assume the long-term financial risk for those benefit payments. Long-term financial risk is affected by factors such as investment conditions and longevity (i.e., how long participants and surviving spouses/beneficiaries are estimated to receive promised payments).

### If a local church exits from a conference whose plans are currently "fully funded," would the local church be excused from paying an additional "fair share" withdrawal liability?

If the conference's pension plans are fully funded on a ***market basis*** *(which would be a very rare circumstance)*, there would be no unfunded liability related to the mandatory pension plans. However, there may be other obligations to the conference that the local church may be asked (by the conference) to pay as part of its withdrawal liability payment to the conference. Even if the conference plans are fully funded on a long-term basis at the time the local church exits, there is no guarantee that the plans will remain fully funded over the next 10 to 50 years or beyond because of fluctuations in investment markets, mortality, etc. over the long term.

### Where would exit payments made by a local church be held?

Legislation passed by General Conference 2019 requires that a local church's exit payment ("withdrawal liability") be paid to its former annual conference. The Conference Board of Pensions or other decision-making body in the annual conference would determine the ultimate use of these assets, but they would be encouraged to use these assets for pension and benefits purposes.

### If a local church left the UMC any time before General Conference 2019 (including in prior years), would they have had to pay their "fair share" to cover unfunded pension liabilities?

It depends. Because the UMC is "connectional," a departure by one local church affects others. So, a local church that left the UMC connection before General Conference 2019 might have been expected to pay its fair share of unfunded pension liability to the annual conference from which it departed.

Annual conferences may have sought these contributions in the past. Legislation which passed at General Conference 2019 amended language in *The Book of Discipline* to **require** such contributions (*Discipline* ¶1504.23).

### If a local church exits The United Methodist Church, would it face costs other than pension liabilities?

Yes, the annual conference may determine that there are additional financial considerations for a local church that leaves the UMC. Other financial considerations might include:

- Retiree medical liabilities
- Non-benefit financial obligations to the annual conference
- Repayment of grants or loans
- Apportionment costs
- Other expenses, as determined by the annual conference or general church

One petition that passed at General Conference 2019 (*Discipline* ¶1504.23) requires payment only with respect to the local church's share of unfunded pension liabilities. *However, the General Conference amended the legislation to clarify that this does not prohibit annual conferences from collecting additional monies from departing local churches, including those listed above.* Another petition from General Conference 2019 (*Discipline* ¶2553) requires that a disaffiliating local church pay two years of apportionments in addition to the local church's share of unfunded pension liabilities.

### What if a large number of U.S. local churches or even annual conferences exit the UMC? Will withdrawal payments described in the new ¶1504.23 apply?

Unless and until the *Discipline* is further amended, yes—¶1504.23 still applies. But, the withdrawal payment for pension liabilities as described in ¶1504.23 is practical if *small numbers* of U.S. local churches exit the UMC. However*, if large segments exit the UMC*—such as described in several of the **UMC restructure proposals** submitted to General Conference 2020 (rescheduled to 2021)—a different approach might be more practical.

- 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."

- *Here's how the new* Discipline *¶2555 (Petition 20701-FA) would work, if approved:*
  **Assuming the New Methodist Expression is viable and agrees to sponsor and fund pension benefits, then:**
  - Local churches moving to the New Methodist Expression would *not* owe a withdrawal payment.
  - For clergy who move to the New Methodist Expression: accrued pension benefits would *not* be converted to an account balance in UMPIP.
  - Assets and liabilities related to pension benefits for the clergy who move to the New Methodist Expression would be spun off into a separate legacy pension plan for the New Methodist Expression, which would be administered by Wespath in cooperation with governing bodies of the New Methodist Expression.
  - New pension or retirements benefits (and other clergy benefits) would be maintained by the New Expression.
  - The New Methodist Expression would have a new retirement plan that is separated from the connectional UMC plans. The New Methodist Expression could choose to have Wespath manage its new retirement plan, as well as other employee benefit plans.

More information about how a new ¶2555 would align with a potential UMC restructure is **here**. A summary is **here**.

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

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 Indianapolis Plan, Plain Grace Plan, Protocol for Reconciliation through Separation and Grace, 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.

### Under a *Discipline* ¶2555, who would be responsible for funding pensions and other benefits for U.S. clergy?

For clergy who move to a New Methodist Expression, the New Methodist Expression (if "viable") would retain financial/legal responsibility for pensions of clergy that transfer from the UMC to the New Methodist Expression. The New Methodist Expression would assume future benefit responsibility for its clergy.

If clergy do not move to a New Methodist Expression, but instead simply leave the UMC by surrendering their credentials under ¶360 of *The Book of Discipline,* then the disaffiliation of clergy rules explained on page 1 apply. In short: the vested accrued pension benefits of such clergy will be converted to an account balance and deposited into their UMPIP account.

### When is a group of churches or a New Methodist Expression considered "viable" as a plan sponsor for clergy benefit programs—especially if they leave the UMC?

There are many considerations related to being "viable" as plan sponsor for clergy benefits. Viability considers factors like scale, membership, financial stability and governance structure. For example: a group of 30 local churches might not be viable as a plan sponsor if they are geographically spread across the U.S. However, a small annual conference forming a New Methodist Expression might have sufficient scale and structure to be a viable plan sponsor.

In many cases, the New Methodist Expressions described in many of the GC 2020 proposals would be viable as a plan sponsor. However, a handful of local churches that leave the UMC might not be viable from a plan sponsorship perspective. Wespath will consider viability on a case-by-case basis.

### With postponement of GC 2020 until 2021, can ¶2555 be applied early for annual conferences or groups of local churches that want to move to a New Methodist Expression?

No. Changes to *The Book of Discipline*—including adding a new paragraph—require approval by the General Conference before they can take effect. Unless and until such paragraph is approved, any disaffiliations of local churches or clergy, whether individually or in large numbers, will be subject to the pension provisions that were approved by the General Conference 2019 (as described on prior pages).

### Does Wespath have preferred approach for a potential restructure of the UMC?

**No. Wespath's position on the future structure of the UMC is neutral.** As the Church has considered various paths forward over the past few years, Wespath has been in dialogue with all major groups. We remain neutral on all restructure scenarios, including proposals for restructure, separation, New Methodist Expressions or retaining the Church's current structure.

### Can Wespath serve New Methodist Expressions that might emerge?

Yes. Wespath is authorized by *The Book of Discipline* to serve all Methodist expressions that might emerge in the foreseeable future.

### Can Wespath serve individual local churches, small groups of churches or annual conferences that choose to disaffiliate?

Yes. Wespath is authorized by the *Discipline* to administer benefit plans for annual conferences, groups of churches, or even a single church that might change its affiliation with the UMC. Wespath is developing a service model to continue to service such groups, including any necessary requirements for sponsorship.

### Why is Wespath proposing a new *Discipline* ¶2555? Aren't the new ¶1504.23 (Wespath's General Conference 2019 petition) plus the new ¶2553 (disaffiliation clause, submitted by another UMC entity) sufficient for handling local church exits?

Wespath's petitions to General Conference 2019 envisioned *relatively small numbers* of local churches or clergy changing their affiliation or disaffiliating from the UMC.

Following GC 2019, however, it appeared more likely that *potentially larger numbers* of clergy, local churches or entire annual conferences might exit the UMC—either through one of the major **Church restructure proposals** submitted to GC 2020, or by exiting alone or with a few other like-minded local churches. In our dialogues with groups across a spectrum of opinions, we quickly realized that many view the pension withdrawal payment approved by GC 2019 (¶1504.23) as a barrier to moving ahead and continuing their Wesleyan-rooted ministry as a New Expression. We also realize that converting clergy pension benefits for potentially hundreds of individual clergy is impractical in the event of a large-scale separation into new expressions of Methodism.

The proposed new ¶2555 addresses the impact large-scale moves or separations would have on benefits funding and liabilities. We believe it would help assure that benefits obligations and related funding will be assigned equitably and prudently, in a manner that protects clergy pensions without imposing financial hardship on disaffiliating groups.

## Clergy Who Change their UMC Relationship (Active Clergy)

### Did General Conference 2019 pass legislation that impacts clergy pension benefits?

*For most participants, nothing changed.*

- If you are receiving pension or annuity payments from Wespath as a retiree, surviving spouse or other beneficiary, your benefits are not changing. Nothing that happened at General Conference 2019 will change those benefits. However, as was the case before General Conference 2019, if you are receiving benefits from the Pre-82 Plan and terminate your relationship with your annual conference, you would no longer be eligible for future past service rate (PSR) increases.
- If you are actively serving as a clergyperson and you remain fully connected to your United Methodist annual conference, your benefit coverage remains the same.
- **If you are an active clergyperson who leaves The United Methodist Church (meaning your conference relationship terminates under ¶360 of *The Book of Discipline*), then the retirement benefits you have earned up to the date you leave will be preserved, but *converted* to an individual account balance (dollar amount) and deposited into your United Methodist Personal Investment Plan (UMPIP) account, as explained below.**

## What happens to accrued pension benefits for a clergyperson who leaves the UMC after General Conference 2019?

If an active clergyperson's annual conference relationship is terminated under ¶360 of *The Book of Discipline*, all of that clergyperson's accrued pension benefits under the Clergy Retirement Security Program (CRSP), including those under the Pre-82 portion of the plan, would be converted into an account balance (dollar amount) equivalent and transferred to the United Methodist Personal Investment Plan (UMPIP), a voluntary defined contribution (DC) plan maintained by Wespath.

| Retirement Plan (U.S. Clergy) | Years of UMC Service | Impact of Leaving UMC Connection |
|---|---|---|
| **Pre-82 Plan** | Prior to 1982 | The clergyperson's benefit is converted into an account balance equivalent and transferred to UMPIP.<br>The calculation takes into account both the "formula benefit" [Pre-82 credited service **x** past service rate (PSR)] and the defined benefit service money (DBSM), and ensures that the participant's benefit reflects whichever of the two produces the greater value. |
| **Ministerial Pension Plan (MPP)** | 1982 – 2006 | MPP benefits are account balances that do not need to be converted. A clergyperson's entire account balance would be transferred to UMPIP. |
| **CRSP defined benefit (CRSP DB)** | January 2007 – date of termination/ relationship change | Based on the date of the clergyperson's departure, DB benefits will no longer accrue service credit.<br>CRSP DB benefits would be converted into an account balance and transferred to UMPIP. |
| **CRSP defined contribution (CRSP DC)** | January 2007 – date of termination/ relationship change | CRSP DC account balances would be transferred to UMPIP. |

All of the amounts transferred to UMPIP as described above would be invested in Wespath funds according to the direction of the terminated participant—similar to the participant's personal contributions to UMPIP. These amounts could provide opportunities for growth that do not exist in pension benefits (depending on market conditions and fund returns), but no longer guarantee lifetime income through monthly annuity payments.

UMPIP benefits are portable, no matter where a clergyperson serves or if the pastor leaves ministry altogether.

## How does the pension conversion provision apply to surviving spouses?

Widows, widowers and other survivors currently receiving pension or annuity payments will continue to receive those payments. There is no change in their pension benefits as a result of General Conference 2019.

As a result of General Conference 2019's enactment of the pension conversion provision in February 2019, and effective from February 26, 2019 forward, an active clergyperson who terminates his or her relationship with the UMC will have his or her benefit converted to an account balance equivalent. If the former UMC clergyperson then dies, the remaining account balance would pass on to the person's designated beneficiaries.

**For clergy who leave the UMC and are required to have their pensions converted to an equivalent account balance: how is the conversion calculated?**

The conversion is calculated using the same actuarial assumptions, or 'factors,' that are used when determining annual conference contributions to fund the pension benefits. These factors are sometimes referred to as 'funding factors' and include considerations like expected mortality and long-term investment returns.

The use of funding factors to convert pensions to an equivalent account balance results in an account balance that approximates the value of contributions (with earnings) made by the annual conference to fund the pension of the clergyperson leaving the UMC.

Clergy who are considering terminating their UMC relationship or surrendering their UMC credentials should discuss the process with their annual conference (benefits office). The conference will coordinate with Wespath to assure appropriate benefits administration.

**Why doesn't Wespath use "market factors" instead of "funding factors" when calculating the account balance conversion?**

Using "market factors" would result in an account balance that is higher than the amount contributed to fund the future benefits plus the amount of earnings that were expected on the amount contributed. This would give clergy who leave the UMC a financial advantage over those who stay. Using market factors would also lower the "funded ratio" of the retirement plan, which could harm both annual conferences and clergy who remain with the UMC.

**Can clergy who choose to exit the UMC keep their retirement account at Wespath—or would they be required to withdraw their account balance and invest elsewhere?**

Clergy who terminate or change their relationship with their current annual conference or with the UMC *may keep their retirement account at Wespath*; they are not required to withdraw their account balance and invest elsewhere.

This is also true for clergy who have their pension benefits converted to an equivalent account balance, which is then transferred to UMPIP. For such clergy, any account balances transferred to UMPIP may remain invested with Wespath. (Wespath serves many former UMC employees, surviving spouses and beneficiaries.)

**If an eligible clergyperson participates in the Voluntary Transition Program (VTP), will their accrued pension benefits under CRSP be converted into an account balance and transferred to UMPIP?**

Yes, with one exception. The exception is for Associate Members, who are eligible for VTP, but who do not withdraw under ¶360 of the *Discipline*. Associate Members who participate in VTP will receive VTP benefits but will not be subject to the mandatory conversion legislation discussed above.

- All other clergy who participate in VTP will be withdrawing under *Discipline* ¶360, so they will receive VTP benefits and have their accrued pension benefits under CRSP converted into an account balance and transferred to UMPIP.

### If clergy exit the UMC and become eligible for a distribution from UMPIP, are there any disadvantages to rolling the balance over to an individual retirement account (IRA) or other retirement plan?

Potentially, yes. Rolling retirement assets out of a Wespath-administered plan to an IRA or other retirement plan could result in the loss of a clergyperson's ability to benefit from the housing allowance exclusion from gross taxable income for distributions. *Clergy may want to consult a tax advisor for more information.*

### If clergy withdraw from their annual conference and do not join another denomination, do they lose the housing allowance exclusion from gross income?

It depends. Terminating one's UMC relationship won't by itself impact whether the clergyperson may apply the housing allowance exclusion to retirement plan distributions.

However, a rollover of retirement plan benefits from Wespath to an IRA or a future employer's retirement plan could affect the clergyperson's ability to apply the housing allowance exclusion.

**Please note:** The housing allowance exclusion applies only to compensation earned or retirement benefits accrued while performing services as a "minister of the gospel" as defined by the Internal Revenue Service (IRS). Eligibility for the housing allowance exclusion is a tax issue regulated by the IRS. More details are available on the **IRS.gov website**. *Clergy who are interested in executing a rollover should consult with a tax advisor to assess the risk of losing the housing allowance exclusion.*

### If a clergyperson exits the UMC, can he or she continue contributing to UMPIP?

Generally, clergy must remain active with an annual conference, local church or other UMC-associated organization that sponsors UMPIP in order to continue contributing. However, if a former UMC clergyperson serves a new employer, a former UMC local church or other organization that is sufficiently associated with the UMC, and the employer agrees to sponsor UMPIP, then personal contributions to UMPIP may continue.

- A clergyperson who moves to a new traditionalist Methodist church or other New Methodist Expression that might emerge after the next General Conference would be able to continue making personal contributions to UMPIP (assuming the new denomination agrees to sponsor UMPIP).

### If a clergyperson is currently receiving disability benefits from the Comprehensive Protection Plan (CPP), will leaving the UMC cause those disability benefits to stop? What if the clergyperson's local church leaves the UMC?

Replacement income that is *already being paid* from CPP due to disability will continue—even if the clergyperson leaves the UMC or his/her local church exits the UMC.

- Once those benefits begin, they will continue for as long as the recipient remains disabled (as defined in CPP).

**Please note**: Any retirement plan contributions made by CPP during disability would cease when a clergyperson leaves the UMC. Also, there are other events that may cause disability replacement income to end, such as failing to verify continued disability, reaching a certain age, etc.; these events are related to CPP plan rules and are not specific to leaving the UMC.

### If an active clergyperson leaves the UMC, will he or she remain eligible for death benefits from CPP?

If the active clergyperson *had already retired and qualified for death benefits before leaving the UMC*, they would remain eligible for death benefits. *If not*, they would not qualify under the current terms of the plan.

- Wespath has developed potential changes to CPP since the time petitions were filed for what was to be General Conference 2020. If the existing Wespath petition regarding CPP can be amended at or prior to the rescheduled General Conference 2021, such an amendment could provide a path to eligibility for an active clergy that leaves the UMC. The path could be by means of clergy with a certain minimum years of service directly paying premiums in advance to obtain the required minimum years of service for death benefit eligibility, or by means of clergy earning additional years of service if the clergyperson joins a New Methodist Expression that sponsors UMLifeOptions (a non-mandatory plan administered by Wespath).

## Retired Clergy

### If an already retired clergyperson surrenders his or her UMC credentials (after retirement) or otherwise terminates their conference relationship, would the clergyperson lose earned pension benefits?

No. Generally, an already retired clergyperson who surrenders credentials (voluntarily or involuntarily) after retirement or terminates their conference relationship *does not lose earned pension benefits*. Earned pension benefits are vested under the terms of the retirement plans and cannot be taken away.

However, the clergyperson may forgo certain future pension benefit increases, such as past service rate (PSR) increases under the Pre-1982 Plan. Additionally, the retired clergyperson might have other benefits in retirement that could be affected by termination (for example: retiree medical coverage, which is subject to the rules and policies of the annual conference).

## Lay Employees

### Does any of the legislation passed at General Conference 2019 impact retirement benefits for lay employees?

No. Pension-related legislation that passed at General Conference 2019 does not impact retirement benefits of lay employees. Retirement benefits for lay employees are generally provided through defined contribution (DC) plans with individual accounts, such as the United Methodist Personal Investment Plan (UMPIP), the Retirement Plan for General Agencies (RPGA) or the Horizon 401(k) Plan. These accounts are portable and fully funded once contributions are made, so they do not involve long-term funding obligations. In addition, the retirement plans for lay are generally *not connectional* in nature, so the local church, annual conference, general agency or other UM employer do not carry *shared* responsibility for funding the plan.

A small number of former general agency employees who are now retired may be receiving pension or annuity payments from legacy defined benefit plans. Those legacy plans are well-funded.

## Wespath Services

### Can Wespath serve churches or clergypersons who choose to leave the UMC, including those that move to a New Methodist Expression?

Yes. Wespath is authorized by *The Book of Discipline* and U.S. law to manage funds and offer services to church and nonprofit organizations that are related to, or share “common religious bonds and convictions” with, The United Methodist Church. Wespath can administer benefits and provide investment management services (for a local church's endowment, for example) for a group of churches—or even a single church—that may break away from the UMC.

Clergypersons can continue to participate in Wespath-administered plans if they serve such organizations, and if those organizations become plan sponsors of Wespath-administered plans.