

Quadrennial
Benefits
Conference



Retirement/Savings Plans Overview



Wespath
BENEFITS | INVESTMENTS

Agenda

- Defined Benefit and Defined Contribution Plan Characteristics
- Basic Provisions of Denominational Retirement Plans—Past and Current
- United Methodist Personal Investment Plan (UMPIP) Voluntary Retirement Plan

DC and DB Plans

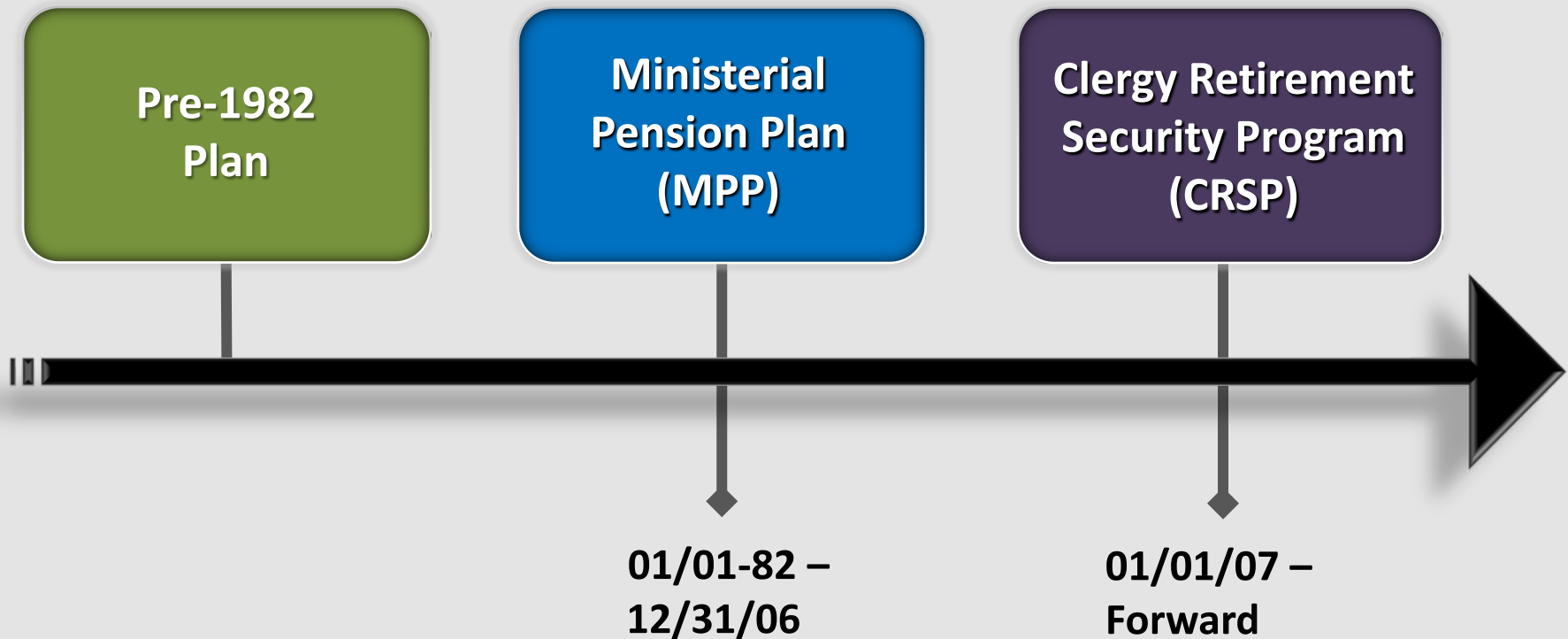
Defined Benefit (DB)

- Lifetime benefit based on a formula and other factors
- Funding pool is maintained to pay benefits
- Plan sponsor bears investment risk and longevity risk
- Plan sponsor must prudently plan to fund future benefits
- Lifetime benefit provides predictable income

Defined Contributions (DC)

- Account balance based on amount/percentage of compensation contributed and account earnings/losses
- Account maintained for participant/invested
- Participant bears investment risk and longevity risk (outliving account balance)
- Participant must prudently manage distributions
- Account balance provides flexibility

Retirement Benefits— Past, Present and Future



Caring For Those Who Serve

Pre-82 Plan

- Approximately 26,000 receiving benefits
- Approximately 4,000 yet to begin receiving benefits

MPP

- Approximately 32,000 annuities currently being paid
- Approximately 28,000 additional annuities expected

CRSP

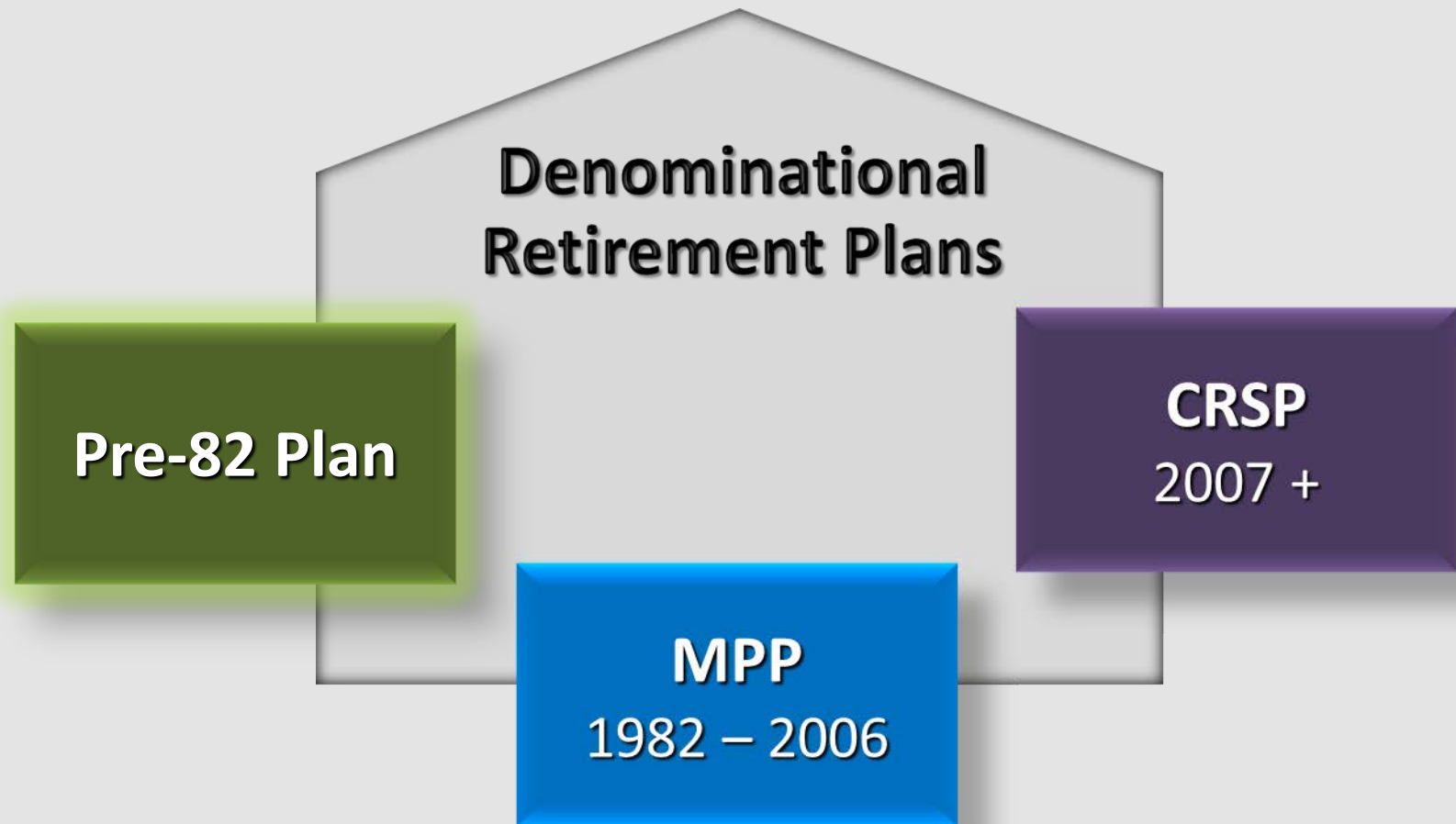
- Approximately 9,000 receiving benefits
- Almost 28,000 not receiving benefits, of which 23,000 are still accruing benefits

Pastor Peterson



Appointment		Retirement Plan	Benefit
First UMC	07/01/79 – 12/31/82	Pre-1982 Plan	\$
Avondale	01/01/82 – 06/30/84	MPP	\$
Berwyn	07/01/84 – 06/30/88		
Central	07/01/88 – 06/30/94		
Exton	07/01/94 – 06/30/02		
Grove	07/01/02 – 12/31/06		
Grove	01/01/07 – 06/30/09	CRSP	\$
Malvern	07/01/09 – 06/30/11		
Leola	07/01/11 – 06/30/13		
Temple	07/01/13 – Present		

Mandatory Retirement Programs



Pre-1982 Plan



Provides benefits for service before January 1, 1982

Benefits calculated using a Past Service Rate (PSR)

A retirement plan with both DB and DC features

Pre-1982 Benefit

Annual benefit, payable at retirement, is the greater of:

- PSR multiplied the participant's pre-1982 years of approved service
- An account balance allocated to the participant converted to an annuity—
Defined Benefit Service Money (DBSM)

Past Service Rate (PSR)

- Dollar amount chosen annually by each conference
- PSR can increase each year or be kept the same
- PSR cannot decrease
- If conference not fully funded any increases must be funded in advance



Example

$$\begin{array}{r} 11 \text{ years} \\ \times \\ \$521 \text{ (PSR)} \\ \hline = \$5,731/\text{year} \end{array}$$

$$\begin{array}{l} \text{DBSM} = \$112,500 \\ \text{converts to} \\ \$7,194/\text{year} \end{array}$$

Benefit = \$7,194/year (\$599/month)

Pre-1982 Plan Funding

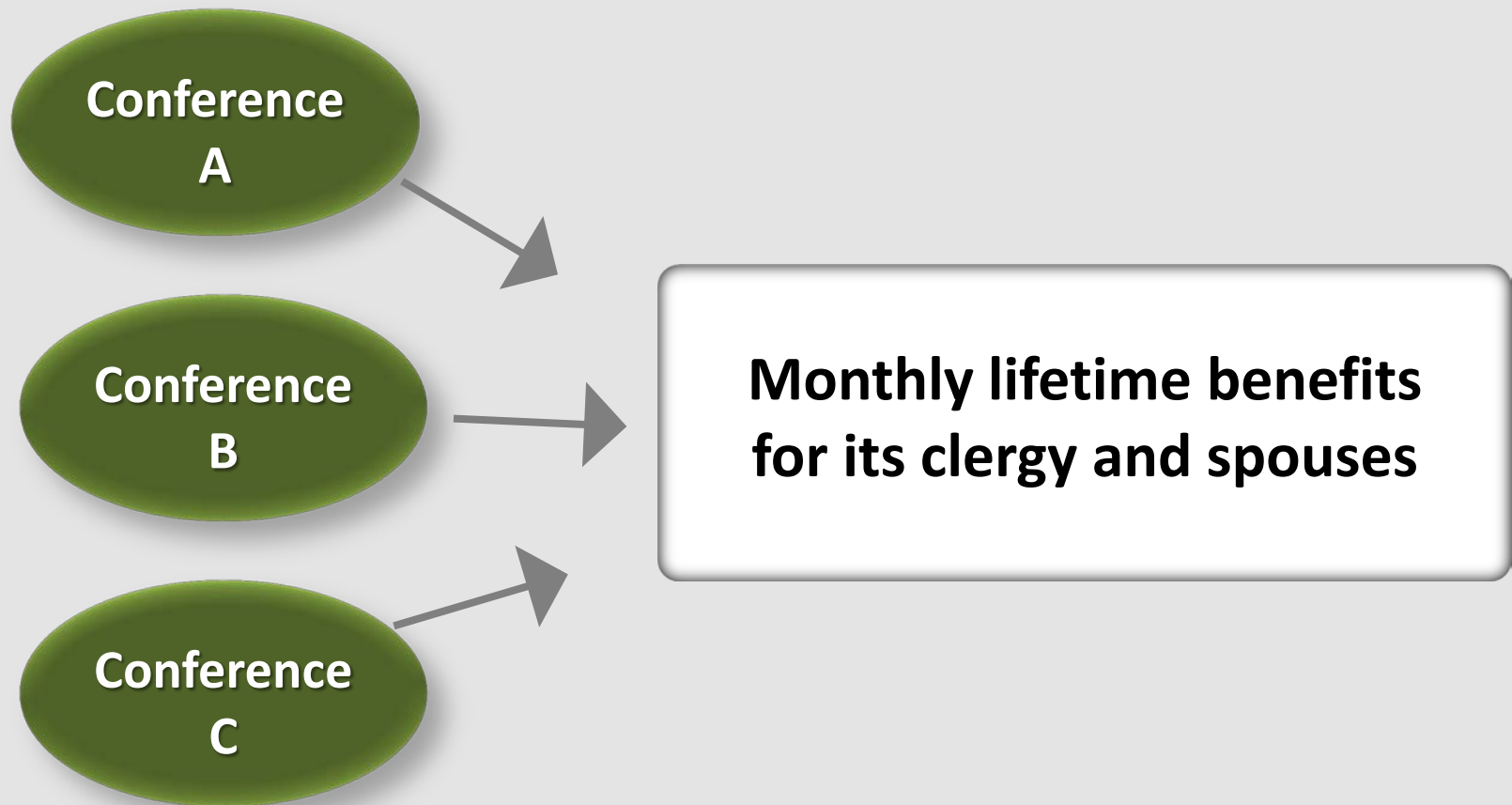
Prior to 1982, conferences had three choices for funding:

1 Don't fund; pay later

2 Pay for new clergy

3 Pay for all clergy

Pre-1982 Plan Conference Funding Pools



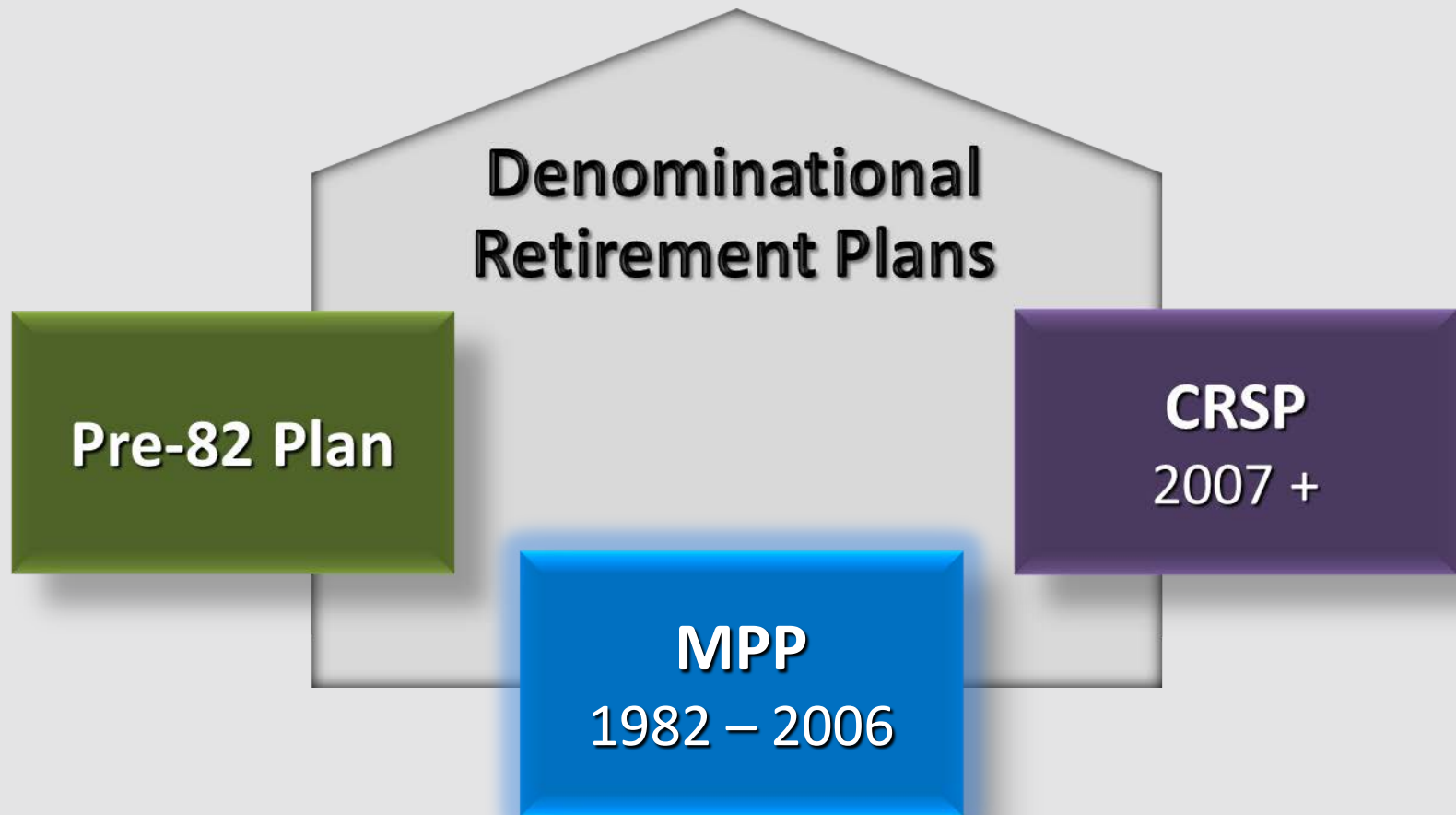
Navigating the Path (Decisions)

Past Service Rate (PSR)

**Surviving Spouse Percentage
(Contingent Annuitant Percentage)**

Navigating the Path

Mandatory Retirement Programs



Ministerial Pension Plan (MPP): 1982–2006

- In effect from January 1, 1982 to December 31, 2006 (later for bishops)
- A DC plan during active years that in part, becomes a DB plan at retirement
- Benefit at retirement based on account balance, participant's annuity selection, age, marital status and other factors

MPP Contributions and Annuity Funding

During Participant's Active Years

Each conference elected contribution percent:

- 9% to 12% of contribution base

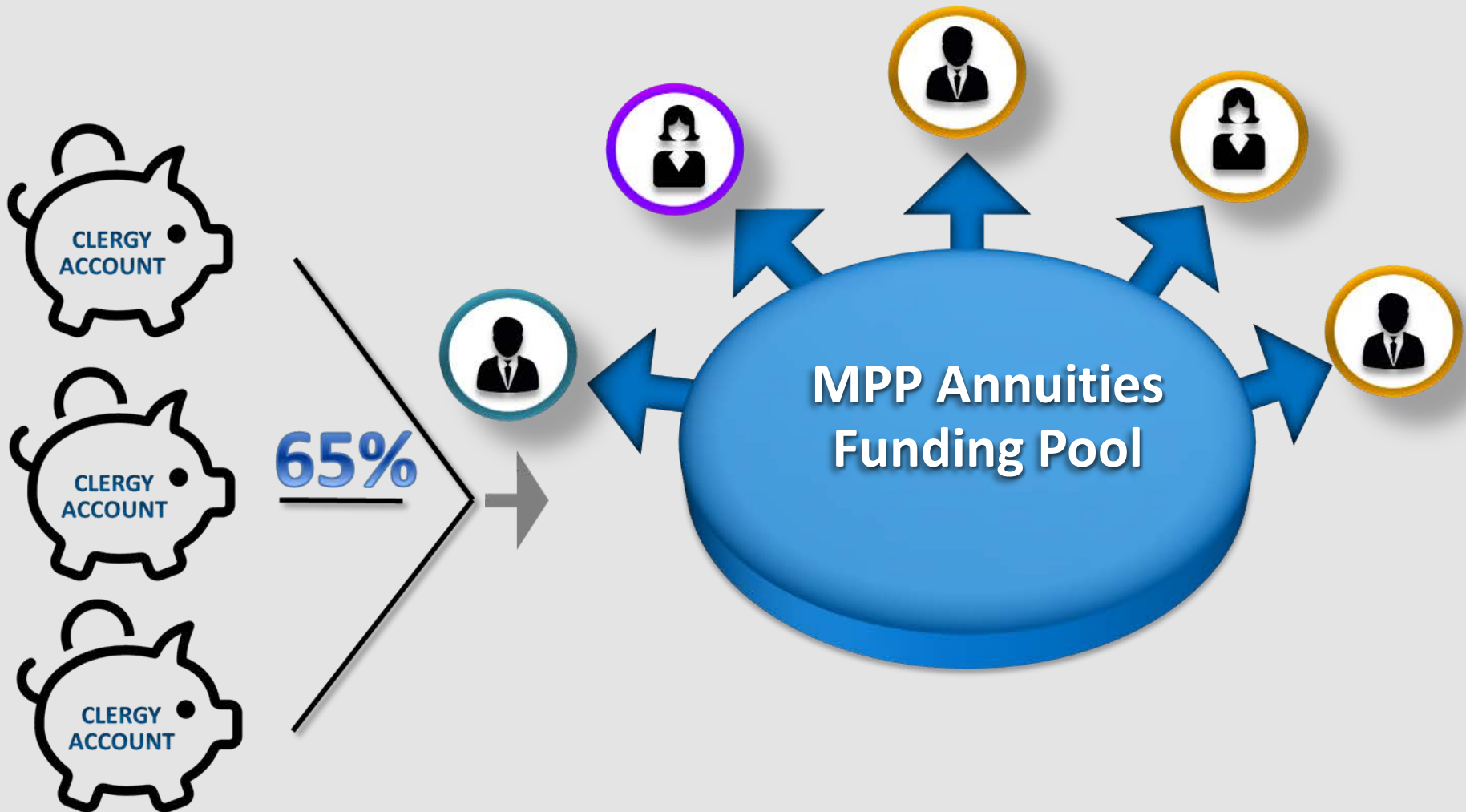
During Retirement

Conferences take on risk and responsibility for funding current and expected future MPP annuities

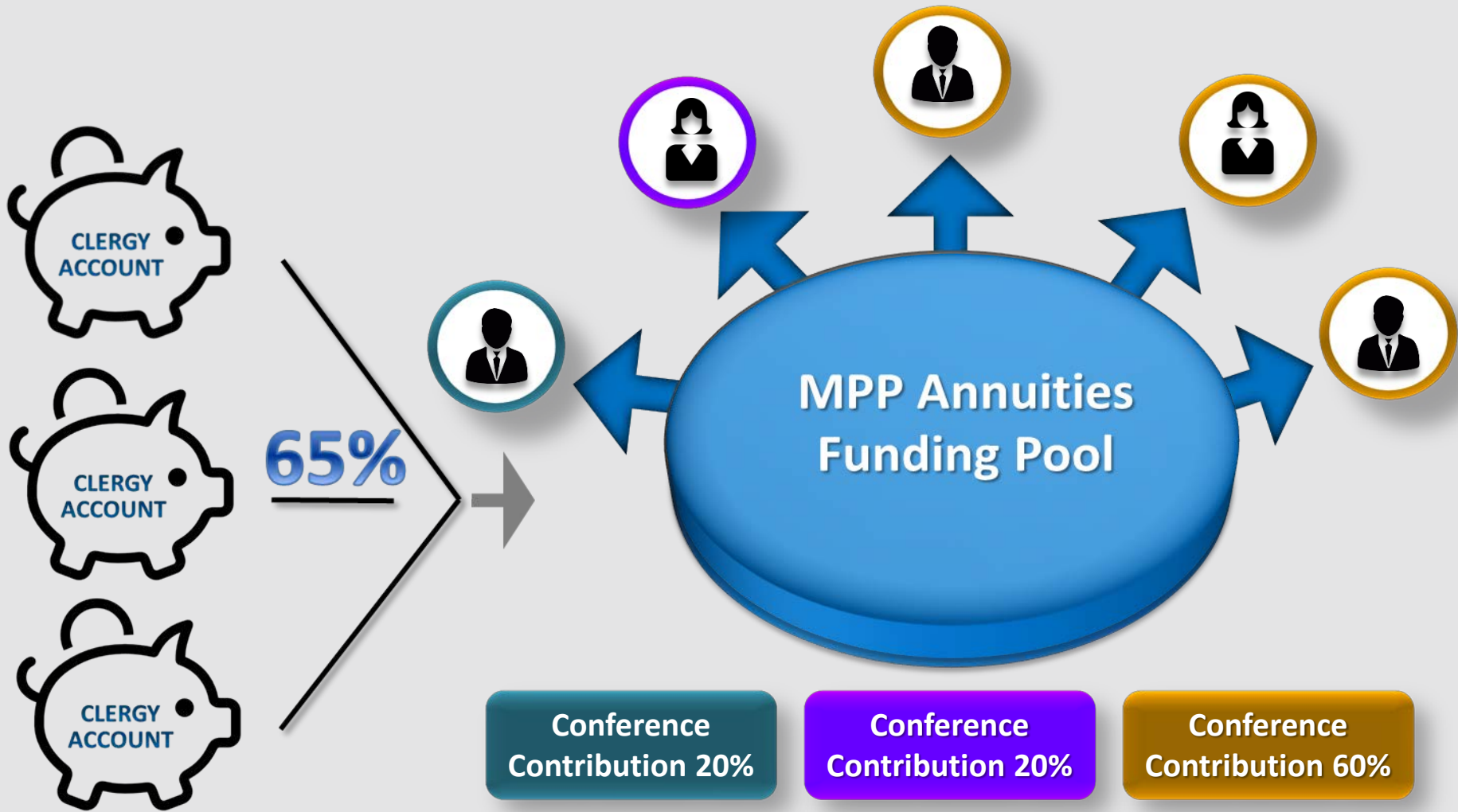
Ministerial Pension Plan: 1982 – 2006

- MPP contributions ceased on December 31, 2006
- MPP account balances (including accumulated earnings) remain separate
- At retirement 65% of MPP account payable as a lifetime annuity
- 35% available as a cash distribution—can be rolled over to UMPIP, another retirement plan or an IRA

MPP Annuities Funding



MPP Annuities Funding



Navigating the Path (Decisions)

In the future, if a contribution is required for the MPP annuities pool, where will the funding come from?



Denominational Average Compensation (DAC)

Average plan compensation of clergy enrolled in United Methodist clergy plans and serving full-time appointments

2016: \$67,333

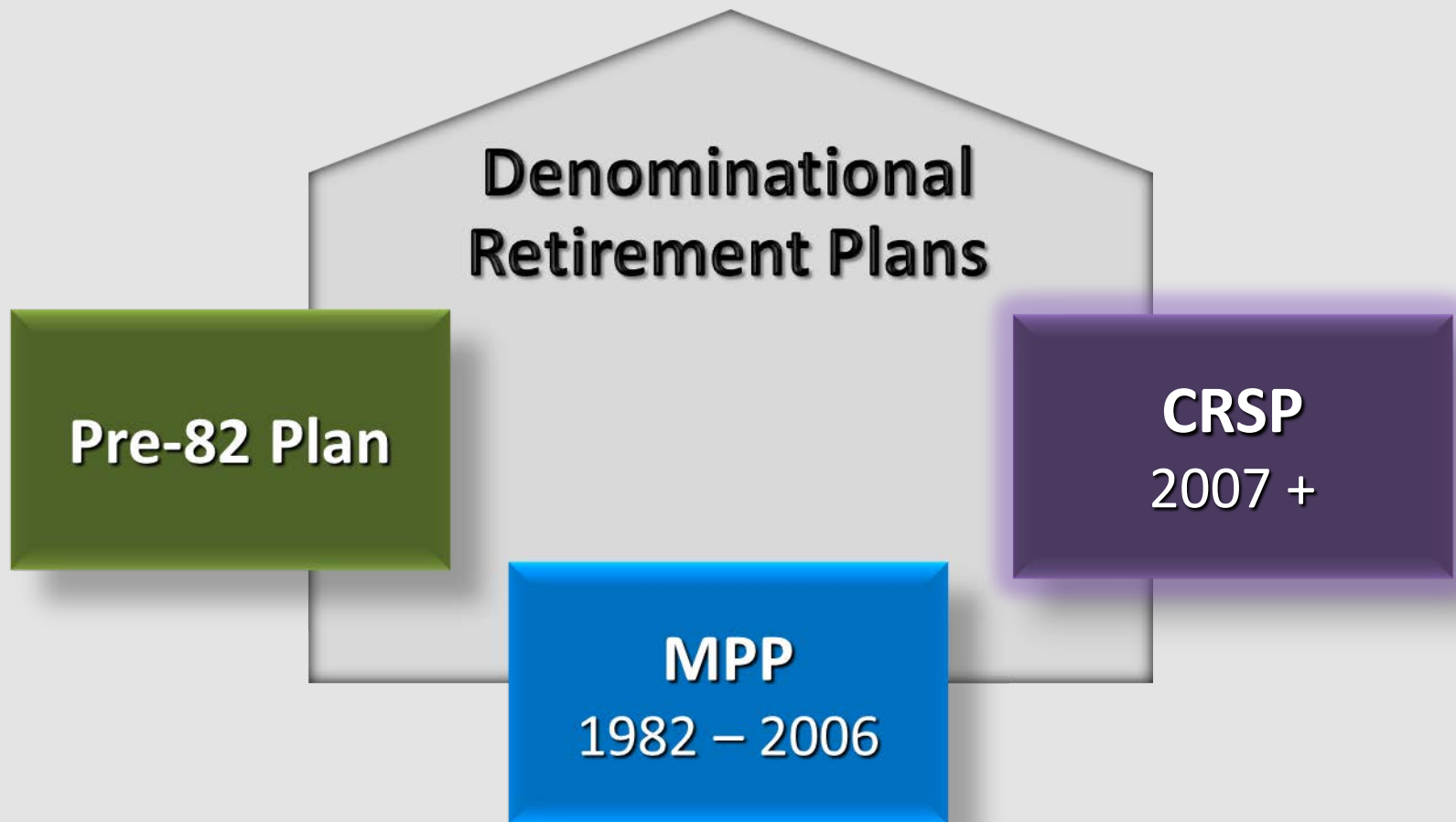
2017: \$68,876

Plan Compensation

Example: Pastor With Salary of \$32,000

(1) Taxable Cash Salary	\$25,000
(2) §125/403(b) Reduction	\$ 5,000
(3) Housing Exclusion	\$ 2,000
Salary	\$32,000
(4) Parsonage (25%)	\$ 8,000
(5) Total Plan Compensation	\$40,000

Mandatory Retirement Programs

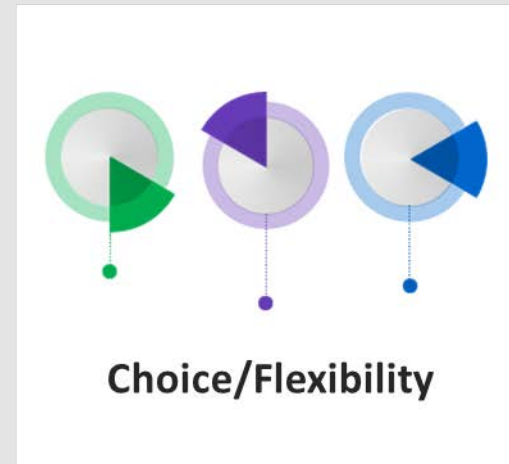


Clergy Retirement Security Program



**Defined Benefit
(DB)**

+



**Defined Contribution
(DC)**

CRSP DB Component—Service Before 2014

Monthly payment, payable for life, calculated by multiplying the following and then dividing by 12:

- 1.25%
- DAC at time of retirement
- Years of credited service from January 1, 2007 until December 31, 2013

Example for 2016 Retirement

$$\begin{aligned} &.0125 \times \$67,333 \text{ (2016 DAC)} \times 7 \text{ years} = \$5,892 \div 12 \\ &= \$491 \text{ per month} \end{aligned}$$

CRSP DB Component—2014 and Beyond

Monthly payment, payable for life, calculated by multiplying the following and then dividing by 12:

- 1.00%
- DAC at time of retirement
- Years of credited service beginning January 1, 2014

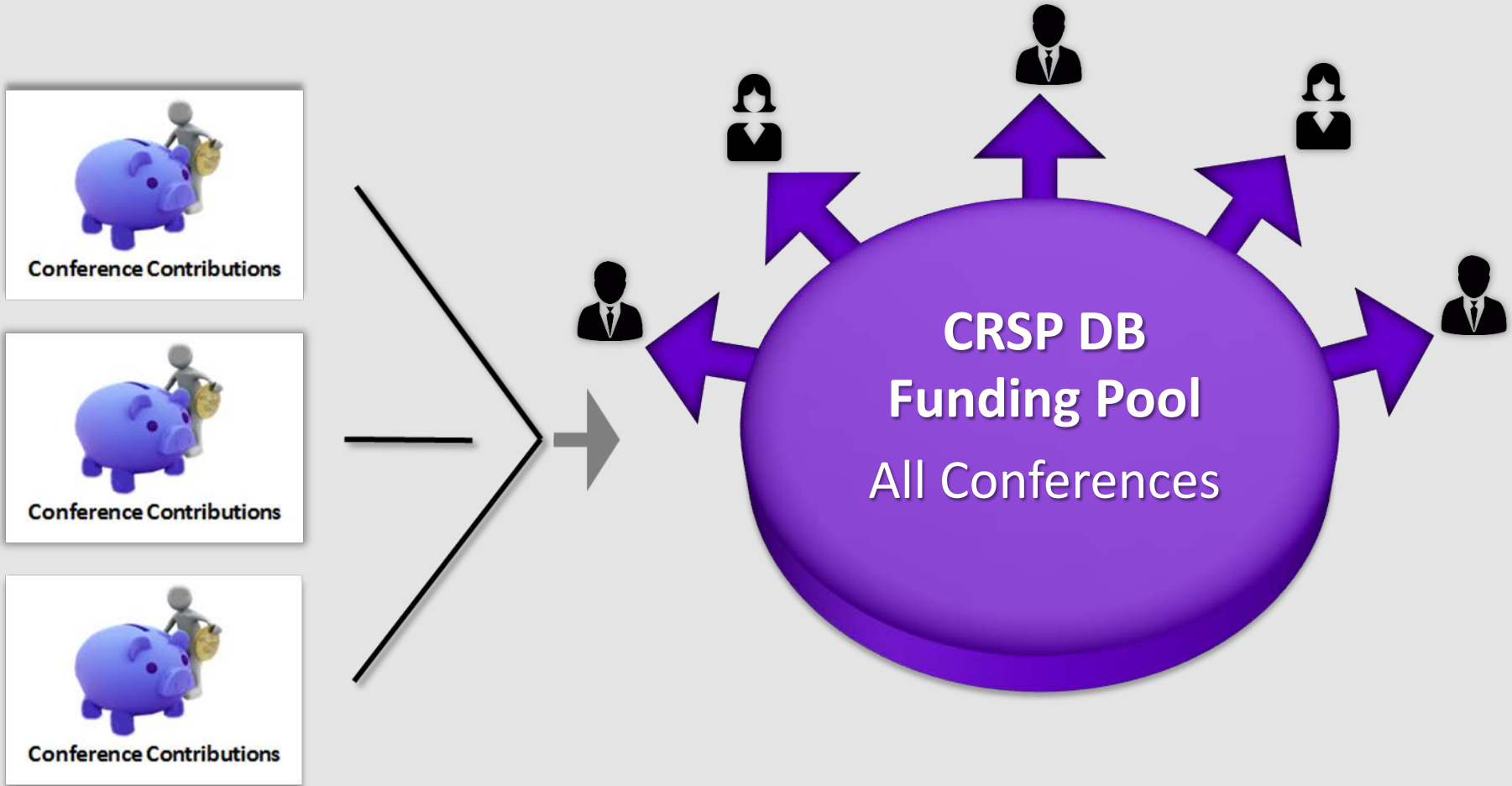
Example for 2016 Retirement

$$\begin{aligned} .01 \times \$67,333 \text{ (2016 DAC)} \times 2.5 \text{ years} &= \$1,683 \div 12 \\ &= \$ 140 \text{ per month} \end{aligned}$$

CRSP DB Cost

- Annual actuarial valuation performed by Wespath
- Identifies the CRSP DB contribution required from the conference for the year
- Calculated 2 years in advance (e.g., the January 1, 2017 actuarial valuation is for 2019 contributions)

CRSP—DB Funding

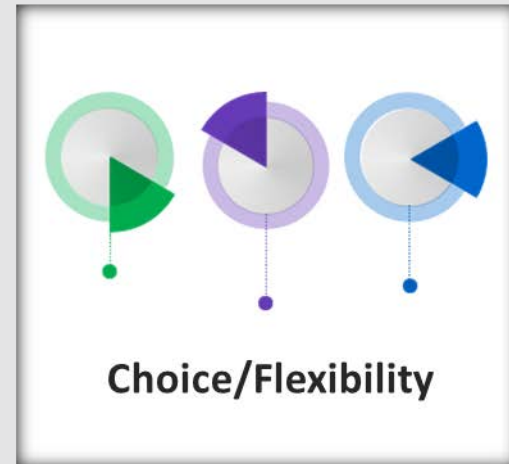


Clergy Retirement Security Program



**Defined Benefit
(DB)**

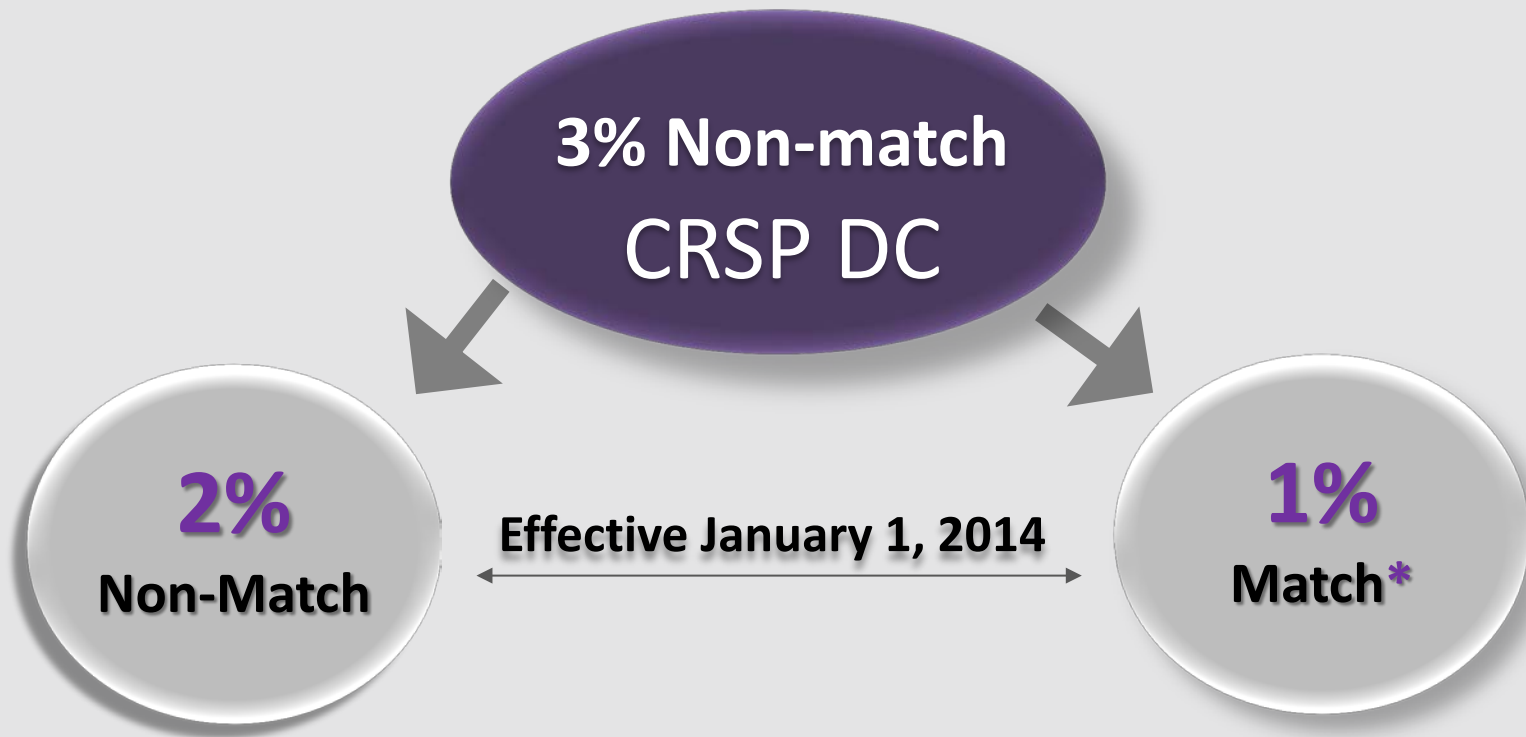
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**Defined
Contribution
(DC)**

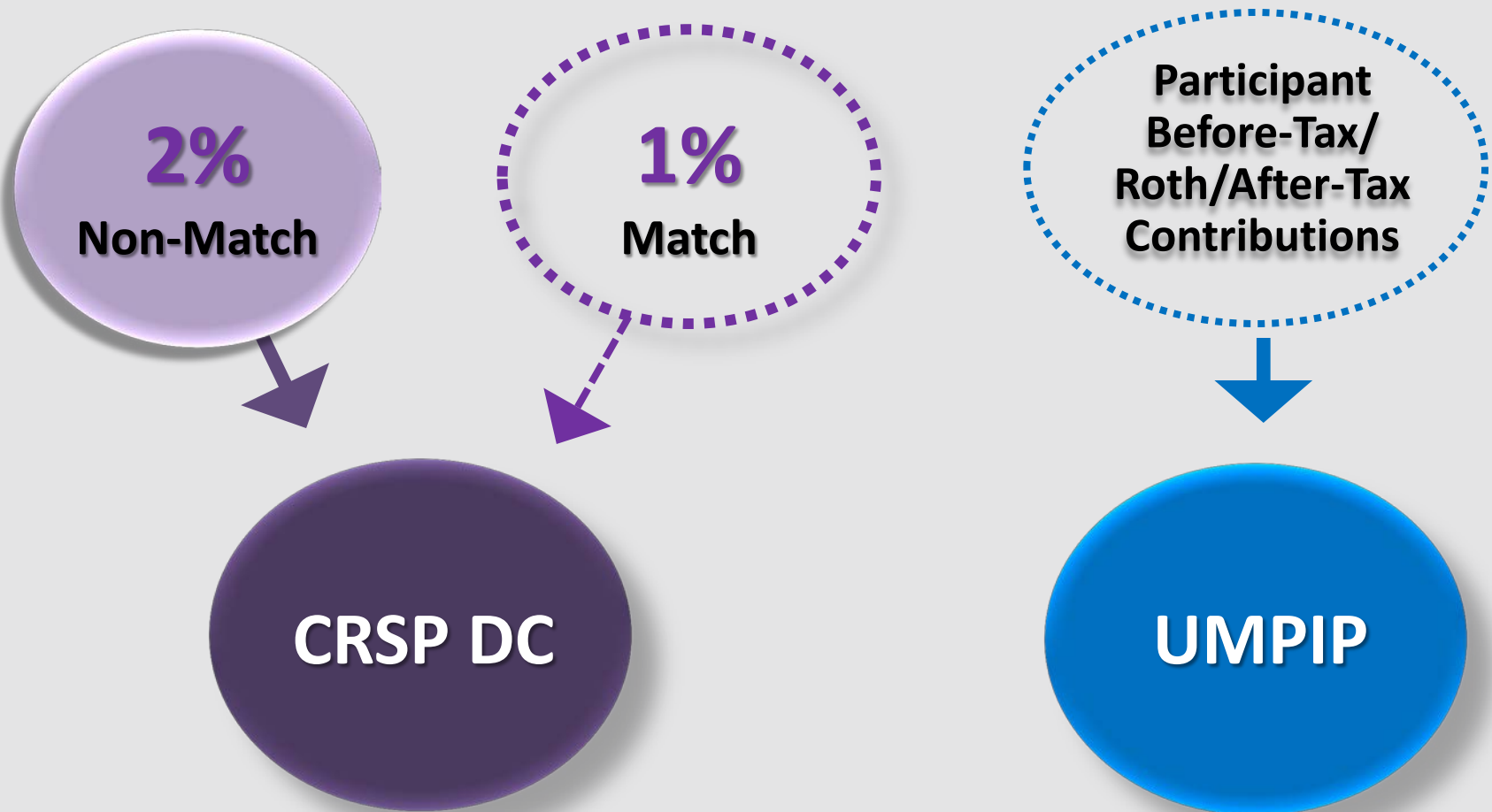
CRSP—DC Component

Effective January 1, 2007 thru December 31, 2013



* 100% of UMPIP contributions up to 1% of compensation

CRSP Matching Contributions



Defined Contribution Component

- Every month, contributions are deposited into the participant's account
- Account balance invested as directed by the participant
- Available as cash distributions
 - Full lump sum
 - Partial lump sum
 - Cash installments (known as retirement income)
- Remaining balance to beneficiary at death

CRSP Changes

Provision	CRSP 2007 – 12/31/13	CRSP 01/01/14
DB benefit formula	1.25% of DAC* per year of service	1.00% of DAC* per year of service
DC non-matching contribution	3% of participant compensation	2% of participant compensation
DC matching contribution	N/A	1% of participant compensation
Surviving spouse benefit	Funded by Church; greater value for married clergy	Funded by clergy via reduced initial benefit; equal value for all clergy

* DAC—Denominational Average Compensation

CRSP Eligibility

- Clergy (elders, deacons, associate members and local pastors) appointed full-time to a:
 - Local church or
 - Conference-responsible extension ministry
- Conference may elect to make clergy appointed $\frac{1}{2}$ or $\frac{3}{4}$ time eligible
- Clergy receiving CPP disability
- Clergy placed on medical leave but not CPP disabled (if so elected by conference)

Navigating the Path (Decisions)

**Will conference cover clergy serving
50% and/or 75% in CRSP?**

**For clergy not covered in CRSP,
what retirement benefits,
if any, will be provided?**



United Methodist Personal Investment Plan (UMPIP)



- A voluntary defined contribution retirement/personal savings plan
- Designed to accept both **employer** (plan sponsor) and **employee** (participant) contributions
- Available to clergy and lay employees

UMPIP

- Most clergy participate in UMPIP for voluntary participant contributions
- Conferences and/or local churches can sponsor UMPIP to provide employer contributions
 - To supplement CRSP benefits
 - To serve as “primary” retirement plan for clergy not eligible or covered under CRSP (e.g., part-time clergy)
 - To provide retirement benefits to lay employees

UMPIP as a Personal Savings Plan

- Participant contributions made through payroll deduction
 - Before-tax contributions
 - Roth contributions
 - After-tax contributions
- Participant elects dollar amount or percentage of compensation to be contributed
- Election can be changed prospectively at any time

UMPIP Plan Sponsor Contributions

- Conference, church or employer determines if it will provide employer contributions
- Flexible plan design allows customization of eligibility, contribution types/formulas, vesting and service requirements
- Elections can be amended at any time (prospectively)



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