



## GC2021—Proposed Change to MPP Annuitization Rules LifeStage Retirement Income Proposal

---

**February 1, 2021**

Wespath has submitted a petition to the UMC General Conference that would permit clergy to transfer 65% of their Ministerial Pension Plan (MPP) account balance into the new *Compass* clergy retirement plan—and then receive monthly payments (installments) through our LifeStage Retirement Income (LSRI) program. If approved, this would be an optional alternative to today's MPP rules. Today, retirees are *required* to annuitize 65% of their MPP account balance.

### **Important details about the proposed change:**

- This MPP change is a *proposal*. This change to MPP rules will require approval by the General Conference before Wespath can implement it. General Conference (originally scheduled for May 2020) was postponed to Aug. 29-Sept. 7, 2021 due to the pandemic.
- Wespath now plans to amend the petition to make this option available sooner than originally planned (as soon as administratively possible after General Conference approval).
- The petition Wespath submitted originally to General Conference would have made this option available as of the proposed effective date of the *Compass* retirement plan, which is **January 2023**. So, we are asking the General Conference to allow Wespath to implement the MPP option sooner than we will implement the *Compass* retirement plan (pending General Conference approval).

### **How does this proposed option differ from current MPP annuitization rules?**

- Current MPP rules *require* you to annuitize 65% of your MPP account balance. You then receive a defined monthly benefit for the rest of your life (and your spouse's life, if you elect the Joint Life and Survivor benefit). Annuities pay the promised benefit every month (with an annual cost of living increase, if elected). Payments cease when you and your spouse die.
- This change would allow an *option* to have 65% of your MPP account balance paid in monthly installment payments through LifeStage Retirement Income, rather than being annuitized. LifeStage adjusts the monthly amounts to help assure your account lasts over your lifetime and permits you to leave any remaining account balance to your designated beneficiaries (e.g., spouse, children or others).
  - The normal form of distribution continues to be to annuitize 65% of MPP. Participants would need to elect this option through an application process.

### **Can I cash in or roll over my 65% of MPP out of Wespath to another financial institution?**

- No. The 65% is intended to provide steady income over your lifetime. You must keep the 65% with Wespath so that the Plan can manage this account balance.

### **Can I cash in or roll my remaining 35% of MPP out of Wespath to another financial institution?**

- Yes. You can cash in your 35% as a lump sum payment (“distribution”) or to roll this balance over to your United Methodist Personal Investment Plan (UMPIP) account.

### **Wespath initially proposed this annuitization change to take effect January 2023—the same time *Compass* is scheduled to start. Why is Wespath trying to enact this MPP option sooner?**

- Today’s interest rates are at historic lows. When account balances are annuitized, lower interest rates produce lower monthly payments. By enacting this option and implementing it as soon as possible, Wespath aims to give retirees an alternative to annuitizing.
- If the proposal is approved, Wespath will implement the new distribution option as quickly as possible after General Conference 2021, with the goal of having the distribution option effective before December 31, 2021 to satisfy any 2021 RMDs.

### **Why is Wespath communicating this now—when we don’t even know if it will be approved by General Conference?**

- Wespath does not want participants who could (and might prefer to) wait for the optional form of benefit to be disappointed in their decision to annuitize now. We are making participants aware of a *potential* alternative to annuitization.

### **If I retired in 2020 or plan to retire in 2021, do I have to make a decision right now?**

- No, you can wait. You do not have to take any action right now.
- If you choose to annuitize the 65% of your MPP account balance now, *that decision is irrevocable and cannot be changed later* to the LifeStage Retirement Income approach if such option is enacted at General Conference.
- The federal Coronavirus Aid, Relief and Economic Security Act (CARES Act) waived required minimum distributions (RMDs) for 2020 for defined contribution plans. You won’t have to take an RMD from such a plan until December 2021 at the earliest. This waiver applies to your MPP account balance, as well as to the United Methodist Personal Investment Plan (UMPIP) and the defined contribution portion of the Clergy Retirement Security Program (CRSP). If you have benefits through the Horizon 401(k) Plan or the Retirement Plan for General Agencies (RPGA), the RMD waiver for 2020 also applies to those plans.

### **How can I calculate my monthly annuity amount?**

Your unique annuity amount is based on many factors, including interest rates at the time you choose to annuitize, your age, the form of benefit you select, and the balance in your MPP account. While it is difficult for us to calculate your precise MPP amount, this general rule applies:

- Generally, higher interest rates at the time you annuitize mean higher payments for the rest of your life (and a spouse’s life, if you elect joint coverage). Lower interest rates when you annuitize generally mean lower payments over your lifetime (and your spouse’s lifetime, if you elect joint coverage).

- You can find a pension projection tool through the Benefits Access webpage [[benefitsaccess.org](https://benefitsaccess.org)].

### Can Wespath or the Church influence these interest rates?

- No. Market interest rates are based on national economic factors. Interest rates go up and down throughout the year to reflect market activity.

### What happens if I elect this MPP option and interest rates increase—how will interest rates impact my benefit?

- Interest rates will not directly affect your monthly payments under the proposed option. Such payments may be impacted, however, by the investment performance of your account balance, which will be invested by Wespath under the LifeStage Investment Management service.

### Why consider the LifeStage Retirement Income (LSRI) program instead of annuitization?

- If approved by General Conference, this option would give retirees an alternative approach to annuitizing 65% of their MPP account balance. They could *either*: annuitize it at the current market rate *or* choose to let LifeStage Retirement Income handle monthly payouts. **Important:** *Either choice is irrevocable once made.*
- Both options strive for a lifetime stream of income for you. *Annuitization* guarantees steady monthly payments for life, while *LifeStage Retirement Income* offers monthly payouts that could be increased if investment returns are favorable, as well as the opportunity to leave an account balance to heirs. Unlike an annuity, payments made under the LifeStage Retirement Income program are based on an account balance and are not protected from decreases or guaranteed for life.
- While each participant's situation is unique, the LSRI distribution option *might* appeal to you under certain circumstances. For example: you might find this alternative preferable if your (and your spouse's, if applicable) guaranteed lifetime income needs are satisfied by other means, such as Social Security, CRSP defined benefit (DB) benefits, Pre-82 Plan benefits, or a pension plan from a previous employer, and you wish to retain your MPP account balance as a supplemental income source and/or legacy.

### Why might the LifeStage Retirement Income (LSRI) program *not* appeal to me?

There are several circumstances in which you might prefer MPP's annuitization (current rules) over the potential LSRI distribution option. For example:

- If MPP is an integral source of guaranteed lifetime income for you (and your spouse, if applicable); or
- If you are uncomfortable assuming investment market risks that could result in your MPP account balance being exhausted prematurely.

### How would my account balance be invested if I elect this option instead of annuitization?

- Your account balance would be invested pursuant to the LifeStage Investment Management service, which invests your account in Wespath funds in a manner that results in an asset allocation that is appropriate for you considering factors such as your age and your tolerance for investment risk. More information about LifeStage is on the Wespath.org website under “Retirement & Investments” (Resources section).

### Why does Wespath want to implement this change sooner than initially proposed?

- We believe today’s low interest rates compel retirees to make difficult decisions about the optimal time to annuitize. Annuitizing when interest rates are low negatively impacts a retiree’s monthly payout rate.
- Implementing this change earlier will give retirees an option. Our original timeline for this option was January 2023 (with *Compass* implementation). We’re now proposing an amendment to the original petition that would accelerate the timeline as soon as administratively possible after General Conference (pending General Conference approval)—with the goal of implementing before December 31, 2021, which is the date by which some participants will be required under required minimum distribution (RMD) rules to begin receiving their retirement benefits.

### I retired in 2020 or plan to retire in 2021. Am I required to annuitize 65% of my MPP account now?

- No. The federal CARES Act (Coronavirus Aid, Relief and Economic Security Act) enacted in March 2020 waived the 2020 required minimum distributions (RMDs) for retirement plans (and IRAs). So, due to this law change, the soonest any MPP participant would be required to make a decision and begin taking distributions is **by the end of 2021**.

### RMD requirements mean I’m scheduled to annuitize my MPP account balance in March 2021 because of my age. Do I have to annuitize now because this proposed petition for the new MPP option has not yet been passed?

- No. The CARES Act (Coronavirus Aid, Relief and Economic Security Act) waived RMD requirements for defined contribution account balances—so the earliest you would be required to annuitize is **December 31, 2021**. You can wait to see if Wespath’s proposal is approved by General Conference in 2021.

### If General Conference approves this MPP option: Do I have to use LifeStage Retirement Income? Can I choose to annuitize as planned?

- No. Even if General Conference approves Wespath’s proposed MPP change, you will still have the option to annuitize 65% of your MPP account balance (current MPP rules). If General Conference approves this change, it would simply give you an alternative approach to annuitization of the 65% of your MPP account balance.

### I already annuitized and did not get *this* option. Why not?

- You did not receive this option because it was not yet available at the time you annuitized. This proposed option is based on a petition Wespath has submitted to the General Conference (currently scheduled for Aug. 29-Sept. 7, 2021). This proposal still must be

enacted by General Conference. If it passes, it will become available, but only to those who have not annuitized their MPP account balances.

- Once you annuitize the 65% of your MPP account balance, *that decision is irrevocable and cannot be changed later* to the LifeStage Retirement Income approach if such option is enacted at General Conference.

### **I annuitized earlier this year or in a previous year. If General Conference approves the MPP annuitization change, can I switch my election?**

- No. Once you annuitize, you cannot make changes. If approved, this change would apply to MPP-eligible clergy who have not yet annuitized (including MPP-eligible clergy who will retire after 2021).

### **Why does MPP require 65% annuitization anyway? Why can't I just take my entire account balance as a lump sum?**

- MPP was designed to provide a guaranteed lifetime income stream in retirement for clergy who served the Church between January 1982 and December 2006.
- MPP requires that 65% of the account be annuitized and the remaining 35% must be taken as a one-time distribution. The one-time distribution can be rolled over into the United Methodist Personal Investment Plan (UMPIP), which offers several distribution options. As an alternative option, you may choose to roll over the remainder (i.e., 35% of your MPP account balance) into another qualified plan (outside Wespath) or individual retirement account (IRA), or you may receive it in a lump sum payout.

### **What happens if this proposed change is not approved by General Conference?**

If the proposal is not approved by General Conference, then the current plan rules continue to apply. You would be required to annuitize 65% of your MPP account balance. There would be no change to this existing plan rule.

*Please note:* There are several scenarios in which the proposal might not be approved by the General Conference, such as:

- A majority of General Conference delegates might vote to oppose the change;
- The General Conference could be postponed beyond August-September 2021;
- Circumstances might limit the agenda of the 2021 General Conference so that this proposal is not considered within the limited agenda;
- Other circumstances that may occur.

### **Where can I learn more about how LifeStage Retirement Income works?**

- Visit Wespath's website at **Wespath.org**. Click on the Retirement & Investments tab and locate *LifeStage Retirement Income* under Retirement and Investments Resources.

**Where can I learn more about how LifeStage Investment Management works?**

- Visit Wespath's website at **Wespath.org**. Click on the Retirement & Investments tab and locate *LifeStage Investment Management* under Retirement and Investments Resources.

**Where can I learn more about the *Compass* retirement plan?**

- Visit Wespath's website at **Wespath.org**. Scroll down to the General Conference 2021 page for a fact sheet and plan design video.

5680/020121