



Conference Forum—October 2020



Wespath

BENEFITS | INVESTMENTS

Wespath Proposals for GC 202021

Overview, Updates and Issues

Review—Wespath Legislative Priorities



Plan Changes

- *Compass* Retirement Plan
- MPP annuity alternative
- Uniform CPP* death benefits; extend Voluntary Transition Program



Discipline Updates

- Move CBOP duties from ¶1506-1508 to ¶639
- General agency reporting
- ¶1504-1505 updates



Investment Ethics

- Sustainable Investing
- Disclosure and reporting best practices for investment managers

* CPP: Comprehensive Protection Plan

More Wespath Legislative Priorities



Contingency Planning

- Pension matters for UMC division or disaffiliation of conferences/churches
- General agency retirement plan



Wespath Governance

- Board of Directors composition and meetings
- Wespath name
- U.S. Regional Conference



Wespath Services

- Investment services and benefit plans; available to new Methodist groups
- Support for pension plans in central conferences

Petitions Submitted by Others

- **Entire MPP* account remains cash balance**
 - Perry Miller: Petition 20719
- **Petition to delete ¶1504.23**
(GC 2019 pension liability exit payment)
 - Petition 20218
- **Rewrites of ¶2553** (local church disaffiliation)
 - Petitions 20735, 20150, 20152, 20153, 20154, 20155, 20156, 20414, 20733, 20734, 20739, 20151
- **“Sovereign debt” exclusion petitions**

* MPP: Ministerial Pension Plan (1982-2006)



What's New or Different?

- Protocol refinements to contingency proposal
- “...effective January 1, 2021”
- Possible earlier date for MPP managed payout alternative to annuity
- Christmas Covenant legislation



Review—Contingency Petition, New ¶2555

Pension Matters for Disaffiliating Church Units

Approach to pension obligations for U.S. annual conferences or groups of local churches if:

- Forming or joining **new Methodist association of churches** (New Methodist Expression)
- New Expression is **viable** as plan sponsor
- New Expression agrees to be **legally responsible**

Then: ¶1504.23 withdrawal liability does not apply, and clergy pension accruals are not converted



Review—Contingency Petition, New ¶2555

New Methodist Expression

- **Liabilities and assets allocated from UMC plan to separate plan** of New Expression
 - Based on clergy who join New Expression
 - Retirees/survivors default to their conference
- New plan is sequestered from UMC plan
- No connectional support across denominations

Can sponsor **voluntary retirement, health, welfare plans** (¶1504.2),
use **investment services** (¶1504.16-17)



Protocol Refinements to ¶2555

- Terminology will match Protocol, such as:
 - “Separation” vs. “Disaffiliation”
 - “New Methodist Denomination” vs. “Expression”
- Clarified applicability to U.S. only
 - Central conferences can continue receiving support from Central Conference Pensions
- More flexibility for Wespath in exception situations or new Church’s failure to keep plan funded



Wespath's Viability Determination

Wespath is not determining:

- Whether group of local churches can separate or disaffiliate
- Whether group of clergy and local churches can form a New Methodist Denomination or other religious expression

However:

If New Methodist Denomination is **not a viable** Plan Sponsor, then the St. Louis (GC 2019) provisions will apply:

- ¶1504.23 **withdrawal liability** applies to each local church
- Clergy pension accruals are converted to account balance (**convert DB to DC***)

* **DB: defined benefit; DC defined contribution**



Separating groups that are not viable for a sequestered pension plan can rely on Wespath for defined contribution retirement plans and welfare plans.

Potential Viability Considerations

Sufficient Membership

- Number of local churches
- Membership and attendance
- Number of donors or giving units

Financial Viability

- Share of unfunded liabilities
- Assets outside of pension plan
- Revenue projections
- Sequestered plan funded status

Corporate Structure and Organization

- A “convention or association of churches”
- Tax-exempt status
- Structure for plan governance
- Could include former UMC conference(s)

Cohesiveness

- Polity
- Connectedness
- Demographics
- Geographic dispersion
- Theology

Calendar Issues

- “Close of General Conference” now 17 months later (at best)
- January 1, 2021, not possible
- Proposed CPP uniform death benefits used 2020 amounts
- Voluntary Transition Program ends December 31, 2020



Amendments Arising from GC Delay

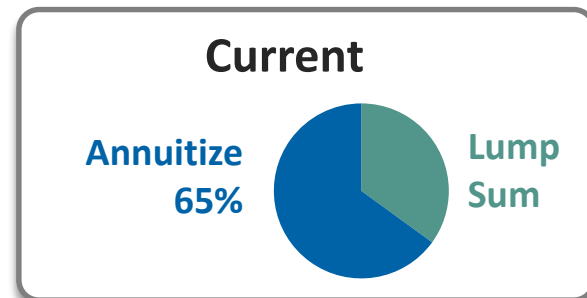
- Adjust proposed CPP death benefits to begin **January 1, 2022**
- Resurrect rather than extend Voluntary Transition Program
- Revise other effective dates as needed
- Seek to maintain **January 1, 2023** *Compass* effective date



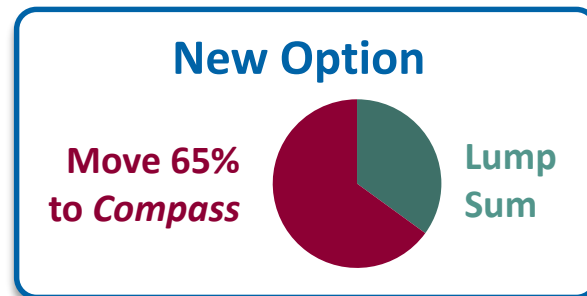
Ministerial Pension Plan—Annuity Alternative

- Affects clergy who started serving prior to 2007
- Annuitization of 65% of account balance currently required
- Accelerate from *Compass* effective date to December 1, 2021
 - Current low interest rates affect annuity calculations
 - CARES* Act suspends RMDs until 2022
- CARES: Coronavirus Aid, Recovery and Economic Security Act
- RMD*: required minimum distribution

* Coronavirus Aid, Recovery & Economic Security Act; required minimum distribution



OR



Review—Need for U.S. Regional Body

- Clergy benefit plans incorporated by reference into *Discipline*
- Plan amendments by General Conference

U.S. clergy plans are designed for...

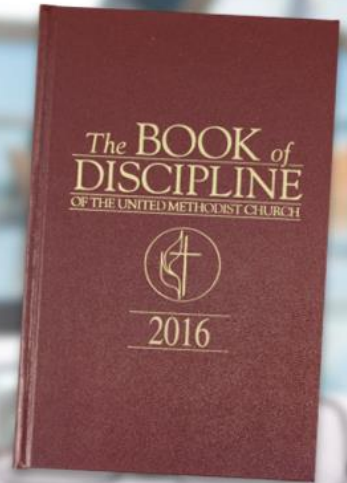
U.S. Law



U.S. Taxation



U.S. Social Security



Two Options for U.S. Regional Governance

U.S. Regional Conference: Connectional Table

- Endorsed (and partially developed) by Wespath
- Addresses only U.S. UMC
- Two-stage proposal
 - General Conference committee
 - U.S. Regional Conference

“Christmas Covenant”: Cavite Philippines Conference

- Regional conferences throughout global UMC
 - Central conferences become regional conferences
 - New U.S. regional conference
- More Disciplinary changes and constitutional amendments

Unanswered Questions

- **Can new legislation be submitted to GC 202021?**
 - Awaiting Commission on the General Conference decision
 - “No” = Amend existing petitions in GC committee or plenary
 - Any decision may be subject to appeal to Judicial Council
- **Will General Conference be able to meet in 2021?**
 - Restrictions on international travel or large gatherings due to continuing COVID-19 concerns?
 - Is online or virtual General Conference feasible and valid?
 - If so, will duration and legislation considered be limited?



Protocol Questions



Will GC approve it?

Constitutionality?

- Judicial Council review

Funding sources for \$27 million?

- \$25 million for new “traditional” Methodist Church(es)
- \$2 million for any other new Methodist Church(es)

Amendment?

- Liberia/Africa Initiative suggestions
- Zambia Annual Conference Protocol version

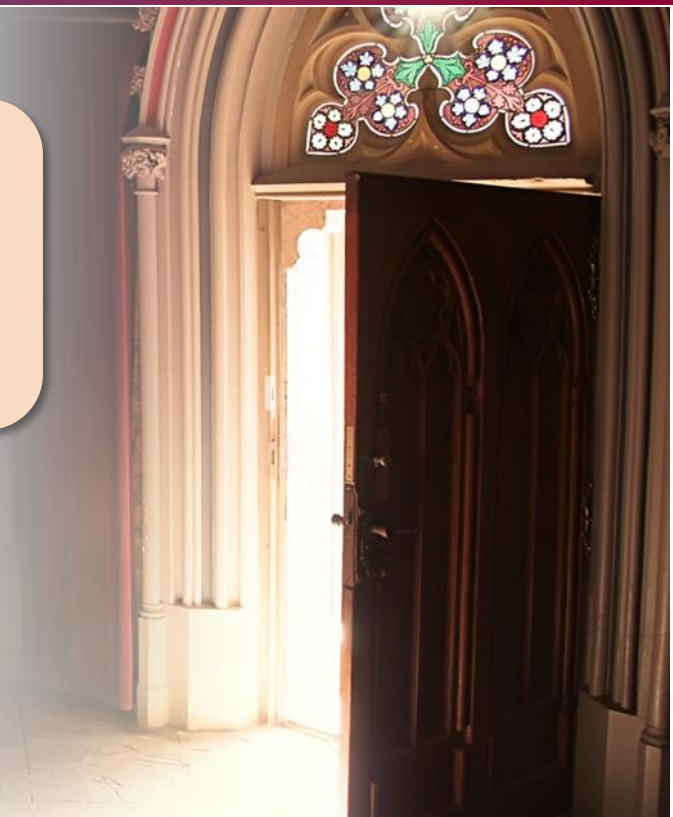
An Uncertain Future

*Dear friends,
Now we are children of God, and
what we will be has not yet been made known.*

I John 3:2, NIV

... Who knows how we'll end up!

I John 3:2—The Message



Questions?





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