



CBOP/CBO Training—October 2020



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BENEFITS | INVESTMENTS

UMC Pension Plans: History and Evolution

Church Plans Context

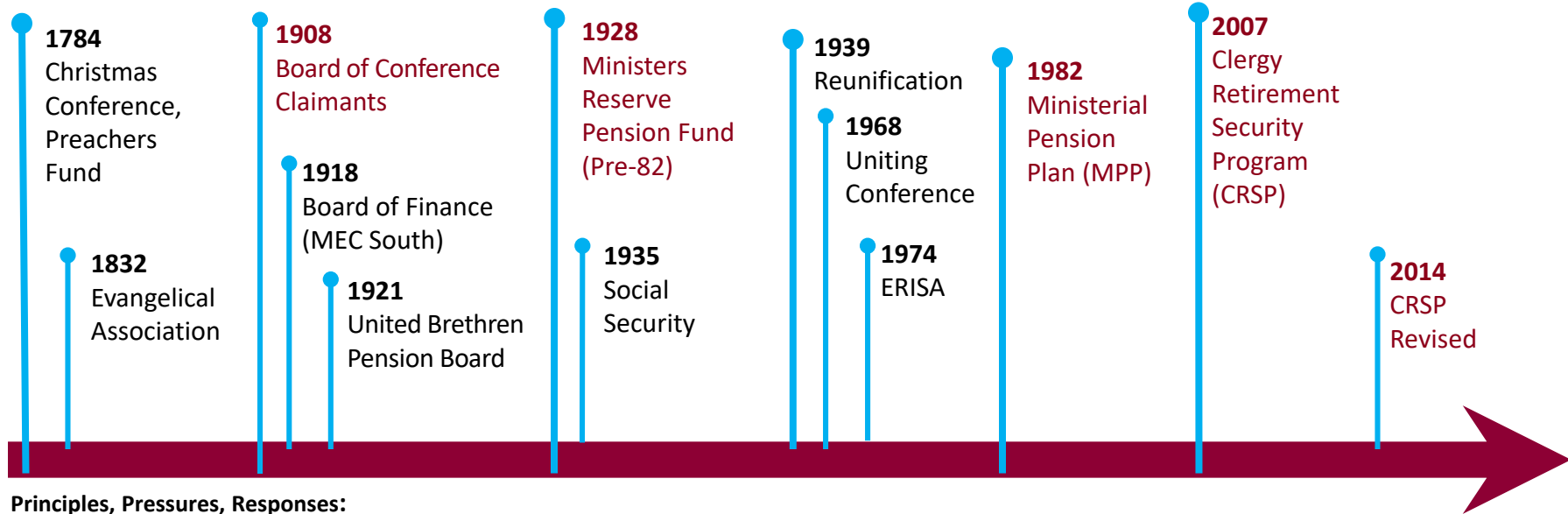
Church plans
*“are some of the oldest retirement plans
in the country” ...
“several date back to the 1700s”*

125 Cong. Rec. 10,052 (1979)
(statement of Sen. Talmadge)

1784
Christmas Conference of Methodist Church
“Worn-out preachers fund”



UMC Clergy Pensions Timeline



Principles, Pressures, Responses:

Support for retirees and survivors

Defined level of benefit; Standard for funding

Funding benefit when earned

Shared risk and responsibility

NO unfunded liability Sustainability

Church Plans Formalized

1974

ERISA* enacted

- Defined “church plans”
- Exempted church plans from much of ERISA

*ERISA: Employee Retirement Income Security Act



ERISA
[Employee Retirement Income Security Act]



Church Plan Characteristics

Church plans are exempt from certain ERISA requirements, including:

- Pension Benefit Guarantee Corporation coverage (Title IV):
 - No premiums; no pension insurance for benefits
- Minimum funding requirements
- ERISA fiduciary standard—prohibited transactions
- Strict notice requirements
- Certain coverage requirements
- Reporting requirements—Form 5500
- Claims and appeals procedures



Pre-82 Plan—Conference Variability

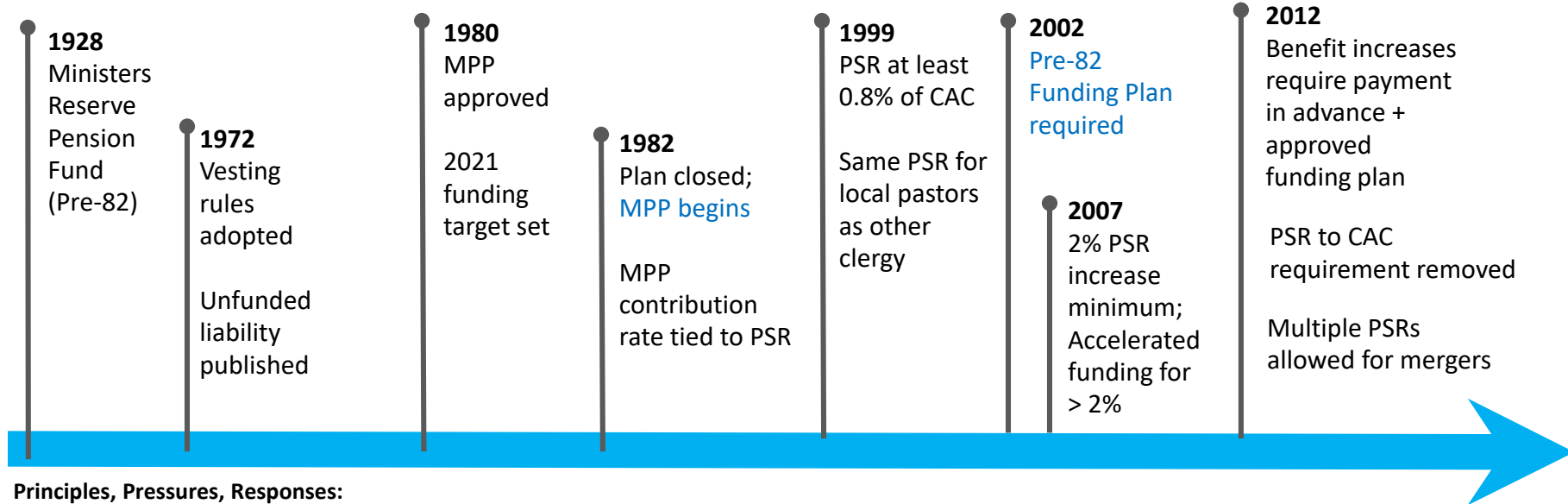
Characteristics

- Conference and participant contributions
- Individual accounts
- Vesting schedules (as of 1972)
- Surviving spouse benefit
- PSR linked to Conference Average Compensation (CAC), until 2012

Conference Options

- Benefit level: Past Service Rate (PSR)
- Contingent annuitant (surviving spouse) percentage
- Funding schedules

Pre-82 Plan Timeline



Principles, Pressures, Responses:

Need for centralized, connectional plan

Increasing awareness of benefit obligation

Fund-raising to address liabilities

Concern for underfunding

Reduce liability increases

Pressure to increase PSRs

Conference accountability for benefit decisions

MPP—New Plan, But Some Old Traits

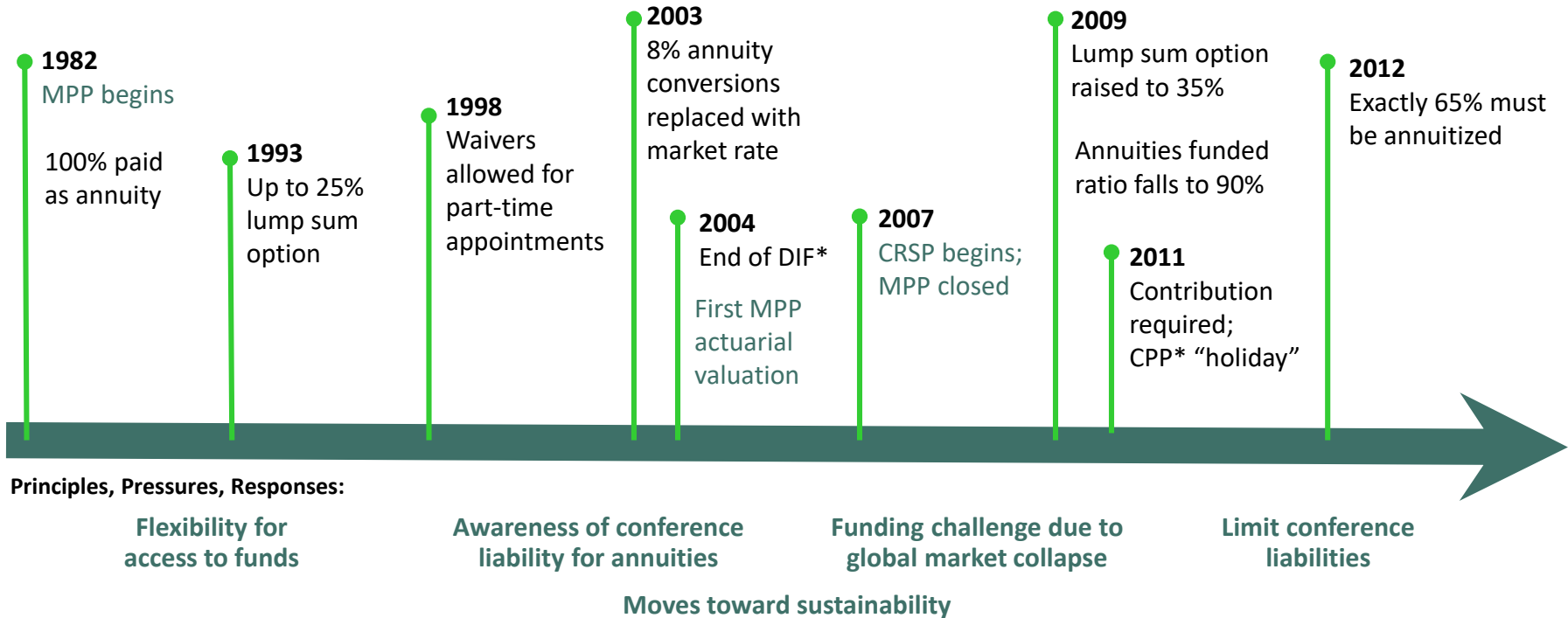
Characteristics

- Benefits immediately vested
- “Mandatory” clergy contribution = **3% of compensation** (until 1998)
- “Church account” contribution based on Denominational Average Compensation (DAC), at a minimum, for full-time service
- Same contribution for single or married clergy

Conference Options (for MPP account contribution base):

- Actual compensation (DAC minimum)
- Actual up to 150% of DAC (DAC minimum)
- **DAC—most conferences chose this**

MPP Timeline



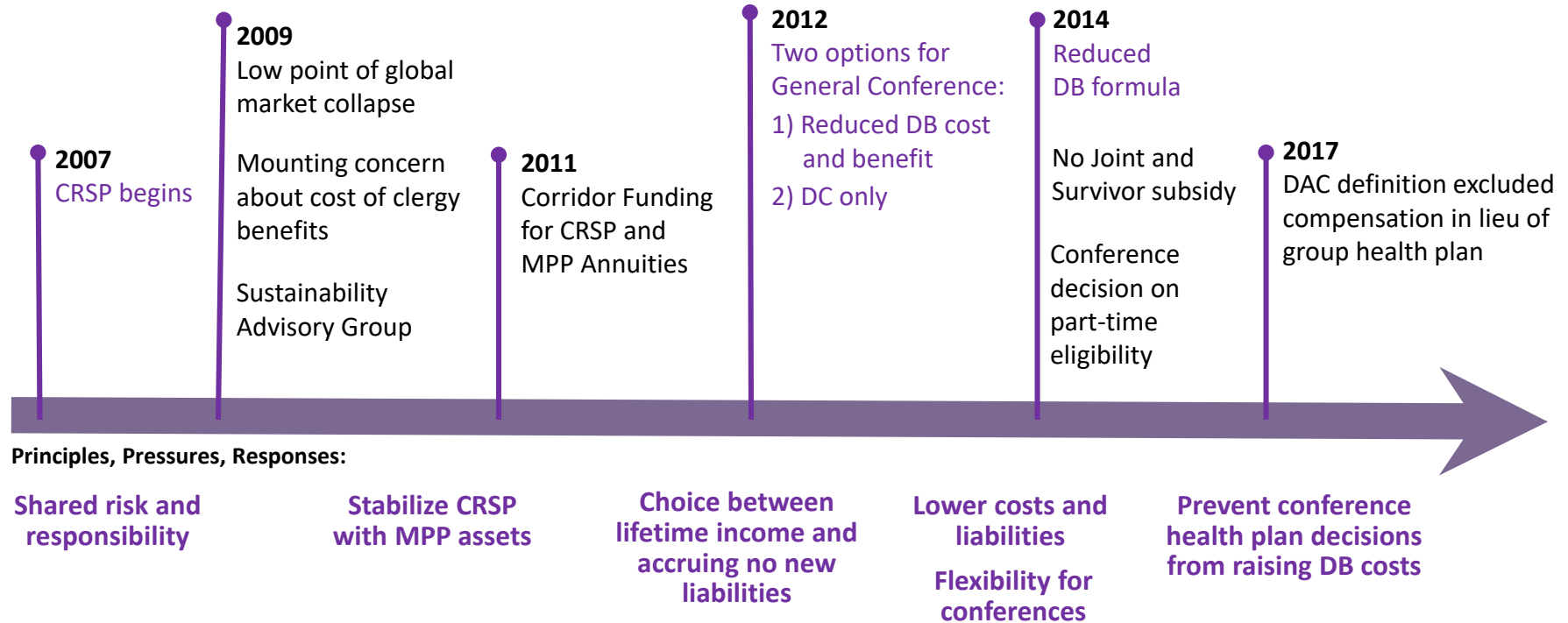
* DIF: Diversified Investment Fund; CPP: Comprehensive Protection Plan

CRSP Characteristics

- Service years January 1, 2007, and after
- Shared risk between conference and participant
 - Defined benefit (DB) component
 - Defined contribution (DC) account
- Dual understandings of equity
 - Equal amount: DB is DAC-based for all (except bishops)
 - Equal rate: DC based on each person's compensation
- Participants control DC investments
- DB contributions based on participant count
- DB funding provides 2% cost-of-living increase



CRSP Timeline



Summary of Clergy Plan Concepts

	Pre-82	MPP	CRSP I	CRSP II
Conference decisions	Benefits, funding	Contribution base and rate	Almost none	Part-time eligibility
Participant access to account	None	None initially; 25% then 35%	DC account	DC account
Lifetime income	100% of benefit	100% initially; 75% then 65%	DB portion	DB portion
Basis for benefit	Formula or DBSM account	Account balance	Formula (DB), DC account	Formula (DB), DC account
Surviving spouse benefit funding	Conference	Participant	Conference	Participant
Compensation	CAC, until 2013	DAC, for most	DAC for DB Actual for DC	DAC for DB Actual for DC

Changes Over Time

- **Clergy retirement plans**
 - Increasing participant access to funds and investment control
 - Continuing use of average compensation (CAC or DAC), but **increasing use of actual compensation**
 - Alternating provisions for funding Joint and Survivor benefits
- **Pastoral appointments and assignments**
 - Full-time to part-time
 - Participants to non-participants



Q&A

The image features the text "Q&A" rendered in a bold, three-dimensional, blue font. The characters are thick and blocky, with a slight shadow cast beneath them, giving them a sense of depth and weight. The letters are arranged horizontally and are set against a plain white background.



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