

GC 2020 Plan Design Recommendations—Information for CBOs

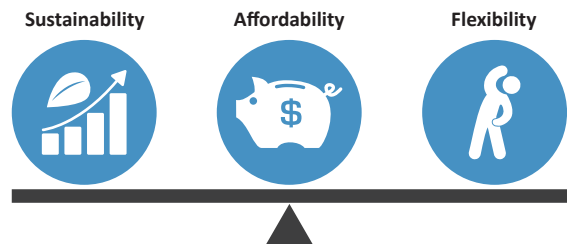
Why Change the U.S. Clergy Pension Plans?

We believe plan changes are needed to address potential sustainability issues resulting from changing demographic trends, U.S. membership declines, changing Church needs and financial market dynamics.



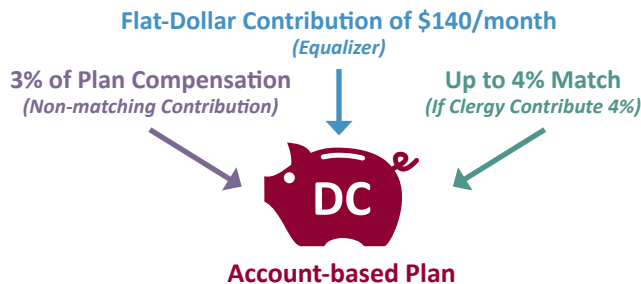
The Recommended Plan is Designed to:

- Balance affordability with income adequacy
- Increase sustainability, ensuring reliable benefits
 - Increases predictability of defined benefit (pension) costs and reduces volatility
- Provide flexibility that:
 - Allows benefit portability for clergy
 - Enables leaving account balance to heirs



What is the Proposed Plan Design?

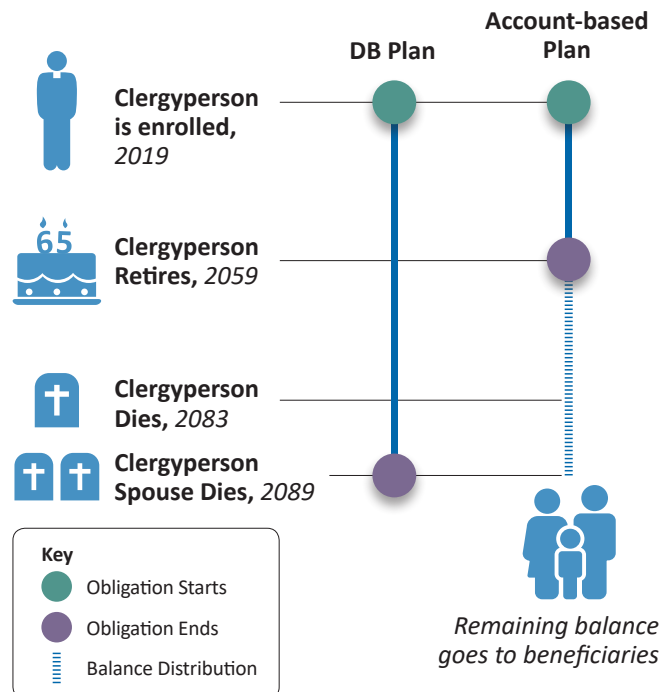
Wespath plans to recommend a defined contribution-only (“account-based”) plan, effective January 1, 2023. Annual conferences would make three types of contributions to clergy:



Annual Plan Sponsor Contribution Example

Compensation	\$40k	\$75k
3% of Plan Compensation	\$1,200	\$2,250
Flat Equalizer (\$140/month)	\$1,680	\$1,680
4% Match	\$1,600	\$3,000
Total Plan Sponsor Contribution	\$4,480	\$6,930
Percentage of Compensation	11.2%	9.24%

How Long Does Annual Conference Obligation Last?



Defined benefit pension obligations last clergy (and spouse) lifetimes. However, account based plans provide contributions based on current plan compensation—obligations end when the clergyperson terminates or retires.

How the Proposed Plan Addresses Potential Participant Challenges

Retirement Income Sufficiency

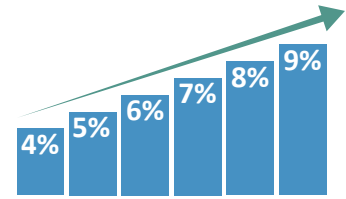
Approximately 20% of clergy participants in CRSP do not elect high enough contributions to earn the maximum benefits. **Automatic features will make earning the full plan sponsor contribution the default.**

- Automatic enrollment: Clergy will be automatically enrolled for at least 4% in personal contributions, which qualifies for the full match.
- Automatic escalation: Contributions will increase by at least 1% per year.

Note: Clergy can opt out of these features.

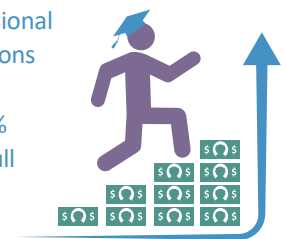
Accelerated match will enable newly ordained clergy to contribute half as much to earn the full match.

A \$2 per \$1 match (on up to 2% of pay) is available to help ease the burden of student loans. The accelerated match is available for up to 10 years after becoming a provisional elder or deacon.



Automatic escalation will increase your contribution percent at least 1% per year.

Recent provisional elder or deacons only have to contribute 2% to earn the full 4% match.



Investment Risk

Wespath will continue to offer robust investment management and decision-making services and tools.

These offerings are designed to help participants as they assume more responsibility and risk for retirement planning.

EY Financial Planning Services—Provides comprehensive financial planning assistance from a leading global financial services firm.

LifeStage suite—Helps participants invest their account balances during their years of service and manage distribution payments in retirement.

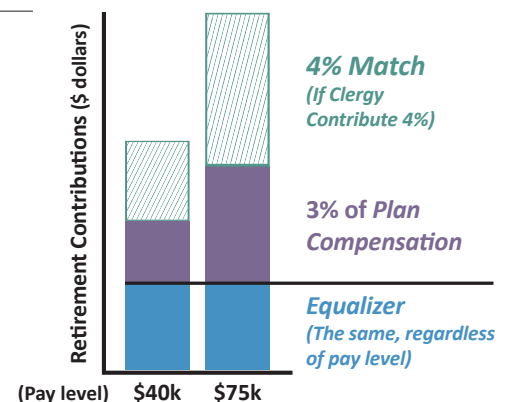


Eligible participants can access financial planning assistance through EY.

Denominational Fairness

The “equalizer” component provides a base level of benefits to more fairly distribute benefits than a solely pay-based plan.

UMC plans have long included an equalizer by referencing the DAC. The proposed plan continues to provide clergy who are called to low-paid or missional appointments a higher level of income replacement than their pay would afford. Clergy will receive a flat-dollar contribution of \$140 per month. The equalizer is reduced for clergy serving less-than-full-time appointments.



What happens to defined benefit pensions that have been earned but not yet taken?

Participants who have earned a pension in the defined benefit plans will retain those benefits. The DAC will continue to increase 2% annually through participant retirements. Defined benefit pensions for some participants, such as those with fewer than five years of service or who have terminated but not begin benefits, may be converted to a starting account balance under the new plan.