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General Conference (2024)

FAQs Regarding Church and Conference Disaffiliations

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Wespath has been planning for various potential scenarios that might affect the future structure of The United Methodist Church (UMC), with emphasis on assuring that clergy benefits remain as secure as possible. *Wespath strives to be a bridge-building, non-anxious presence in the midst of change*. We seek to maintain the continuity of benefits for those who serve and investment management services for Methodist-related entities.

The decision by the Commission on General Conference to postpone the 2020 General Conference to 2024 has generated new questions from across the denomination regarding how pension obligations will be handled by Wespath if local churches or annual conferences separate from the UMC before the next General Conference. The following new Q&As provide Wespath's responses to these questions. We will update these FAQs periodically as more information becomes available.

Important Note: These FAQs address issues that continue to be impacted by rapidly changing circumstances. Wespath will update these FAQs periodically as more information becomes available. We recommend that you check back often for the latest information.

Q: With the potential split of the UMC, I am concerned about my clergy pension. What will happen to it? Will there be enough money to pay pension benefits?

A: If you currently are receiving pension payments from Wespath as a *retiree, surviving spouse or other contingent annuitant*: ***your pension benefits will not change as a result of a separation or disaffiliation of your church or annual conference***.

Similarly, if you are an *actively serving clergyperson and you remain in the UMC,* **your pension benefit coverage is not changing.**

If you are an actively serving clergyperson and you leave the UMC by terminating your annual conference relationship under *The Book of Discipline* ¶360, ***pension benefits you have earned up to the date you leave will be preserved, but the form of your benefits will change, as described below***:

- Pension benefits earned to date from defined benefit (DB) pension plans [Clergy Retirement Security Program (CRSP and Pre-82)] will be converted to an equivalent account balance (i.e., a lump-sum amount calculated by an actuary to reflect the value of future annuity payments that otherwise would be paid over your lifetime), and then transferred to your United Methodist Personal Investment Plan (UMPIP) account.
- Account balances earned to date through the Ministerial Pension Plan (MPP) and CRSP defined contribution (CRSP-DC) will also be transferred to your UMPIP account.
- You will not receive monthly pension payments ("annuities") at retirement. Instead, you will have access to your full UMPIP account balance once you retire.

UMC annual conferences have been making contributions to the pension trust fund for many years. These contributions are designed to help ensure that the trust has sufficient assets to pay pension benefits earned. In addition, General Conference 2019 approved legislation that added provisions to *The Book of Discipline* that require churches that separate or disaffiliate to pay their fair share of aggregate unfunded pension obligations to the annual conference. This "pension withdrawal payment" is discussed throughout these Q&As. The pension withdrawal payment is specifically intended to help maintain your pension security by providing financial support to the UMC annual conferences that will remain liable for funding pension obligations owed to current and retired clergy members (including clergy members who remain in the UMC *and* those who change their affiliation to disaffiliating or separating churches), as well as surviving spouses and other contingent annuitants. It's important to remember this human aspect—that a disaffiliating local church is leaving full responsibility with the annual conference and its former sibling churches for pension benefits earned by active and retired pastors in years past.

As a reminder, *lay employees* with benefits from Wespath are covered in different plans, mainly through UMPIP. UMPIP is a defined contribution plan with individual account balances that are held in trust. Account balances are subject to changes in value based on investment performance of the funds.

Q: I heard Wespath chose to exclude itself from ERISA. Is that correct?

A: No, that statement is not correct. Wespath has not chosen to exclude itself or the plans it administers from coverage by the Employee Retirement Income Security Act of 1974 ("ERISA") (the federal law that applies to corporate pension plans). Rather, the pension and other benefit plans Wespath administers are not subject to ERISA because Section 4 of ERISA automatically exempts "church plans" from its coverage by operation of law. A "church plan" is generally any employee benefit plan that is established and maintained for its employees by a church or organizations controlled by or associated with a church. CRSP is a church plan as defined by ERISA.

Q: I've heard that there is no unfunded pension liability, so there is no reason that separating/disaffiliating churches should be required to pay pension withdrawal liability. Is that true?

A: No, that is not correct. When a local church separates or disaffiliates from the UMC, it is leaving behind all of its responsibility and risk for the annual conference's obligation to fund pension benefits that were earned in the past. Instead, the annual conference and its remaining churches continue to be responsible and at risk. This means that the separating/disaffiliating local church is transferring its pension responsibilities and risks to the annual conference and the annual conference's remaining churches. As such, in the context of church disaffiliations or separations, ¶1504.23 of *The Book of Discipline* calls for a withdrawal liability payment to be made by the separating church and, as part of that, ***requires*** Wespath to calculate CRSP's funding status in a specified manner—one that is appropriate for the transfer of one party's pension responsibilities and risk to another party. Based on that required calculation, pension benefits owed under CRSP are ***not*** fully funded.

An analogous example is if an annual conference wanted to eliminate its risk and transfer all its pension obligations to another party (such as a commercial annuity provider). In that context, CRSP similarly would ***not*** be fully funded, and the annual conference would have to pay the shortfall to that other party. In the context of a separating local church, the pension withdrawal liability payment required by ¶1504.23 is the local church's share of the annual conference's shortfall—i.e., the amount needed to cover the local church's share of long-term pension obligations that will become the responsibility of the churches remaining in the annual conference.

In other contexts, such as determining whether contributions are required from ***ongoing*** plan sponsors (who are not seeking to transfer their responsibility and risk to another party), Wespath calculates CRSP's funding status in a manner appropriate to that context. This means that, even if ***ongoing*** plan sponsors do not need to make funding contributions in any given year, the plan still might not be considered fully funded in the context of a transfer of pension risk by a ***separating*** church. The difference in calculation method recognizes that if additional funding is needed in the future for previously earned pension benefits (for example, if funding status declines due to prolonged poor stock market performance or unforeseen increases in lifespans), there will be fewer churches left shouldering the responsibility to pay for it. Thus, the method used to calculate the amount of pension obligations varies depending on the context and purpose of the calculation, which is consistent with long-standing industry practice for calculating pension liability.

Q: May an annual conference separate from the UMC under *The Book of Discipline?*

A: This question will be answered by the UMC's Judicial Council. In early March 2022, the Council of Bishops requested a declaratory decision from the Judicial Council on this and related questions. That request has been added to the Judicial Council's docket (see the press release **here**).

Q: Can the pension withdrawal liability requirement of ¶1504.23 be avoided if a local church takes a particular path of separation from the UMC?

A: No. The pension withdrawal liability requirement of ¶1504.23 of *The Book of Discipline* applies *regardless of the separation path* taken by the departing church. Thus, whether a local church separates from the UMC under ¶¶2553, 2548.2, 2549, or otherwise, ¶1504.23 applies to that change in relationship to the UMC, and the pension withdrawal liability payment is required.

Q: What is Wespath's view on using a promissory note and/or a lien on assets to secure future pension funding obligations (if any) in an agreement between an annual conference and a separating local church?

A: For disaffiliations under ¶2553, the pension withdrawal payment is required to be paid before disaffiliation is final. Accordingly, it appears ¶2553 does not contemplate the use of a promissory note or similar approach. [A majority of the Council of Bishops has affirmed that ¶2553 is the primary paragraph of *The Book of Discipline* for disaffiliations and separations related to human sexuality. Moreover, the Council of Bishops also affirmed that other paragraphs for changing a local church's affiliation (e.g., ¶2548.2) should be applied in a manner that reflects values and principles similar to those under ¶2553.]

For separation paths other than ¶2553 (e.g., ¶2548.2): while the pension withdrawal payment is due in full (under ¶1504.23), it appears that the annual conference, in its sole discretion, may agree to adjust the manner or timing of the payment. As such, the use of promissory notes and liens, as an alternative to making a pension withdrawal liability payment upon separation, may be an approach that an annual conference could determine is appropriate for a local church. However, this approach carries the risk that circumstances could change over time such that the local church may not be equipped to make the required payments when and if they become due in the future. That risk could be mitigated through various approaches, such as partial prepayments or holding funds in escrow. Conferences would also need to manage the administration of these relationships on an ongoing basis, in contrast to the definitive termination of a separating church's funding obligations upon payment of its withdrawal liability amount.

A conference and its treasurer and chancellor should consider the conference's fiduciary duties and the separating church's financial condition, as well as applicable state law, when deciding the appropriate payment terms for the pension withdrawal liability payment.

Annual conferences may also want to consider the approaches other conferences may be taking as they aim to achieve consistency across the Connection where possible. Some degree of consistency may help minimize a local church's perception of being treated unfairly or inappropriately compared to other churches. Nonetheless, it is also important to recognize that full consistency might not always be appropriate or practical because circumstances will vary from annual conference to annual conference, and among the local churches in each conference. Relevant state laws will vary as well.

Q: Are there any paths of separation from the UMC that would permit a local church to "take its pension obligations with it"—in other words, continue to be a plan sponsor of the Clergy Retirement Security Program (CRSP) after it separates or disaffiliates from the UMC?

A: No. Under current plan terms—which cannot be modified without General Conference approval—a local church that separates from the UMC *may not* be a plan sponsor of the Clergy Retirement Security Program (CRSP) and, therefore, cannot take pension responsibilities with it when separating from the UMC.

Q: I've heard that churches that separate from the UMC under ¶2548.2 may take their pension obligations with them and avoid a pension withdrawal liability payment when they disaffiliate. Is this accurate?

A: That is not correct. As noted in the above Q&A, a local church that separates from the UMC may not be a plan sponsor of CRSP. As such, it is not possible for a church that separates to take their pension obligations under CRSP with them or remain directly liable under CRSP for pension funding. The obligation for pension funding remains with the annual conference (i.e., the churches that remain within that annual conference) regardless of the path taken by a separated local church.

The pension withdrawal payment requirement of ¶1504.23 applies to a separation under ¶2548.2 by a local church. While ¶1504.23 mandates a pension withdrawal payment, it does not address the timing of payment under all potential paths of separation. For disaffiliations under ¶2553, the pension withdrawal payment is required to be paid *before disaffiliation is final*. For separation paths *other than ¶2553*, e.g., under ¶2548.2, while the payment is due in full, the annual conference, in its sole discretion, may agree to adjust the timing of the payment.

Q: If the Judicial Council concludes that annual conferences may separate from the UMC, how would Wespath handle pension obligations of separating annual conferences?

A: While Wespath would need to review the specifics of a Judicial Council ruling (when issued), in general, Wespath's view is that all local churches that leave with a separating annual conference would, pursuant to ¶1504.23, owe a pension withdrawal liability payment to the churches of the annual conference that remain with the UMC. If the Judicial Council were to rule that an annual conference is permitted to separate from the UMC, Wespath's interpretation of the plan language is that such a separating annual conference similarly could not be a plan sponsor of CRSP. Only ***UMC annual conferences*** (and the General Council on Finance and Administration) may sponsor CRSP. This means that annual conferences (and the local churches within them) that separate from the UMC and make the required pension withdrawal payment ***will no longer be responsible*** for pension obligations under CRSP, while annual conferences (and the local churches within them) that remain in the UMC will remain liable for funding the pension obligations under CRSP.

However, any interpretation is highly dependent on the specifics of the Judicial Council ruling. Wespath would need to consider the ruling, including in light of what would be in the best interest of participants and protecting benefits, to determine its application to pension obligations.

Q: Is Wespath working with the Global Methodist Church (GMC) to provide employee benefit plans to clergy and laypersons of their denomination? Is the GMC able to continue sponsoring CRSP for its clergy?

A: Wespath is in dialogue with the GMC to provide their churches employee benefit plans going forward, including retirement and health and welfare plans, after the GMC is formed. Discussions are still in progress.

However, any retirement plan will not be the same plan as CRSP, as no disaffiliating group may continue to sponsor that plan. The retirement plans under discussion would be a new defined contribution plan specifically for the GMC. Wespath provides retirement services to some disaffiliated local churches already, by offering sponsorship in the United Methodist Personal Investment Plan (UMPIP).

Q: I heard that there is a UMC "comity agreement" for local churches that transfer to the GMC under ¶2548.2 that would accomplish the same things as the Protocol, such as transferring pension liabilities to a GMC plan and preserving clergy pensions—is that right?

A: No, that is not correct. *There is not a denominational comity agreement.* Annual conferences might create comity agreements that suit their local context, but even then, the terms of the Protocol cannot be accomplished without General Conference. At most, a comity agreement might adjust how pension withdrawal payments are paid (in the sole discretion of annual conferences), but the obligation to pay the withdrawal liability is still owed by the separated church and the obligation to fund CRSP is still owed by the UMC churches that remain in the annual conference. In addition, clergy who terminate their annual conference relationship under ¶360 of *The Book of Discipline* will have their pension benefits converted to an account balance and transferred to UMPIP.

There are draft versions of comity agreements that reflect attempts by some parties to come to common understandings, but these are not final agreements. Agreements of this sort will not work in all circumstances. They would need legal review and would need to be configured to local context and circumstances, which can vary significantly from conference to conference. We encourage conferences contemplating agreements of this sort, or other negotiated arrangements, to work with Wespath staff on provisions related to pension matters.

Q: Can Wespath provide benefits to the GMC and its churches or to a local church that disaffiliates to become an independent Methodist church?

A: Yes. Under *The Book of Discipline*, Wespath is permitted to administer benefit plans and manage related funds for churches that disaffiliate from the UMC and continue to share "common religious bonds and convictions" with the UMC which Wespath evaluates on a case-by-case basis. However, under current terms of CRSP—which cannot be modified without General Conference approval—a local church or group of churches that separates from the UMC may not be a plan sponsor of CRSP. This means that any plan Wespath administers for a new Methodist denomination and its churches (or a local church that becomes an independent Methodist church) that provides for benefits earned after disaffiliation will not be the same as CRSP.

Q: Would a reorganization of the UMC affect Wespath's ability to serve its *institutional investors*?

A: No, Wespath expects to continue to serve its institutional investor clients through its subsidiary, Wespath Institutional Investments LLC (WII). Under federal and church law, Wespath can serve a broad range of investors that share "common religious bonds and convictions" with, or are otherwise controlled by, associated with or related to the UMC, which Wespath evaluates on a case-by-case basis. A new expression of Methodism likely would share common religious bonds and convictions with the UMC based on shared Wesleyan theology and tradition and Methodist roots. As it currently does, Wespath will continue to evaluate new institutional investor eligibility on a case-by-case basis.

Q: If a local church participates in the HealthFlex Plan through its annual conference and the local church separates/disaffiliates from the UMC, what happens to the HealthFlex coverage for clergy and lay employees of the local church?

A: The local church's participation in HealthFlex will cease on the effective date of the separation/disaffiliation because, at that point, the church is no longer affiliated with a HealthFlex plan sponsor, i.e., its annual conference. Clergy members who remain with the separated/disaffiliated church and lay employees of the church will lose active coverage on the last day of the month in which the separation/disaffiliation is effective. Those individuals and their covered family members will be eligible for 18 months of continuation coverage. The clergy member or lay employee, as applicable, would be required to pay 100% of the cost of continuation coverage.

If the separated/disaffiliated church immediately joins a new denomination or another group of churches that sponsors HealthFlex, then active coverage may continue for eligible clergy members and lay employees. (Alternatively, if the church has more than 50 eligible employees and continues to share "common religious bonds and convictions" with the UMC, as determined by Wespath, it may be eligible to sponsor HealthFlex without joining another group of churches. Wespath will evaluate church eligibility on a case-by-case basis.) Wespath would need to know more details about the timing of the separation/disaffiliation and the church's plans to join another denomination or group of churches to consider the timing for when the new coverage could be effective.

If the separated/disaffiliated church participates in HealthFlex with a new denomination or another group of churches, the cost of coverage would likely change for the church because the cost is determined separately for each plan sponsor. Currently, the cost of coverage is determined for each annual conference because annual conferences serve as the plan sponsors. Each annual conference then decides how to allocate the cost to its local churches. If a disaffiliated church joins a new group of churches that sponsors HealthFlex, the cost of coverage will be based on that group, and that group can determine how to allocate it to local churches.

Wespath's General Conference Petition—New ¶2555 to *The Book of Discipline*

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."

The petition legislation and rationale are here:

- **Petition**
- **Rationale**

Q: What is the purpose of Wespath's proposed new ¶2555 for *The Book of Discipline*?

A: A new paragraph (¶2555) would address how pensions are to be handled if an annual conference or a group (or groups) of local churches change their affiliation with or disaffiliate from The United Methodist Church.

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

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