



Compass:
Proposed Clergy
Retirement Plan

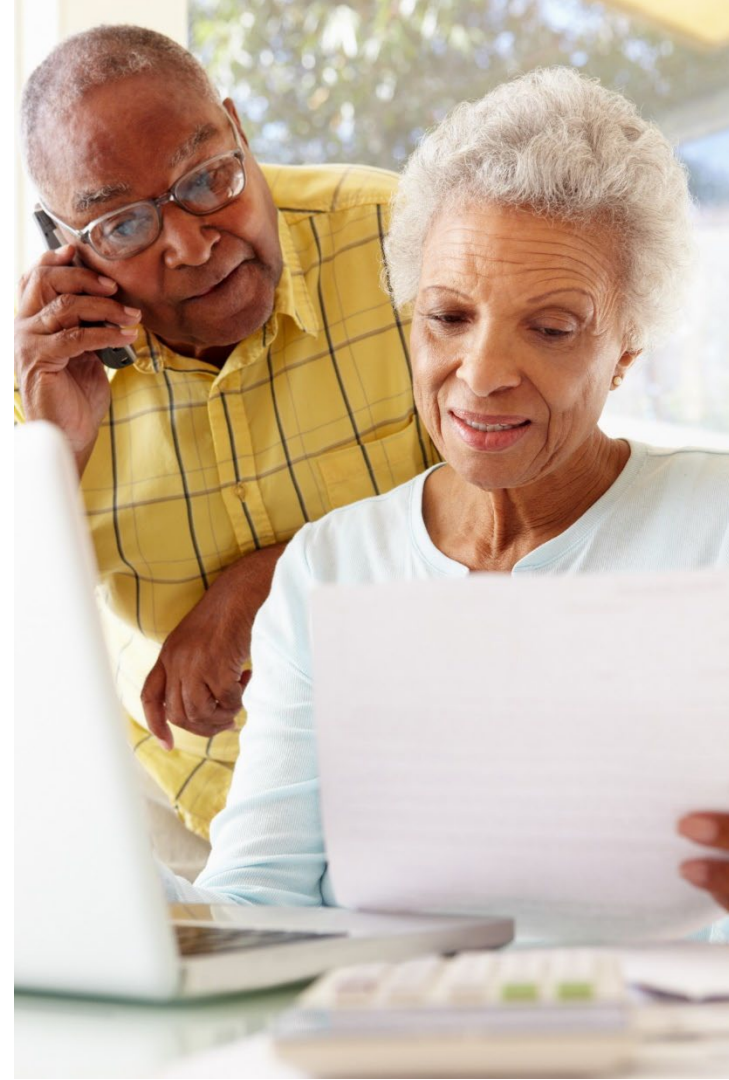
The Current Situation...



U.S. Church is shrinking



Conferences/local churches can no longer sustain the uncertainty of pension liabilities that continue decades after retirement



Plan Sustainability in a Shrinking U.S. Church

U.S. Membership Per Retired Clergy

1982	1,011 members per retiree
2007	461 members per retiree
2017	314 members per retiree
2021	236 members per retiree

Compass balances **affordability** with **adequacy**

- Sufficient income throughout retirement
- Predictable, affordable costs for annual conference and local churches



The Solution...

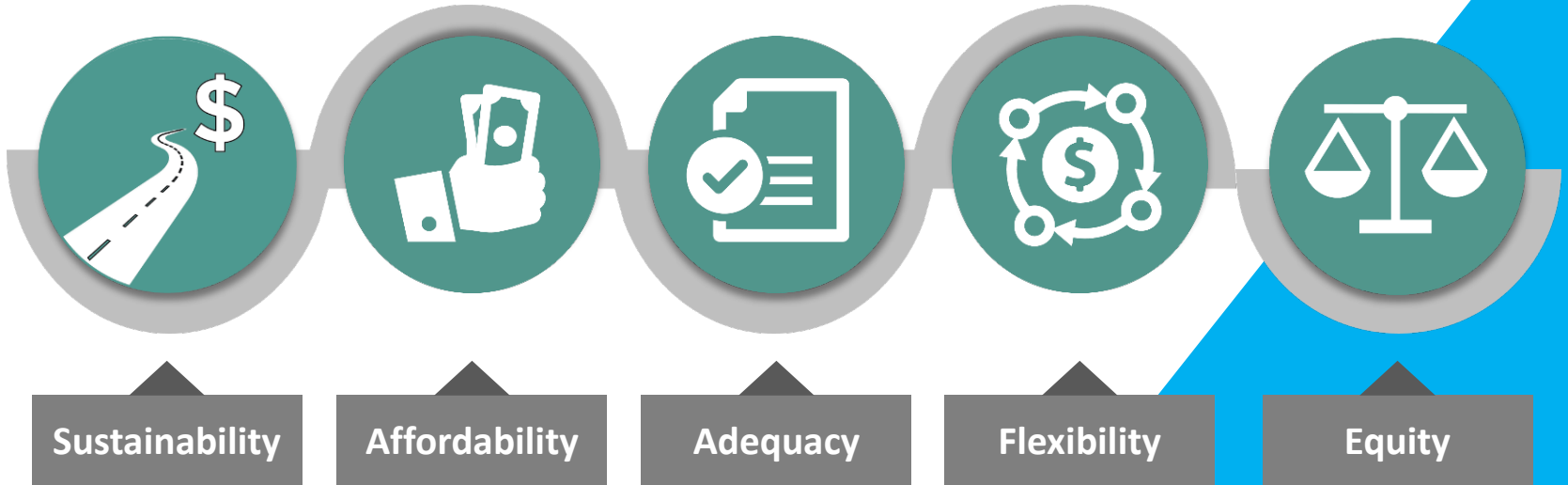


A new retirement plan: Compass

- Closes the current U.S. clergy pension
- Honors the longstanding UMC commitment to equity, adequacy and an income stream throughout retirement



Why Compass?



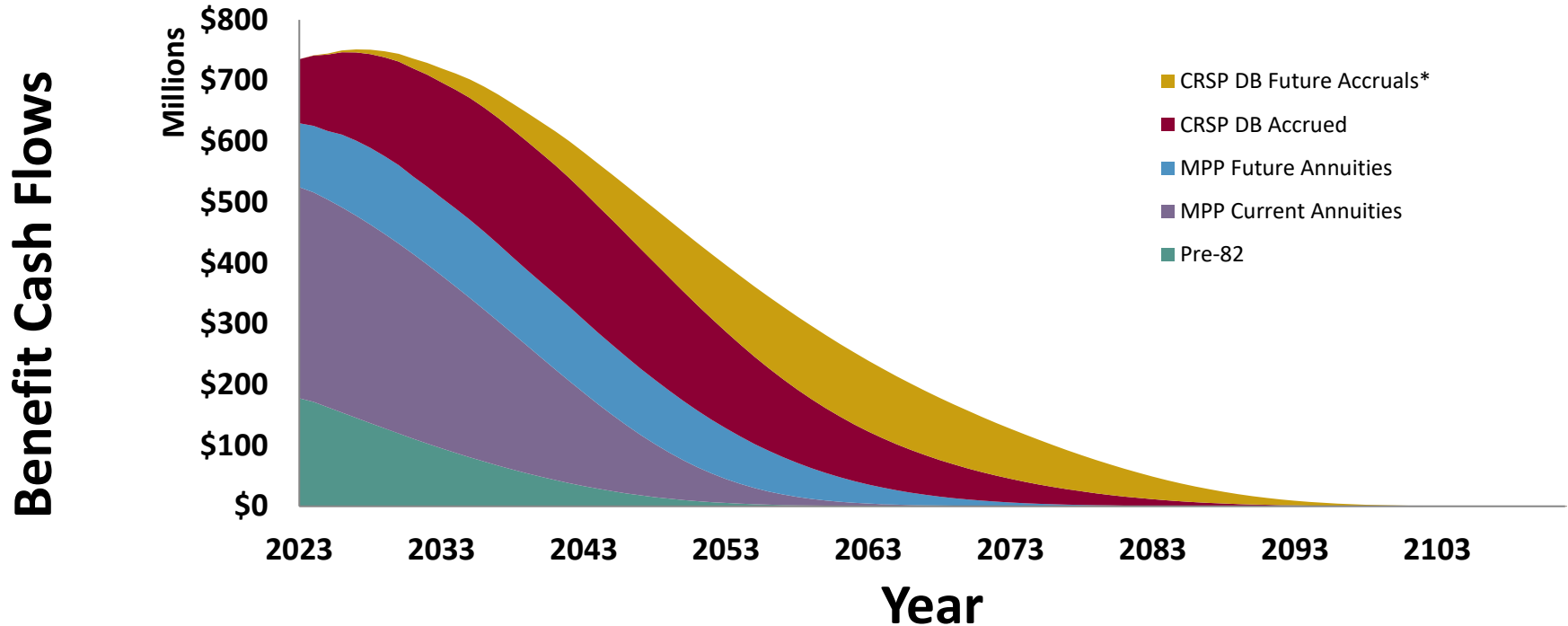
Goal of Plan Design

- Focus is on Retirement Income
- Connectional – with a focus on a relatively richer contribution for lower paid clergy (i.e. flat dollar contribution)
- Adequacy – Designed to strive be between 75% and 90% income replacement ratio



Projected Benefit Cash Flow

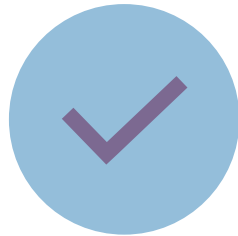
CRSP DB, MPP Annuities and Pre-82





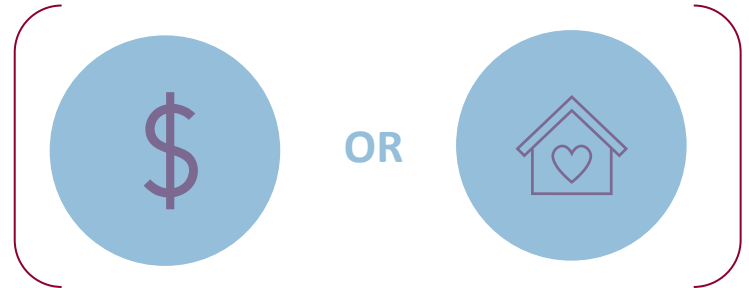
Compensation

Compensation (2.23)



ANNUAL BASE WAGES

AT ELECTION – ANY
ADDITIONAL WAGES IN LIEU
OF GROUP HEALTH PLAN



HOUSING ALLOWANCE IN
LIEU OF PARSONAGE (IRS
CODE 107 (2))

PARSONAGE VALUE

Parsonage Value Increase

Parsonage value/housing allowance—**included** in the increase in pensionable earnings

Deemed parsonage value—**increases** from 25% to **35% of pay**

- Reflects a more realistic value
- Tends to help lower paid clergy



Compensation Highlights



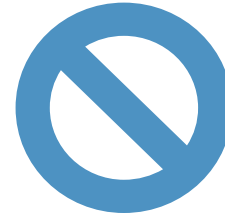
Parsonage

35% of Annual Base Wages

Minimum of \$10,000

Maximum 35% of Bishop Salary

Not prorated if less than full time
appointment

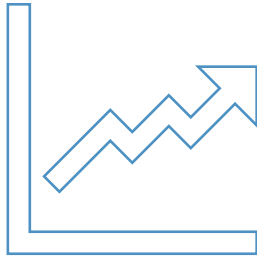


Excludes

Severance Pay

One time or occasional payments
(i.e., bonus or expense reimbursements)

Average Compensation



Denominational Average

DAC will increase at 2% per year instead of actual earnings changes (continued to be used to calculate CRSP benefit)

Conference Average

CAC will no longer be provided, but we have instructions on how to calculate using active clergy report.



Plan Features

Conferences/Church Contributions

**Flat-dollar
contribution**

\$150* per month
(Helps lower paid clergy)



**Pay-dependent
contribution**

3% of pay



**Matching
contribution**

**\$1/\$1 match on
up to 4% of pay**



* 2026 amount; increases 2% per year in \$5 increments.
* Flat dollar is adjusted to appointment percent
See Section 4.1 of Plan Document

Compass As Percentage of Compensation

Compensation	\$40k	\$78k	\$156k
Flat dollar contribution (\$150/month)	\$1,800	\$1,800	\$1,800
3% of Plan Compensation	\$1,200	\$2,340	\$4,680
4% Match	\$1,600	\$3,120	\$6,240
Total Plan Sponsor Contribution	\$4,600	\$7,260	\$12,720
Percentage of Compensation	11.5%	9.3%	8.2%

- Church's contributions for lower-paid clergy = **higher percentage of pay.**
- Optional: Church/conference can contribute extra to clergy's PIP account.
- DAC - \$78k

Helping Clergy with Student Debt



Clergy with student debt often can't afford 4% personal contribution to receive full match

- **Compass will match qualified student loan payments**
- **Will settle with Conferences once per year**

Automatic Features—Helping Clergy

Automatic Features prioritize saving for retirement



Automatic enrollment—so clergy earn full match from employer (2.13)



Automatic escalation—increases savings rate incrementally over time (2.14)



Automatic Investment Program
LifeStage Investment Management
LifeStage Retirement Income program (2.52)



Addressing Automated Enrollment and Escalation

Enrollment

- Ensures clergy do not lose out on multiple payroll cycles due to competing time commitments
- Clergy receive the match early in their career

Escalation

- Helps participants improve their retirement savings without the administrative steps
- Participants rarely request to reduce the contributions back to a lower level

Clergy can opt out at any time.



For Comparison: Industry Data from Auto Enrollment and Auto Escalation Study

- Two-thirds of the plans with auto-enroll, but no escalation defaulted participants at 4%
- Nearly 50% with auto-enroll and auto-escalation defaulted participants at 3% or less
- The plan's annual escalation percentage is typically 1% and capped at 10%. A quarter of the plans had a cap between 11% and 25%

** Plan Sponsor Magazine, Data and Research, April 2021*

Automatic Features

Has shown to
improve retirement
readiness



Optional feature
under UMPIP

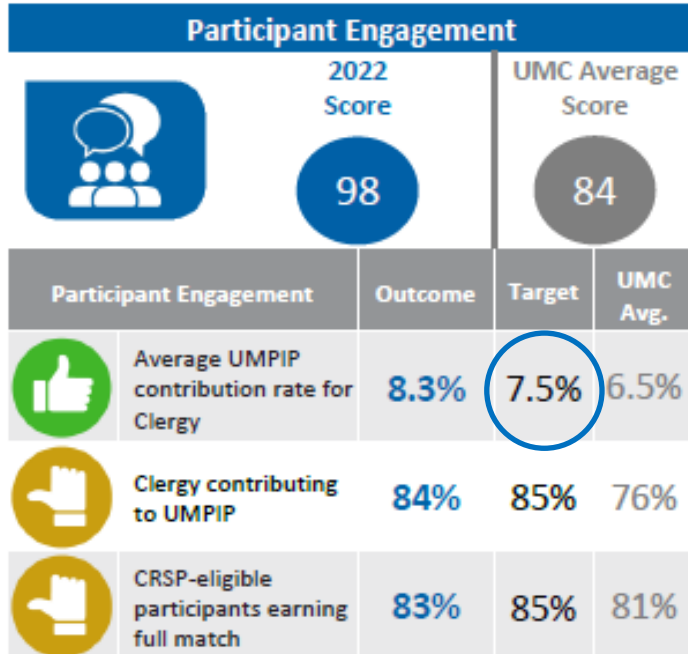


Personal Contributions

Participant Contributions



Do You Know Your Clergy's Contribution Rates?



Wespath
BENEFITS | INVESTMENTS

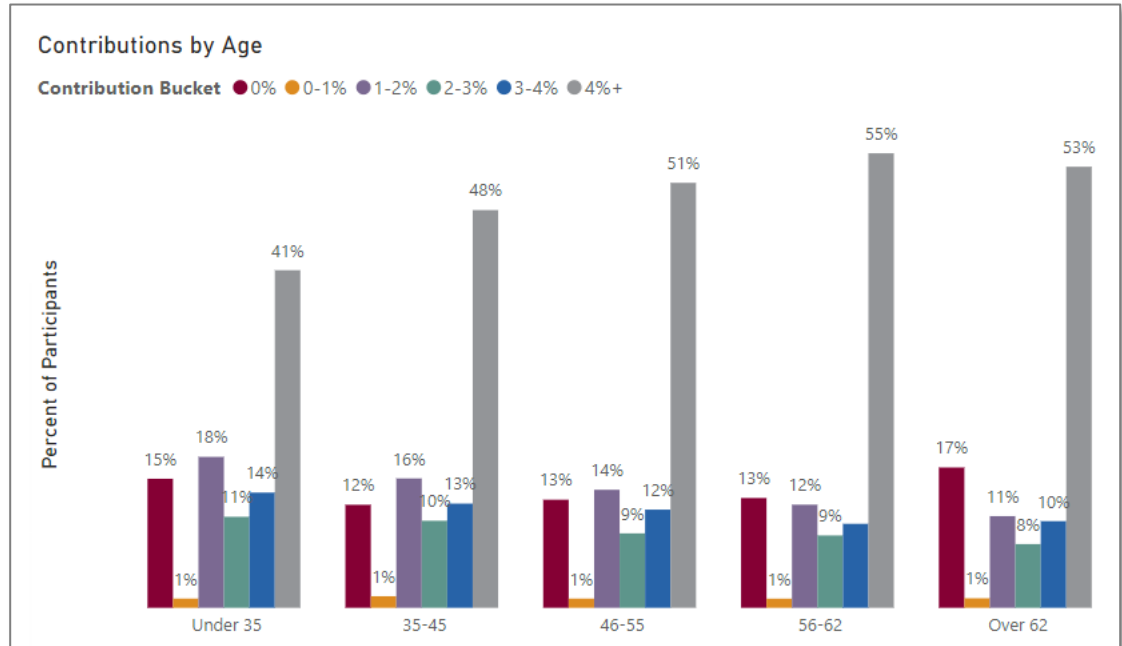
Dakotas Conference

2023 Benefit Plans Summary Report

a general agency of the United Methodist Church

Statistics on Full-Time Clergy Contributions

AgeBand	Average Contribution % with 0%	without 0%
Under 35	4.30%	5.06%
35-45	5.07%	5.74%
46-55	5.45%	6.21%
56-62	6.58%	7.52%
Over 62	6.63%	7.94%
Total	5.73%	6.59%





Distribution Phase

Provisions for Retirement—*Book of Discipline* ¶357

- **Normal Retirement:**
Age 65 or 40 years of service
- **Early Retirement:**
Age 62 or 30 years of service
- **Mandatory Retirement:**
Age 72
- **20-year retirement**

For CRSP, MPP, Pre-82



Retirement Plan: Investment Management Today

Defined Benefit Plans: Trustee Directed

- Pre-82
- MPP
- CRSP-DB

Defined Contribution Plans-Participant Directed

- UMPIP
- 75%+ of assets still directed into LifeStage by choice



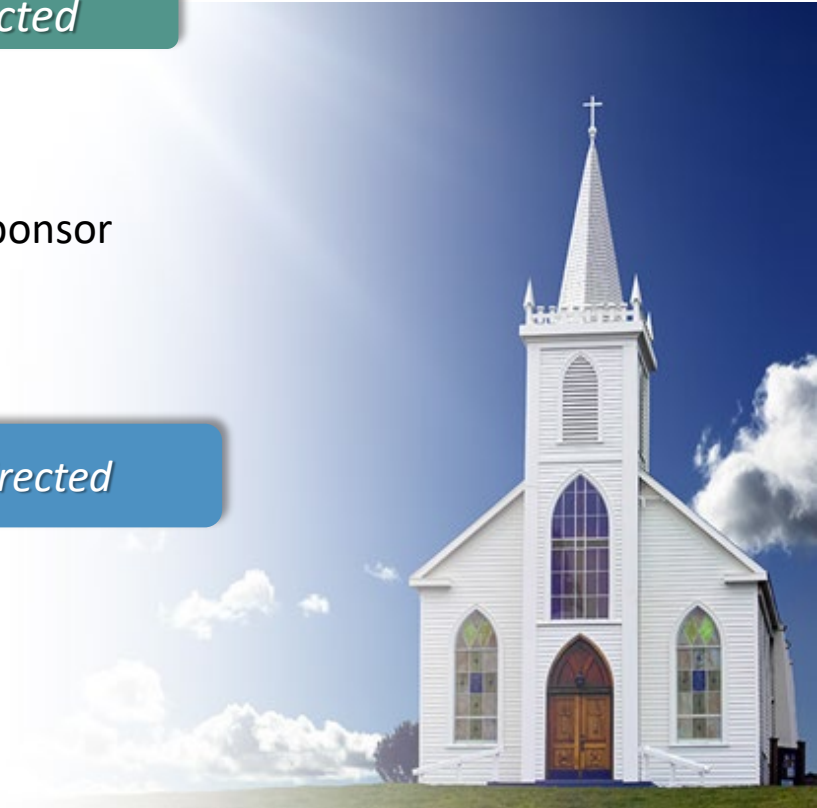
Retirement Plan: Investment Management Compass

Compass Employer Contributions: Trustee Directed

- Employer Matching (6.3b)
- Non-Matching (6.3b)
- Design Team felt it was appropriate to have plan sponsor portion managed
- Life Stage Investment funds

Compass Employee Contributions-Participant Directed

- Employee deferrals through payroll deduction
- Self-direct into available funds (6.3a)
- Pre-tax and Post-tax contributions
- Default investment option is Lifestage



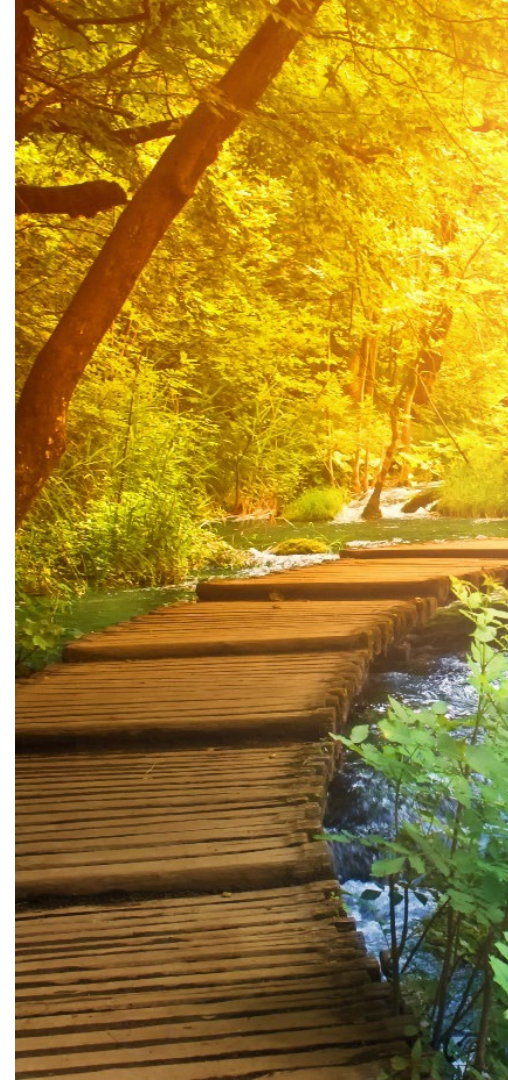
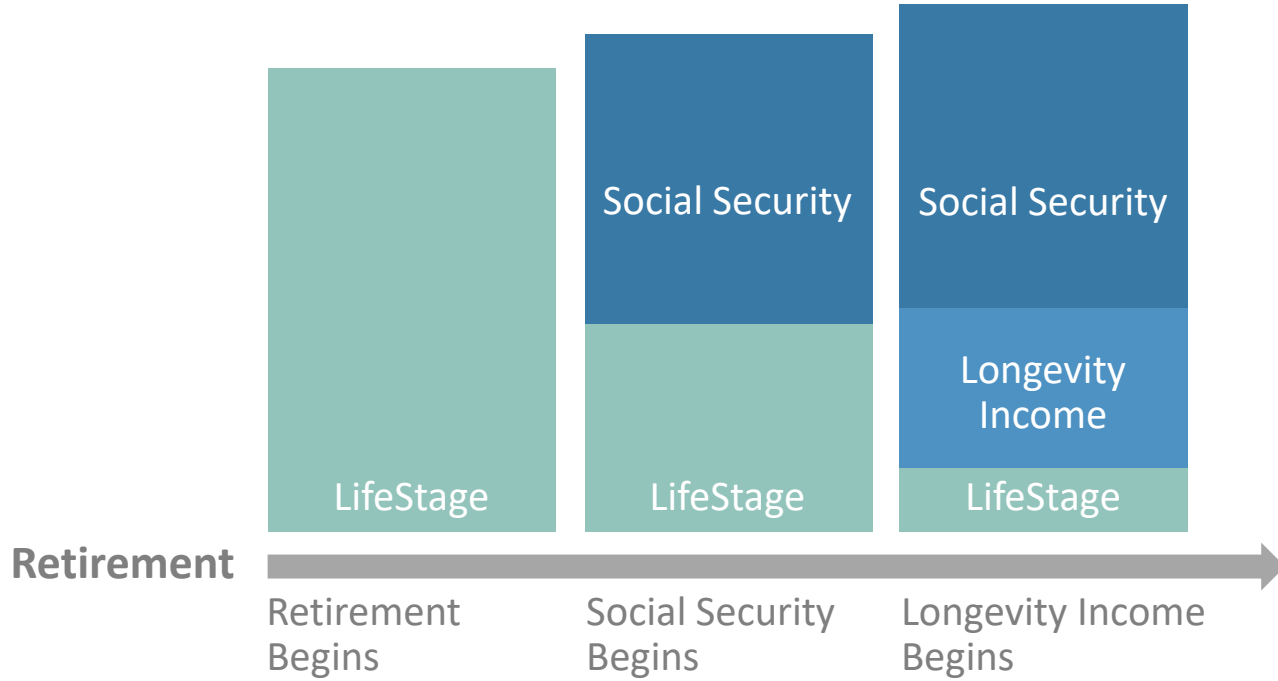
Spending Phase—Payouts



- Features **payout system** to maximize retirement income and strive for a lifetime income stream
- Integrates with Social Security; offers deferred annuities to help **optimize the result** for clergy
- Hardship exception in payout phase allows access to money for terminal or critical illness (8.1(a))



How It Works with Options



Advantages of LifeStage Retirement Income

- Social Security Bridge
 - Lowers investment risk
 - Lowers inflation risk (Social Security is indexed)
- Deferred Annuity
 - Eliminates longevity risk
- Overall, LifeStage optimizes payout
 - It significantly increases income available at retirement relative to “standard 4% rule”



Similar Provisions With CRSP



What's the Same?

What doesn't change:

- **Active clergy**—keep benefits previously earned
- **Retired clergy**—Compass has no impact
- **Eligibility**—same rules as current plan



What's the Same?

Plan Sponsors:

- Annual Conferences
- GCFA For Bishops
- Commission on General Conference

Participant = Eligible Clergy Person (2.21 & 2.60)

- Who's Clergy? – Looks to Discipline
 - Bishops
 - Elder or Deacon in Full Connection, Provisional Member, Affiliate Member, or Associate Member of Conference
 - Approved Local Pastors
 - Non-Jurisdictional Clergy person provided that they are not in Puerto Rico or Central Conference program to which they belong
 - Other Methodist Denomination provided they are not participating in their own program
 - Other Denomination Clergy, provide not participating in other program

Election Not to Participate

- Subject to Consent of Plan Sponsor (i.e., Conference)
 - Student Local Pastor
 - Appointed on a part time basis
- Participant can revoke at any time
- Election doesn't impact existing account balance
- Full Time Clergy Cannot Waive



Other Items

Participant Contributions :

Elective vs Auto-Enroll

- Roth contributions are allowed in Compass
- However, auto-enrolled participants will be enrolled with before-tax contributions
- If, the clergy participant is “actively enrolling” they can choose either pre-tax or Roth after-tax contributions

Remainder of 2024

- Define Process for Online Deferral Elections
 - We expect to do this for clergy and lay employees
 - We want to do it in a manner that respects the needs of all stakeholders:
 - Participant
 - Salary Paying Unit (typically: Local Church)
 - Annual Conference
 - Wespath



Remainder of 2024

- Define Process for Automatic Features
 - Automatic enrollment and automatic escalation
 - Similar to online deferral elections, but triggered automatically
 - Need to work with you to develop process that minimizes disruption



2025

Compass Implementation*

- Setup of entirely new plan in our administration system
- Implementation of automatic features

Changes to MPP*

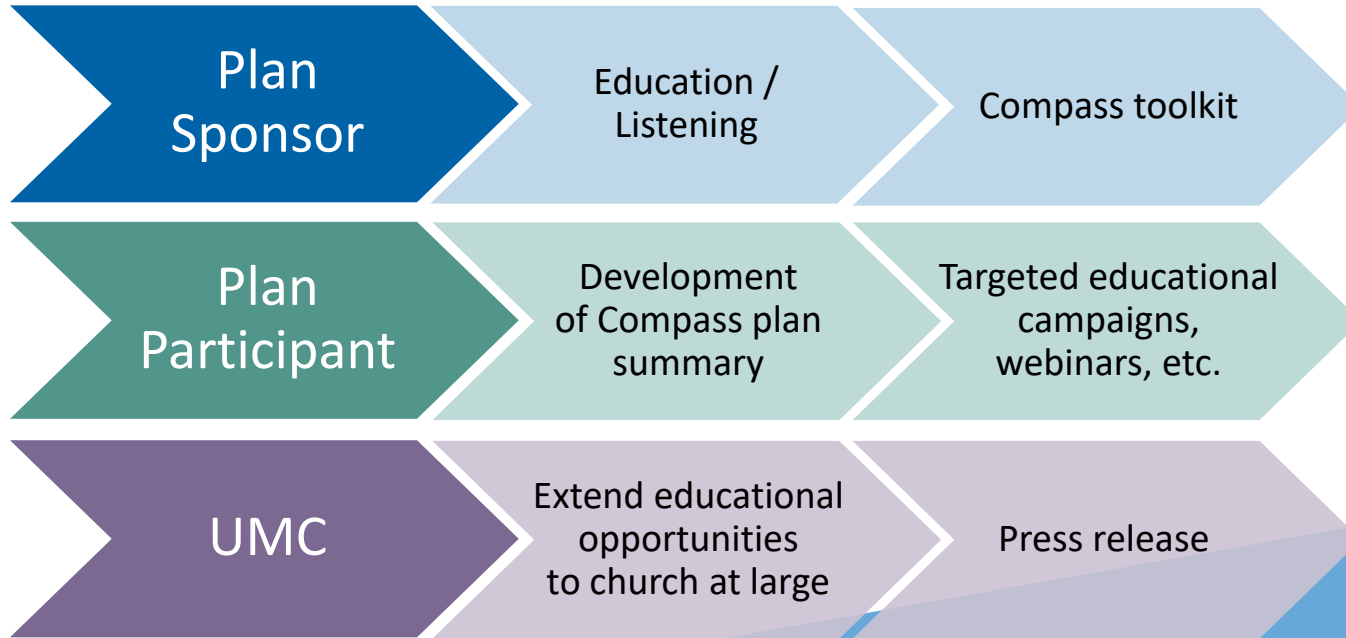
- 65% that is currently required to be amortized upon retirement is expected to be allowed to remain as account balance, subject to payout using LifeStage Retirement Income (LSRI)

*Depending on outcome of General Conference



Wespath Is Gearing Up to Help

Explaining the new plan and how it works:



Mark Your Calendars

April 11, 2024
1:00 – 2:30 Central

Remittance and
Other Questions

April 17, 2024
2:00 – 3:00 Central

Thoughts before
General Conference

April 2024						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 APRIL	2 APRIL	3 APRIL	4 APRIL	5 APRIL	6 APRIL
7 APRIL	8 APRIL	9 APRIL	10 APRIL	11 APRIL	12 APRIL	13 APRIL
14 APRIL	15 APRIL	16 APRIL	17 APRIL	18 APRIL	19 APRIL	20 APRIL
21 APRIL	22 APRIL	23 APRIL	24 APRIL	25 APRIL	26 APRIL	27 APRIL
28 APRIL	29 APRIL	30 APRIL				



Wespath

BENEFITS | INVESTMENTS

Missionary Conference Funding (1.4)

- Responsible for funding non-matching contributions (i.e. flat dollar and non-conditional match)
 - Alaska
 - Central Apalachin
 - Oklahoma Indian Missionary
- Funding from existing plan or spread to other Conferences
 - Cost if Conference

Late Contribution (4.4)

- Subject to Missed Earnings
- Salary paying unit has initial liability; however, plan sponsor must remit amounts