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Suggested Title: Pensions Matters for Disaffiliation by U.S. Annual Conferences or Groups of Local Churches

Discipline ¶: 2555 (New)

General Church Budget Implications: None

Global Implications: None

Add a new paragraph 2555 to *The Book of Discipline* that reads as follows:

¶ 2555. Pension Obligations and Related Procedures for Disaffiliation from The United Methodist Church by U.S. Annual Conferences or Groups of Local Churches.

1. Disaffiliating Church Units. Notwithstanding other paragraphs of The Book of Discipline to the contrary, if an annual conference located in a jurisdictional conference, i.e., a U.S. annual conference, or a group of local churches from a U.S. annual conference or annual conferences, disaffiliates or withdraws from, or otherwise ends or changes its connectional relationship with, The United Methodist Church or its successor (“The United Methodist Church”) to form a new expression of Methodism, or join a new Wesleyan or Methodist denomination (any of which shall be referred to as a “Self-Governing Methodist Church” for purposes of this paragraph), whether through a formal process established by The Book of Discipline, e.g., ¶2553, or in any other way, and the Self-Governing Methodist Church is sufficiently large enough in membership, financially viable, and sufficiently organized structurally or corporately as a convention or association of churches to continue to be a plan sponsor of a spun-off portion the Clergy Retirement Security Program, as determined by the General Board of Pension and Health Benefits (for the purposes of this paragraph, such an annual conference shall be referred to as a “Disaffiliating Conference” and such a group of local churches shall be referred to as “Transferring Local Churches”), the pension obligations under the connectional Clergy Retirement Security Program of the Disaffiliating Conference or of the Transferring Local

Churches, and the pensions and accrued benefits of those individuals impacted by the disaffiliation or withdrawal, will be governed by this paragraph. Whether a group of disaffiliating local churches from one U.S. annual conference is treated as “Transferring Local Churches” or, due to the size and membership of such local churches relative to the U.S. annual conference, is treated as a “Disaffiliating Conference,” will be determined by the General Board of Pension and Health Benefits, as administrator and trustee, based on the facts and circumstances.

2. *Determination Period.* During a “determination period,” a Disaffiliating Conference or a U.S. annual conference or conferences with Transferring Local Churches must continue contributions to the General Board of Pension and Health Benefits to fund pension obligations as if the disaffiliation were not occurring, until the disaffiliation is final under the process established by *The Book of Discipline* or, if no such process is established, during a two-year period that begins, with respect to a Disaffiliating Conference, when the U.S. annual conference votes in favor of disaffiliating from The United Methodist Church and, with respect to Transferring Local Churches, when the Transferring Local Churches formally notify the impacted U.S. annual conference or conferences of such churches’ intent to disaffiliate from The United Methodist Church to form or join a Self-Governing Methodist Church. With respect to a Self-Governing Methodist Church made up of both a Disaffiliating Conference and Transferring Local Churches, the two-year period will begin as of the earlier of the two dates above.

When such determination period ends, new service-based benefit accruals and individual account contributions under the Clergy Retirement Security Program will cease for participants of the Self-Governing Methodist Church, if such cessation has not already occurred under the terms of the program. The Self-Governing Methodist Church’s sponsorship of and legal responsibilities

under the Clergy Retirement Security Program will continue as a self-governing Methodist church, affiliated autonomous Methodist church, or separate convention or association of churches. However, the Self-Governing Methodist Church's sponsorship and administration will be sequestered and treated separately from all annual conferences that remain part of The United Methodist Church (it will be a "Spun-Off Plan" of the Self-Governing Methodist Church), and will not benefit from the connectional support of other plan sponsors.

3. Administration. For purposes of administering the Clergy Retirement Security Program under the terms of this paragraph, the General Board of Pension and Health Benefits is authorized and empowered to:

- a) During the determination period, with the assistance of the Disaffiliating Conference(s), Transferring Churches, and remaining United Methodist annual conferences, identify which active and retired clergy disaffiliate or withdraw from The United Methodist Church by becoming members of the Self-Governing Methodist Church, either through affirmative choice or by a default rule; retired clergy who are members of a Disaffiliating Conference who do not affirmatively choose to remain members of The United Methodist Church, through a request to transfer conference membership or otherwise, will be considered members of the Self-Governing Methodist Church, unless a formal disaffiliation process for U.S. annual conferences established by the General Conference or *The Book of Discipline* requires different treatment; with respect to active and retired clergy who are members of a U.S. annual conference that is not disaffiliating but includes Transferring Local Churches, such clergy who do not affirmatively choose to disaffiliate or withdraw and become members of the Self-Governing Methodist Church will remain members of their U.S. annual conference;

- b) During the determination period, identify all local churches which choose to disaffiliate from The United Methodist Church by becoming local churches of the Self-Governing Methodist Church;
- c) Exempt active clergy who disaffiliate or withdraw from The United Methodist Church during the determination period by becoming members of the Self-Governing Methodist Church from the non-disciplinary legislation amending the Clergy Retirement Security Program enacted by General Conference 2019, which generally converts the defined benefit accruals of active clergy terminating membership in The United Methodist Church into an account balance;
- d) Exempt local churches from the withdrawal pension liability contribution requirement of ¶1504.23 and ¶2553 of *The Book of Discipline*, if the local churches are (1) units of a Disaffiliating Conference, (2) Transferring Local Churches that choose to disaffiliate from The United Methodist Church by becoming a local church unit of the Self-Governing Methodist Church, or (3) local churches that choose not to remain a constituent unit of a Disaffiliating Conference but rather remain part of The United Methodist Church, e.g., by transfer to a United Methodist annual conference;
- e) At the end of the determination period, calculate and sequester the Self-Governing Methodist Church's share of defined benefit plan assets and liabilities (i.e., assets and liabilities associated with the Clergy Retirement Security Program, Ministerial Pension Plan annuities, and the Pre-82 plan), in a manner deemed by the General Board of Pension and Health Benefits to be prudent and equitable, with such share reflecting the clergy disaffiliations in a) above; however, plan assets and liabilities attributable to clergy who do not disaffiliate under a) above with their Disaffiliating Conference will be

reassigned to another annual conference in the manner prescribed by the applicable disaffiliation process established by *The Book of Discipline* or, if such a process has not been established, by the reorganization of the impacted jurisdictional conference, if applicable, or in a manner deemed by the General Board of Pension and Health Benefits to be prudent and equitable;

- f) Assign to the Self-Governing Methodist Church the defined benefit liabilities that relate to the clergy that disaffiliate or withdraw under a) above, as well as any liabilities that relate to inactive participants (other than retired clergy) that were the obligation of a Disaffiliating Conference; such assigned liabilities that relate to a participant whose benefits were accrued from service to multiple U.S. annual conferences will include the entire pension liability attributable to such participant; such liabilities that relate to an inactive participant (other than retired clergy) of a Disaffiliating Conference will be assigned to the Self-Governing Methodist Church only if the Disaffiliating Conference was the final U.S. annual conference for which service was performed that resulted in the accrual of some or all of such inactive participant's pension benefits;
- g) Assign to a sequestered funding account in the Spun-Off Plan of the Self-Governing Methodist Church defined benefit assets from the funding account of the Disaffiliating Conference(s) or the U.S. annual conference or conferences from which Transferring Local Churches are disaffiliating, with the amount of such assets being based on the liabilities assigned in f) above, and with such liabilities measured using factors corresponding to those used when determining annual conference plan sponsor contributions to the Clergy Retirement Security Program ("funding factors"); such assignment of defined benefit assets shall prioritize funding for inactive participants

(including retired clergy), so that liabilities of all inactive participants (whether assigned to the Self-Governing Methodist Church or remaining with a U.S. annual conference) will be assigned a corresponding amount of plan assets equal to 100% of such liabilities, and liabilities of all active clergy will be assigned plan assets based on the funding level that remains, not to exceed 100% of such liabilities of active participants, and any remaining assets will be assigned proportionately to inactive participants in addition to the first 100% of liabilities so assigned; notwithstanding the foregoing, if a funding account from which defined benefit assets are assigned is funded at a level that is greater than 100% of the total pension liabilities when measured using market factors similar to a commercial annuity provider (“market factors”), the first step above will assign plan assets that equal 100% of the liabilities of inactive participants when measured using market factors, and the second step above will be applied without the 100% of liabilities limitation;

h) At the end of the determination period, assess whether the disaffiliation or the assignment of defined benefit plan assets and liabilities determined above creates a material risk of a plan sponsor being unable to make future contributions; if such a risk is created, the General Board of Pension and Health Benefits may instead convene a joint distributing committee under the terms of ¶1509, to assist and advise in the assignment of plan assets and liabilities, provided, however, that representation on the joint distributing committee in this circumstance also shall include members representing the interests of the Disaffiliating Conference or Transferring Local Churches, or both, and to the extent applicable and necessary, members representing the interests of neighboring annual conferences;

- i) After the determination period, calculate the amount of any plan contributions required to be made by the Self-Governing Methodist Church in the future to its sequestered funding account, as part of its ongoing sponsorship of its Spun-Off Plan;
- j) Collaborate with the Self-Governing Methodist Church to determine how plan design changes may be requested, and the scope and administrative reasonableness of amendments that may be made to the Spun-off Plan, as well as any other plans sponsored by the Self-Governing Methodist Church and administered by the General Board of Pension and Health Benefits; and
- k) Amend the Clergy Retirement Security Program effective as of the close of the 2020 General Conference to conform to this paragraph, and establish written procedures consistent with this paragraph to administer its provisions.

4. Alternative Payments. Notwithstanding the foregoing, if a Self-Governing Methodist Church (which shall include a Disaffiliating Conference or Transferring Local Churches, before becoming a Self-Governing Methodist Church) notifies the General Board of Pension and Health Benefits during the determination period of its intent to terminate or decline sponsorship of the Clergy Retirement Security Program, leaving all pension obligations with The United Methodist Church, the Self-Governing Methodist Church must contribute a withdrawal liability to the General Board of Pension and Health Benefits, which shall be used to fund the Clergy Retirement Security Program. If the Self-Governing Methodist Church consists of a Disaffiliating Conference, or a Disaffiliating Conference and Transferring Local Churches, the amount of the withdrawal liability shall equal the total underfunding of pension liabilities that would be assigned to the Self-Governing Methodist Church above, with such liabilities being measured using market factors similar to a commercial annuity provider. If the Self-Governing

Methodist Church consists solely of Transferring Local Churches, the amount of the withdrawal liability shall equal the aggregate of the Transferring Local Churches' share of unfunded pension obligations, calculated pursuant to ¶1504.23. In addition, clergy disaffiliating or withdrawing from The United Methodist Church to become members of a Self-Governing Methodist Church that has indicated its intent to terminate or decline sponsorship of a Spun-off Plan, shall have their defined benefit accruals under the Clergy Retirement Security Program converted to an account balance equivalent under the terms of the plan amendment approved by the 2019 General Conference, but only after the Self-Governing Methodist Church contributes the withdrawal liability payment described above.

5. *Failure to Support.* After the determination period, if the Self-Governing Methodist Church elects not to or fails to satisfy its responsibilities regarding sponsorship of its sequestered part of the Clergy Retirement Security Program, the General Board of Pension and Health Benefits is authorized to assume control of plan sponsorship decisions (without assuming funding responsibility) regarding the Self-Governing Methodist Church's Spun-Off Plan. If such control is assumed, the assets of the sequestered funding account of the Self-Governing Methodist Church will be prioritized in favor of inactive plan participants (including retired clergy), with liabilities for such participants being apportioned plan assets to fully fund such liabilities when measured using market factors, and the remaining assets within the sequestered funding account being apportioned to liabilities with respect to active clergy participants. If, after such funding prioritization, the funding level of liabilities for active clergy participants is below 100% when liabilities are measured using funding factors, the General Board of Pension and Health Benefits is authorized to reduce benefit levels of such active clergy participants until such benefit liabilities are 100% funded when measured using funding factors. The General Board of Pension

and Health Benefits is also authorized to, in its discretion or at the direction of the Self-Governing Methodist Church, convert all accrued pension benefits of the Self-Governing Methodist Church's active clergy participants to actuarially equivalent account balances, adjusted, as necessary, to take into account the Self-Governing Methodist Church's funding level with respect to active participants. Such account balances, and all other retirement account balances of the Self-Governing Methodist Church's participants, will be transferred to the United Methodist Personal Investment Plan, its successor, or a similar retirement account plan administered by the General Board of Pension and Health Benefits. The General Board of Pension and Health Benefits may also convert defined benefit accruals in such manner for any of the Self-Governing Methodist Church's plan participants, if the Clergy Retirement Security Program is amended to require an account balance conversion for similar classes of participants, or if continuing administration for the Self-Governing Methodist Church is no longer administratively feasible.

6. Continuing as Plan Sponsor of Benefits Plans. In accordance with ¶6 and ¶433, The United Methodist Church believes that a U.S. annual conference or a group of local churches that forms or joins a Self-Governing Methodist Church as described above shall continue to share common religious bonds and convictions with The United Methodist Church based on shared Wesleyan theology and tradition and Methodist roots, unless the Self-Governing Methodist Church expressly resolves to the contrary. As such, a Self-Governing Methodist Church shall continue to be eligible to sponsor the Clergy Retirement Security Program under the terms of this paragraph (i.e., the Spun-Off Plan), as well as voluntary employee benefit plans through the General Board of Pension and Health Benefits under *Discipline* ¶1504.2, subject to the applicable terms and conditions of the plans. The General Board of Pension and Health Benefits is authorized and

directed to amend the Comprehensive Protection Plan to account for the transition of clergy participants whose eligibility ceases when they become members of a Self-Governing Methodist Church.

7. *Effective Date and Severability.* The terms of this paragraph shall be effective at the close of the 2020 General Conference. If any provision of this paragraph is determined to be invalid, illegal, or unconstitutional, the remainder of this paragraph shall remain in full force and effect.

Date: September 17, 2019

Identification of Petitioner: Barbara A. Boigegrain
General Secretary, General Board of Pension and Health Benefits