



Conference Forum—October 2020



Wespath

BENEFITS | INVESTMENTS

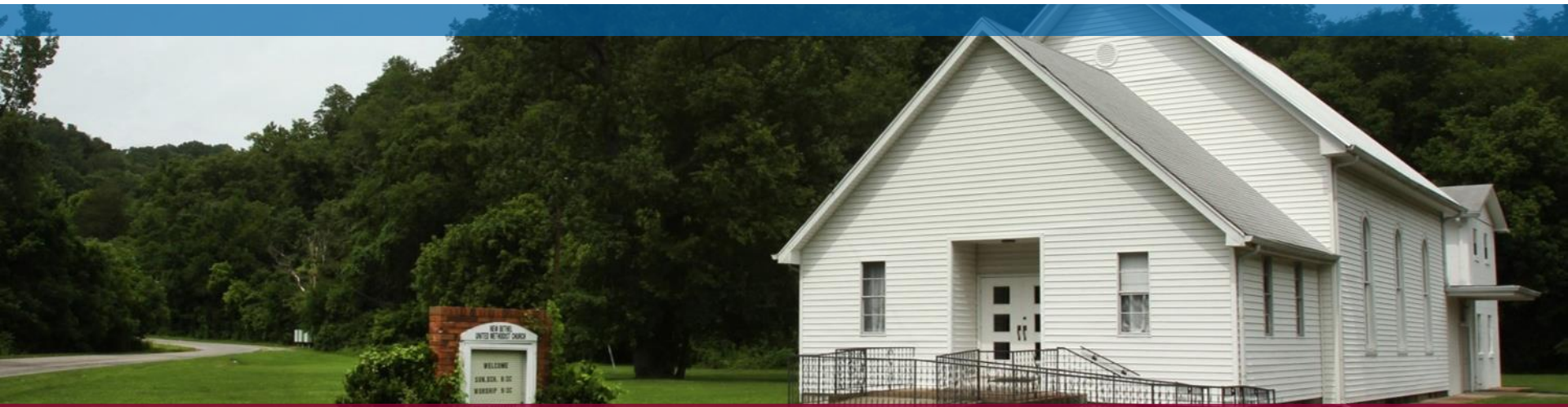
Legal Update

UMC Employee Benefit Plans

Agenda

- Developments in Church Law
- Developments in Secular Law
- On the Horizon—
November and Beyond





Church Law

Rules Approved at GC 2019



Local Church Exits

¶1504.23—Pension withdrawal liability

¶2553—Disaffiliation

* **DB:** Defined benefit
DC: Defined contribution



Clergy Exits

Clergy Retirement Security Program (CRSP)
Pension conversion (DB to DC*)—elders and deacons in full connection

- Local pastors not covered currently

GC 2021 petition would add clergy categories

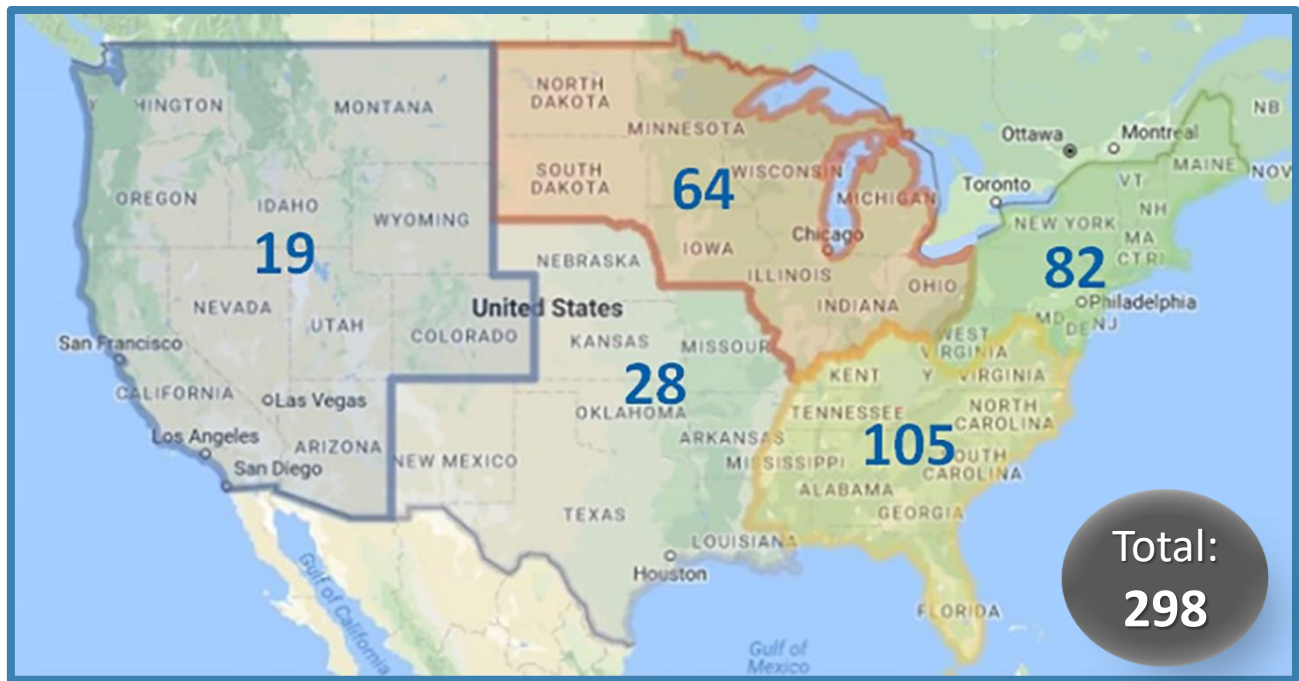
Local Church Disaffiliations 2020



October 2020
Total UMC
Local Churches:
30,955

Informal data gathered from annual conference reports/journals.

Local Church Closures 2020



October 2020
Total UMC
Local Churches:
30,955

Informal data gathered from annual conference reports/journals.

Conference Experiences

- Wespath consultations
- Pension withdrawal payments
- Negotiation/mediation/litigation with local churches
- Varying outcomes



Wespath Work

- Up-to-date aggregate net “market liabilities”
 - Market basis
- Support to conferences
- New FAQs (Wespath GC webpage)
- Legal team—additional support materials in development
- Potential benefits support to disaffiliating churches





Secular Law

SECURE Act (December 2019)

Setting Every Community Up for Retirement

Key Impacts

- Required Minimum Distributions (RMDs)
- Section 403(b)(9) and Non-QCCOs*
- “Cadillac” Tax repeal
- UBTI* “Parking Tax” repeal for tax-exempt organizations
- PCORI* fees extended for 10 years

* **QCCO:** Qualified church-controlled organization

UBTI: Unrelated business taxable income

PCORI: Patient-Centered Outcomes Research Institute trust fund (ACA fee)



SECURE Act—RMD Changes

- Later start date required if reach 70½ after 2019
 - Age 72 (was 70½)
- Eliminated “stretch” RMDs
- Changes for eligible designated beneficiaries

Two sets of RMD rules to be administered:

1. Pre-SECURE
2. Post-SECURE (January 1, 2020)



FFCRA and CARES Act*

COVID-19 Response

Congress quickly enacted broad relief (March)



Individuals/Families

- Paid leaves for impacted employees
- Expanded unemployment insurance
- Coronavirus related distributions from retirement plans
- RMDs waived (DC plans) for 2020



Employers

- Tax credits, tax deferrals
- PPP loan program for small businesses (Paycheck Protection Program)

*Families First Coronavirus Response Act and Coronavirus Aid, Relief and Economic Security Act

Summer 2020—Relief Halted

A scenic landscape featuring a road that has been blocked by a large rockfall. The road is paved and has a double yellow line. The rockfall is composed of large, dark grey boulders. In the background, there are green hills and a sky with soft, golden light, suggesting a sunrise or sunset. The overall scene conveys a sense of a path that has been obstructed.

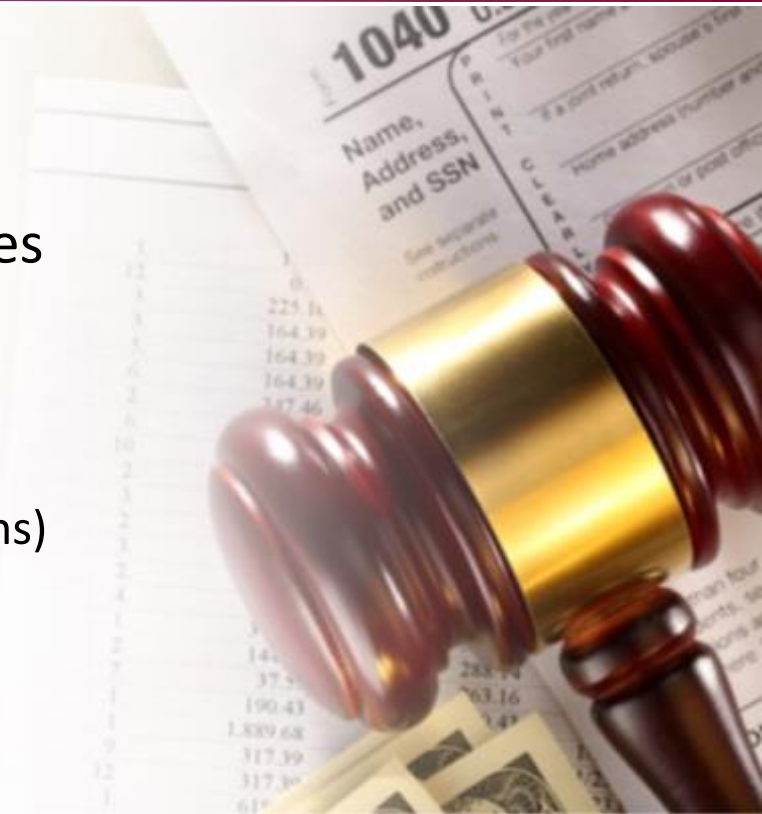
- House passes HEROES Act— May 2020
 - >\$3 trillion in additional COVID relief
- Senate and Administration have not agreed
- House has proposed smaller versions (\$2T and \$1.5T)

Little/no additional relief expected before November election

IRS Group Tax Exemptions

Out of the blue...

- May 2020: IRS proposes material changes to group tax exemption procedures
 - Impact on denomination
 - GCFA work
(Comment Letter with other denominations)
 - Impact on Wespath
 - Wespath has its own group ruling
 - Wespath Comment Letter

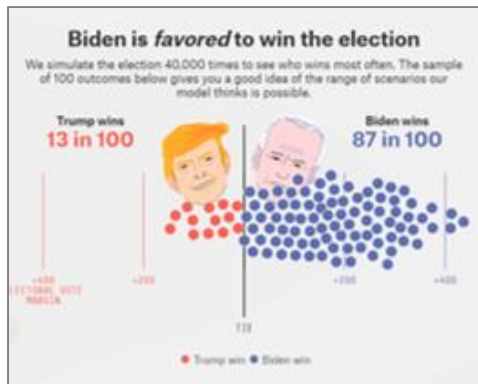




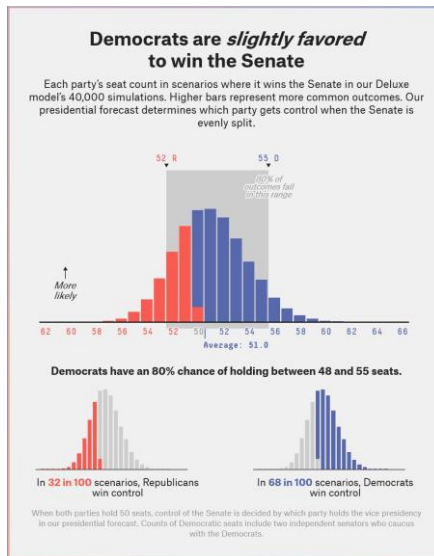
On The Horizon

What's Next—Election Outlook

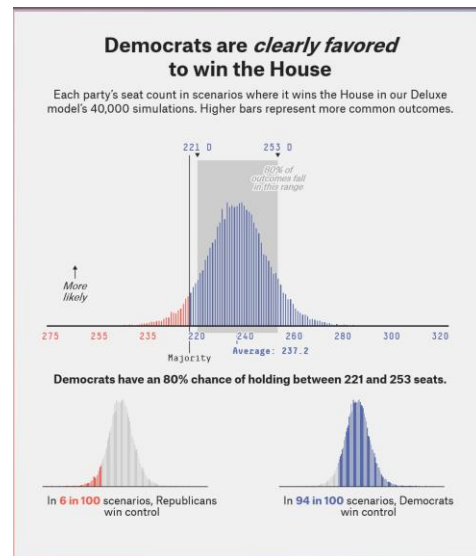
Presidential race



Senate outlook



House outlook



Source: fivethirtyeight.com; as of 10/13/20

Election Scenarios

1. Status quo

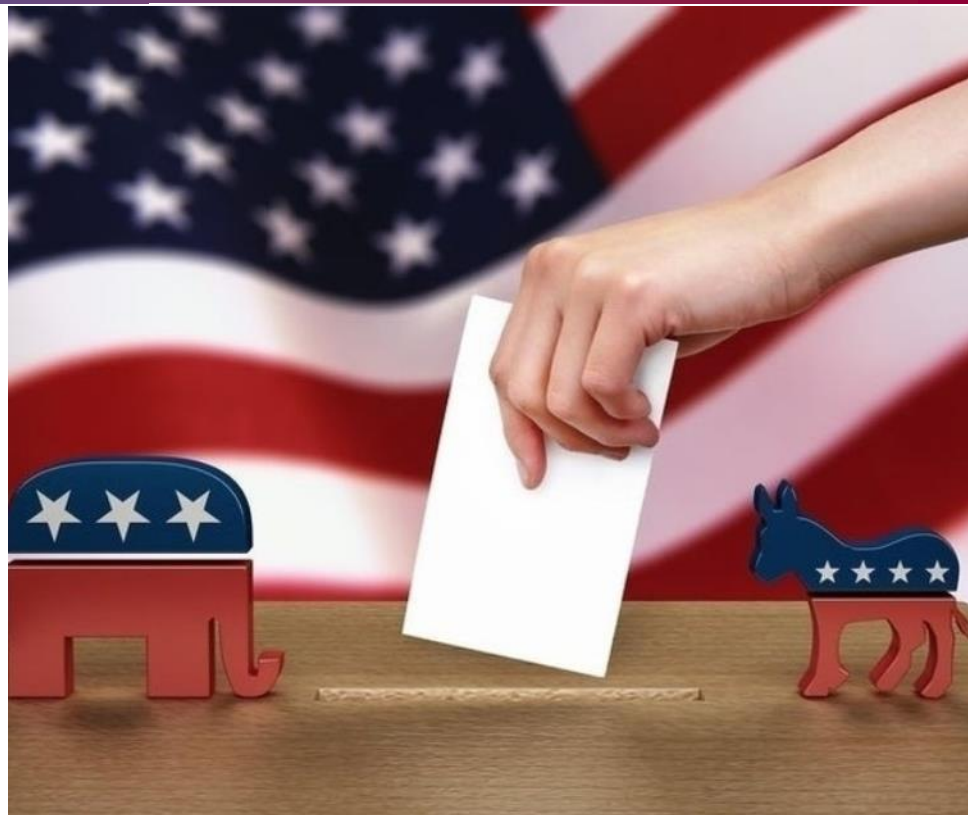
- Trump re-elected;
divided government

2. New Administration

- Divided government

3. Democratic sweep

- White House + Congress



If Democratic Sweep—Priorities



Immediate Term

- More COVID relief and economic stimulus

Much will depend on

- Size of Democrat majority in Senate
- Fate of *filibuster*

Longer Term

- Health care—ACA* improvements (or replacement if Supreme Court strikes ACA)
- Taxes (rollback parts of TCJA*)
- Voting rights/election reform
- Labor and employment
- Sustainability and climate risk
- Immigration
- Retirement
- Reissue Obama-era regulations
- International relations
- Entitlements...

* ACA: Affordable Care Act (“Obamacare”); TCJA: Tax Cuts and Jobs Act

What Might Affect UMC Benefits?

- ACA—replace (if struck by SCOTUS) or expand:
 - “Public Option” on exchanges
 - “Medicare For More” (e.g., age 60)
- Tax changes
 - TCJA rollback; and possibly other
- Retirement 2.0 (post-SECURE Act)





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