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GC 2020 FAQs (postponed to 2024): GC 2019 Legislation; Disaffiliation of Local Churches and Clergy

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With postponement of the 2020 General Conference (GC) until 2024**,** Wespath has updated FAQs related to the potential impact to clergy, local churches or annual conferences that may disaffiliate from The United Methodist Church (UMC) or otherwise change their relationship with the UMC. *Please check back periodically for further updates as more information becomes available.*

Please also refer to these **FAQs** for more information related to local church disaffiliations.

These FAQs are divided into sections.

Please note: Employee benefit plans mentioned in these FAQs apply *only in the U.S.*, unless stated otherwise.

For local churches considering disaffiliation: please see this ***information*** *from UM Communications.*

General Questions

I've heard Wespath has reserves that are more than adequate to cover any pension liabilities, so there is no reason separating/disaffiliating local churches should be required to pay the pension withdrawal liability payments. I've also heard that UMC clergy pensions are fully funded until the year 2090. ***Are these statements valid?***

No. Both statements are based on incomplete or erroneous understanding of pension funding. The following details help clarify this complex issue.

1. Pension plan "reserves" are funds of the pension plan—they are not "Wespath reserves." A more accurate term for these amounts is *"plan assets,"* and the use of such amounts is restricted to paying the obligations of the pension plan. Whether the plan assets adequately cover pension obligations is measured by the "funded ratio."
2. The funded ratio of a pension plan is indicated as of a specific point in time. This means the funded ratio can change dramatically over time due to changes in the economy, life expectancies (actuarial projections) and other factors. For example, prior to the 2008–2009 economic recession, annuities from the Ministerial Pension Plan (MPP) were funded at approximately 120% on a long-term funding basis

(wherein annual conferences retain the risks for keeping the plans fully funded). Less than two years later, the funding level dropped to just over 90% due to changes in the national/international economic climate. As a result, UMC annual conferences had to make contributions for MPP annuities for the first time ever. In 2019 Wespath was anticipating a 2020 General Conference would close the defined benefit (DB) pension plans and adopt a new account-based (defined contribution or DC) retirement plan. Analysis performed in 2019 indicated a 60% likelihood those closed plans would need additional contributions at some point in the future, despite being fully funded at that time on a long-term funding basis. The target year 2090 for pension payment obligations has nothing to do with the funding level of the plan.

3. "Pensions" (i.e., defined benefit or "DB" plans) pay benefits to the retired clergy (and surviving spouse, if applicable) for the rest of their lives. As such, pension funding is a long-term proposition. The year 2090 is the approximate year in which currently existing defined benefit obligations (in other words, DB benefits promised to clergy) could be expected to be fully paid out based on projected life expectancies of clergy members in the plans.
4. The level of pension plan funding is measured by a funded ratio expressed as a percentage, such as 90% or 100%, not by an "until" date.

Why must a local church or annual conference cover long-term pension liabilities upfront if they leave the UMC when the funded ratio of UMC pensions is at least 100%?

If an annual conference were able to offload all its pension liabilities to a third party, such as an insurance company, it would require more upfront funding than would be required if it instead chose to retain the pension liabilities and fund them over a longer term. It is therefore reasonable and appropriate for a disaffiliating church—which is effectively offloading its portion of the conference's continuing pension obligations to the churches that remain in the annual conference—to make a pension withdrawal payment for its share of the additional funds the conference would need to fund all its pension obligations for clergy over the decades ahead.

This is explained further in the **"Conversation about pension liabilities" video** on Wespath's **Disaffiliation Information webpage**.

Can Wespath serve churches or clergypersons who choose to leave the UMC, including those that move to a New Methodist Expression such as the Global Methodist Church?

Yes. Wespath is authorized by *The Book of Discipline* and U.S. law to manage funds and offer services to church and nonprofit organizations that share "common religious bonds and convictions" with, or are otherwise controlled by, associated with or related to the UMC, which Wespath evaluates on a case-by-case basis. On this basis, Wespath can administer benefits and provide investment management services (for a local church's endowment, for example) for a group of churches—or even a single church—that may break away from the UMC. Clergypersons can continue to participate in Wespath-administered plans if they serve such organizations, and if those organizations become plan sponsors of Wespath-administered plans. More information about benefit plan opportunities for churches that disaffiliate from the UMC is **here**.

Can Wespath provide benefits to the Global Methodist Church and its churches, or to a local church that disaffiliates to become an independent Methodist church?

Yes. Under *The Book of Discipline*, Wespath is permitted to administer benefit plans and manage related funds for churches that disaffiliate from the UMC and continue to share "common religious bonds and convictions" with the UMC, which Wespath evaluates on a case-by-case basis. However, under current terms of the Clergy Retirement Security Program (CRSP)—which cannot be modified without General Conference approval—a local church or group of churches that separates from the UMC may not be a plan sponsor of CRSP. This means that any plan Wespath administers for a new Methodist denomination and its churches (or a local church that becomes an independent Methodist church) that provides for benefits earned after disaffiliation will not be the same as CRSP. For the Global Methodist Church (GMC), there is a new retirement plan called the Covenant Personal Investment Plan.

Will Wespath administer benefits for clergy moving to the Global Methodist Church?

Yes. Clergy who join the GMC are eligible for a complete benefits package that includes a retirement plan, health coverage (medical/pharmacy, dental and vision), and death and disability benefits. The retirement plan will be available to full-time clergy (50% or more).

- The new retirement plan for GMC clergy is called the Covenant Personal Investment Plan (Covenant). It is a 403(b) defined contribution (DC) plan.
- Clergy will be eligible for medical/pharmacy, dental, vision coverage through HealthFlex.
- Clergy will be eligible for death (life insurance) and disability benefits through Covenant LifeOptions.

Clergy moving to the GMC will receive more details about these plans directly.

Benefits eligibility for clergy appointed *less than 50%* is determined by the GMC local church/employer.

Will Wespath administer benefits for lay employees moving to the GMC?

Yes. Wespath will administer the retirement, health, death and disability benefits for eligible lay employees who move to the GMC. *Eligibility for lay employees will be determined by the GMC local church/employer*.

When will benefits become available for clergy and lay employees moving to the GMC?

- Retirement programs became available July 1, 2022
- Health benefits became available January 1, 2023.
- Death and disability benefits became available July 1, 2022, for eligible clergy. Lay employees have a three-month waiting period from the date they begin service at the GMC to become eligible for death and disability benefits.

Clergy and lay employees moving to the GMC can contact the Global Methodist Church for eligibility and enrollment details.

For clergy (active or retired), is there a quick look at how surrendering UMC credentials affects current benefits?

Yes. This **document** provides a high-level view of how surrendering UMC credentials affects retirement, health, disability and death benefits provided through UMC plans.

What are the two pension-related changes that were approved by General Conference 2019?

Two pension-related petitions were approved by General Conference 2019 and incorporated into *The Book of Discipline*. These changes went in effect at the close of the General Conference in February 2019 and remain in effect:

- ***1) Local Church Disaffiliation***
  - **New ¶1504.23 of *The Book of Discipline* requires that local churches changing the nature of their connection to The United Methodist Church (including exiting the UMC) shall pay a proportional fair share of the annual conference's unfunded pension liability to the annual conference.** This

payment is designed to account for the investment, longevity and other risks that the exiting local church would be leaving to its annual conference.

- ***2) Disaffiliation by Certain Active Clergy***
  - **An amendment to the Clergy Retirement Security Program (CRSP) was approved with respect to active clergy who leave the UMC by termination of their annual conference relationship under ¶360 of *The Book of Discipline*.** The vested accrued pension benefits of such clergy will be converted to an account balance. The conversion will use actuarial factors corresponding to those used when determining annual conference plan sponsor contributions to CRSP.
  - The converted pensions—along with CRSP defined contribution (DC) and Ministerial Pension Plan (MPP) account balances—will be transferred to the clergyperson's individual account in the United Methodist Personal Investment Plan (UMPIP), which is a voluntary defined contribution plan maintained by Wespath.

I heard Wespath chose to exclude itself from ERISA. Is that correct?

No, that statement is not correct. Wespath has not chosen to exclude itself or the plans it administers from coverage by the Employee Retirement Income Security Act of 1974 ("ERISA") (the federal law that applies to corporate pension plans). Rather, the pension and other benefit plans Wespath administers are not subject to ERISA because Section 4 of ERISA automatically exempts "church plans" from its coverage by operation of law. A "church plan" is generally any employee benefit plan that is established and maintained for its employees by a church or organizations controlled by or associated with a church. CRSP is a church plan as defined by ERISA.

Disaffiliating Local Churches

Did the 2019 General Conference (GC 2019) approve a "gracious exit" for local churches?

Yes. The 2019 General Conference approved Petition 90066, adding a **new *Discipline* ¶2553**, which allows a local church to disaffiliate from The United Methodist Church under certain circumstances. *Discipline* ¶2553 requires a period of discernment by the local church, but then allows the local church to disaffiliate from the UMC by a 2/3 vote of the annual conference, provided that the local church pays its fair share of the annual conference's pension obligations and certain other financial obligations, and the annual conference board of trustees approves.

- This in effect suspends the Trust Clause for departing churches that meet the requirements set out in *Discipline* ¶2553 and thus permits the disaffiliating local church to keep its building.

New *Discipline* ¶2553.4.d is in harmony with ¶1504.23, which was also enacted by GC 2019.

- Both require local churches that are ending their connection to the UMC to pay a proportional fair share of the annual conference's unfunded pension liability to the annual conference (a "withdrawal liability").
- Under ¶1504.23, a local church must pay its annual conference this withdrawal liability whether it is departing under the terms of ¶2553, being closed under the terms of ¶2549, or otherwise changing its connection to the UMC.

Can a local church disaffiliate under *Discipline* ¶2548.2?

No. The UMC Judicial Council (the UMC's top court) ruled on August 22, 2022, that *Discipline* ¶2548.2 applies only to transferring church property—not the church's members—to another denomination. The Judicial

Council held that ¶2553 is the appropriate paragraph for local church disaffiliation; ¶2548.2 can only be used as a supplement to other paragraphs in the *Discipline*, not as its own path for local church disaffiliation.

More information about this Judicial Council ruling is in this **article** from UM News. A statement from the Council of Bishops is **here.**

Can the pension withdrawal liability requirement of ¶1504.23 be avoided if a local church takes a particular path of separation from the UMC?

No. The pension withdrawal liability requirement of ¶1504.23 of *The Book of Discipline* applies *regardless of the separation path* taken by the departing church. Thus, whether a local church separates from the UMC under ¶¶2553, 2549, or otherwise, ¶1504.23 applies to that change in relationship to the UMC, and the pension withdrawal liability payment is required.

Are there any paths of separation from the UMC that would permit a local church to continue to be a plan sponsor of the Clergy Retirement Security Program (CRSP) after it separates or disaffiliates from the UMC for benefits earned after disaffiliation?

No. Under current plan terms—which cannot be modified without General Conference approval—a local church that separates from the UMC *may not* be a plan sponsor of the UMC's Clergy Retirement Security Program (CRSP) for benefits earned after disaffiliation. Wespath offers other retirement plan options for clergy serving other Methodist-associated churches, such as the Personal Investment Plan.

What if the local church leaves (i.e., changes its relationship with) The United Methodist Church through the annual conference closing the church under ¶2549 and selling the property back to the re-formed independent congregation instead of disaffiliating pursuant to ¶2553 of the *Discipline*? Would such church be exempt from the "pension withdrawal liability payment" requirement, under which it must pay its share of unfunded pension obligations to its annual conference?

No. As noted on the prior page, local churches that change relationship with the UMC through application of ¶2549 must pay the pension withdrawal liability payment required under ¶1504.23.

Why would an exiting local church be expected to pay an amount ("withdrawal payment") to the annual conference to cover unfunded pension obligations?

The connectional nature of The United Methodist Church means that departure by one local church affects the whole Connection (sort of a "one for all and all for one" relationship). An exiting church would leave some portion of its long-term pension obligations to the annual conference from which it is departing. This means that the exiting church in effect would leave behind its share of market and longevity risks related to clergy retirees and survivors who receive benefits to the other UMC local churches in its former annual conference and, to some extent, to other UMC annual conferences and their local churches.

By paying its "fair share" of the annual conference's aggregate unfunded pension liability as part of its exit from the UMC, the exiting local church provides funding to the conference to support the long-term pension payments promised to active and retired clergy and their surviving beneficiaries. This "fair share" payment also compensates the local church's former annual conference for assuming what would have been that church's risks (investment, longevity and mortality risks) for long-term clergy benefits now that the church will no longer be part of the annual conference.

How is an annual conference's unfunded pension liability calculated by Wespath? What factors go into determining the unfunded pension liability?

Wespath is required by *Discipline* ¶1504.23 to use "market factors similar to a commercial annuity provider" when calculating an annual conference's unfunded pension liability in the context of a local church disaffiliation. Wespath obtains a market interest rate from the FTSE (Financial Times Stock Exchange) Pension Discount Curve, which is an interest rate published monthly by **FTSE Russell** specifically for the valuation of pension liabilities. This rate is similar to what a commercial annuity provider would use. Liabilities calculated using that rate are then increased by 5%, which is similar to how a commercial annuity provider would value pension liabilities that are to be outsourced to such a commercial annuity provider.

For mortality, Wespath uses the same mortality factors that are used in annual actuarial valuations for plan funding purposes. Those mortality factors were selected based on a UMC-specific mortality study conducted by Wespath.

This approach of requiring a "pension withdrawal" payment is similar to what is required by secular plans that are sponsored by multiple employers, when one of the employers elects to leave (i.e., cease supporting) the plan.

Who calculates an exiting church's share of unfunded pension obligation that must be paid to its annual conference?

The *annual conference* would determine the amount that an exiting church owes for its share of the conference's aggregate unfunded pension liabilities. This is similar to the current process where the annual conference determines the amount each UMC local church pays to fund ongoing contributions to the pension plans.

What role would Wespath have in determining pro rata ("fair share") unfunded pension obligations for an exiting local church?

At the request of an annual conference officer, Wespath would calculate the total unfunded liability for accrued benefits and annuities being paid, reflecting recent market conditions for the *entire annual conference*, as described above.

But the *conference* would then decide how to allocate a proportional share of that unfunded liability to a local church. The amount of the total unfunded liability (provided by Wespath) would be calculated using **market factors** similar to those used by a commercial annuity provider. A conference benefits officer may request to be provided this calculation at any time by contacting their Client Relationship Manager at Wespath or the Wespath Actuarial Department.

If a local church exits the UMC, how would that church's pro rata share of unfunded pension obligations be calculated?

The individual church's share of unfunded pension obligations would be determined *by its annual conference*. Conferences have flexibility in how they might calculate this. Some *potential* options that conferences might use to calculate individual church obligations include:

- The local church's apportionment decimal (sometimes called a mission shares formula); or
- The local church's revenue or income as a percent of revenue or income from all churches in that conference; or
- The pastor's compensation as a percent of total compensation for all pastors in the conference; or

- Other methodologies as determined by the annual conference, such as local church membership or attendance, or church giving, among others.

Wespath is available to help annual conferences in developing their formulas to determine individual churches' share of unfunded pension liabilities.

This analogy helps explain pension liability. One could visualize the annual conference's aggregate unfunded pension liability (determined by Wespath using market factors like a commercial insurer) like a pie.

- The *market factors* are a required ingredient in the recipe for baking that pie, according to the *Discipline*.
- The *annual conference* determines how to slice or divide that pie reasonably among its local churches.
- The example allocation methods above may result in slightly different pie slices for a local church. But in the end, if all the local churches were to disaffiliate, each of these allocation methods would result in the whole pie being divided and shared. If any single local church were to disaffiliate (i.e., exit with its slice of the pie), the rest of the annual conference "pie" would be impacted.

If Wespath serves The United Methodist Church as a whole, why does each annual conference have a different formula for distributing the liability among its local churches? Shouldn't a disaffiliating church's share be the same regardless of the conference to which it belongs?

Liabilities vary among annual conferences for various reasons, and annual conferences differ in their approach to allocation of many connectional costs (e.g., general church apportionments, pensions, etc.) based on their context, history, practices, etc.

While total unfunded pension obligations for the annual conference is calculated by Wespath, *Book of Discipline* ¶1504.23 allows annual conferences to determine a disaffiliating church's unique pro rata share of the conference's unfunded pension obligations. Because facts and circumstances of each annual conference and disaffiliating church will vary, what may be appropriate or reasonable in one situation may not be in another. Thus, the annual conference determines each local church's fair share based on its own context and circumstances.

What is the difference between "market factor" and "funding factor"—and how does that affect an exiting church's "pro rata fair share" payment ("withdrawal liability") to cover its unfunded pension liabilities?

- Pension plan liabilities on a long-term **funding basis** are calculated using a discount rate* that reflects the *long-term, average expected earnings of the plan assets*. All annual conferences currently make contributions on a funding basis for the defined benefit component of the Clergy Retirement Security Program (CRSP DB).
- Pension plan liabilities on a **market basis** are calculated at a discount rate that reflects *what the liabilities would be priced at on the open market. A market-basis calculation is often the starting point that an insurer or other outside party would use in pricing the liabilities if it were taking over the responsibility for benefit payments from the plan sponsor* (in this case, the annual conference). Such a third party would typically add on additional charges for the assumption of risk, profit and administrative fees.

Depending on prevailing interest rates, *market* liabilities are typically higher than *funding* liabilities. This is because market-based discount rates are generally lower, reflecting more conservative assumptions about future earnings of plan assets. Using *market-based* rates helps minimize the financial risk that is transferred to the party taking over the long-term responsibility for benefit payments (i.e., the local church's former annual conference). Sometimes the difference between market basis and funding basis liability amounts are quite substantial.

The* ***discount rate* *is an interest rate used to calculate the present value (i.e., money needed to pay all benefit liabilities today) of expected future benefit payments (i.e., the plan liabilities). Generally speaking: the lower the discount rate, the greater the liabilities.*

Does Wespath's calculation of an annual conference's aggregate unfunded pension obligations include projected benefit improvements [e.g., estimated increases to the Pre-1982 Pension Plan (Pre-82) past service rates ("PSRs") and denominational average compensation ("DAC")]?

Yes. The aggregate unfunded pension obligations include an annual conference's estimated PSR increases when valuing Pre-82 liabilities (based on the annual conference's PSR increase assumptions in its comprehensive benefit funding plan) and Wespath's estimated DAC increases when valuing CRSP-DB liabilities. This is because such increases are expected to occur regardless of whether a local church chooses to disaffiliate. As such, a disaffiliating church's pro-rata share of the annual conference's unfunded pension obligations should include these expected increases.

Why is 5% added to the valuation of an annual conference's aggregate unfunded pension obligations, when such valuation is already made using more conservative market factors?

Discipline ¶1504.23 requires the use of "market factors similar to [those used by] a commercial annuity provider." Such factors used by a commercial annuity provider include not only the use of market interest rates (i.e., interest rates based on corporate bonds), but also a premium that would be charged by a private insurance company to assume pension obligations. Wespath is required by the legislation to use such similar factors, including this risk premium amount.

The rationale for requiring this additional amount is as follows: Since no one can predict economies or longevity improvements of the future, there is no way to know whether a need for future additional contributions will arise, or the magnitude. *How then can this potential future need for pension funds be quantified?*

- One method is to determine the underfunding if *all* local churches of the annual conference were to leave the UMC. In that scenario, the pension plan would not continue for that annual conference, as it would have ceased to exist. An insurance company or similar outside party hired to pay out the annual conference's benefit obligations would price the liabilities at market value and would also charge a premium for profit and several risks they would be assuming. This premium might include: investment risk, longevity risk, and risk of benefit increases due to higher-than-expected denominational average compensation.
- As tax exempt religious organizations, neither the annual conference nor Wespath factors in profits; however, 105% of market liabilities is nevertheless a reasonable estimate of what a private insurance company would require in order to assume the pension obligations in a hypothetical "pension buyout" transaction.

Funds adequate to outsource the pension benefits (105% of market liabilities) give a significant level of assurance that the annual conference's future pension payments can be met regardless of the economy or other factors. Similarly, if a local church leaving the UMC connection pays the annual conference its pro-rata share of the funding needed to achieve 105% of market liabilities, that local church can be reasonably confident it has shouldered its share of pension needs for annual conference clergy, which includes those who have served as its pastors.

Please note: Effective July 1, 2022, Wespath updated the liability premium it uses—changing it from 10% to 5%. The market liability is based on the market interest rate from the Financial Times Stock Exchange (FTSE) Pension Discount Curve, which is published monthly. The review of the liability premium is consistent with Wespath's normal practice to periodically review our actuarial assumptions with consultation from an independent, third-party consultant.

All else being equal, lowering the liability premium reduces an annual conference's unfunded pension liability amount. Please keep in mind that this rate can change, as it is influenced by economic markets beyond Wespath's control.

At what point in the calculation is the 5% additional amount applied?

The 5% increase is applied as a final step in the valuation. Thus, it applies to the total pension obligation valuation using market factors.

If a local church has dutifully paid 100% of its apportionments and pension payments over the years, why would it still be expected to pay an additional "fair share" if it leaves the annual conference or denomination?

Even though the local church has paid as expected for many years, the church still leaves behind a long-term financial risk when it exits. This is because an exiting church leaves behind what would have been its share of long-term liabilities (i.e., monies the church would have paid in future benefits to retired clergy). The annual conference and the remaining local churches in that conference therefore assume the long-term financial risk for those benefit payments. Long-term financial risk is affected by factors such as investment conditions and longevity (i.e., how long participants and surviving spouses/beneficiaries are estimated to receive promised payments).

If a local church exits from a conference whose plans are currently "fully funded," would the local church be excused from paying an additional "fair share" withdrawal liability?

If the conference's pension plans are fully funded on a ***market basis*** *(which would be a very rare circumstance)*, there would be no unfunded liability related to the mandatory pension plans. However, there may be other obligations to the conference that the local church may be asked (by the conference) to pay as part of its withdrawal liability payment to the conference. Even if the conference plans are fully funded on a long-term basis at the time the local church exits, there is no guarantee that the plans will remain fully funded over the next 10 to 50 years or beyond because of fluctuations in investment markets, mortality, etc. over the long term.

Where would exit payments made by a local church be held?

Legislation passed by General Conference 2019 requires that a local church's exit payment ("withdrawal liability") be paid to its former annual conference. The Conference Board of Pensions or other decision-making body in the annual conference would determine the ultimate use of these assets, but they would be encouraged to use these assets for pension and benefits purposes.

If a local church left the UMC any time *before General Conference 2019* (including in prior years), would they have had to pay their "fair share" to cover unfunded pension liabilities?

It depends. Because the UMC is "connectional," a departure by one local church affects others. So, a local church that left the UMC connection before General Conference 2019 might have been expected to pay its fair share of unfunded pension liability to the annual conference from which it departed.

Annual conferences may have sought these contributions in the past. Legislation passed at General Conference 2019 amended language in *The Book of Discipline* to **require** such contributions (*Discipline* ¶1504.23).

What is Wespath's view on using a promissory note and/or a lien on assets to secure future pension funding obligations (if any) in an agreement between an annual conference and a separating local church?

For disaffiliations under ¶2553, the pension withdrawal payment is required to be paid before disaffiliation is final. Accordingly, it appears ¶2553 does not contemplate the use of a promissory note or similar approach.

(A majority of the Council of Bishops has affirmed that ¶2553 is the primary paragraph of *The Book of Discipline* for disaffiliations and separations related to human sexuality. Moreover, the Council of Bishops also affirmed that other paragraphs for changing a local church's affiliation should be applied in a manner that reflects values and principles similar to those under ¶2553).

If a local church exits The United Methodist Church, would it face costs other than pension liabilities?

Yes, the annual conference may determine that there are additional financial considerations for a local church that leaves the UMC. Other financial considerations might include:

- Retiree medical liabilities
- Non-benefit financial obligations to the annual conference
- Repayment of grants or loans
- Apportionment costs
- Other expenses, as determined by the annual conference or general church

One petition that passed at General Conference 2019 (*Discipline* ¶1504.23) requires payment only with respect to the local church's share of unfunded pension liabilities. *However, the General Conference amended the legislation to clarify that this does not prohibit annual conferences from collecting additional monies from departing local churches, including those listed above.* Another petition from General Conference 2019 (*Discipline* ¶2553) requires that a disaffiliating local church pay two years of apportionments in addition to the local church's share of unfunded pension liabilities.

If a local church participates in the HealthFlex Plan through its annual conference and the local church separates/disaffiliates from the UMC, what happens to the HealthFlex coverage for clergy and lay employees of the local church?

The local church's participation in HealthFlex will cease on the effective date of the separation/disaffiliation because, at that point, the church is no longer affiliated with a HealthFlex plan sponsor, i.e., its annual conference. Clergy members who remain with the separated/disaffiliated church and lay employees of the church will lose active coverage on the last day of the month in which the separation/disaffiliation is effective. Those individuals and their covered family members will be eligible for 18 months of continuation coverage. The clergy member or lay employee, as applicable, would be required to pay 100% of the cost of continuation coverage.

If the separated/disaffiliated church immediately joins a new denomination or another group of churches that sponsors HealthFlex, then active coverage may continue for eligible clergy members and lay employees. (Alternatively, if the church has more than 50 eligible employees and continues to share "common religious bonds and convictions" with the UMC, as determined by Wespath, it may be eligible to sponsor HealthFlex without joining another group of churches. Wespath will evaluate church eligibility on a case-by-case basis.) Wespath would need to know more details about the timing of the separation/disaffiliation and the church's plans to join another denomination or group of churches to consider the timing for when the new coverage could be effective.

If the separated/disaffiliated church participates in HealthFlex with a new denomination or another group of churches, the cost of coverage would likely change for the church because the cost is determined separately for each plan sponsor. Currently, the cost of coverage is determined for each annual conference because annual conferences serve as the plan sponsors. Each annual conference then decides how to allocate the cost to its local churches. If a disaffiliated church joins a new group of churches that sponsors HealthFlex, the cost of coverage will be based on that group, and that group can determine how to allocate it to local churches.

Can Wespath serve New Methodist Expressions that might emerge?

Yes. Wespath is authorized by *The Book of Discipline* to serve all Methodist expressions that might emerge in the foreseeable future. This includes the Global Methodist Church.

Can Wespath serve individual local churches or small groups of churches that choose to disaffiliate?

Yes. Wespath is authorized by the *Discipline* to administer benefit plans for groups of churches or even a single church that might change its affiliation with the UMC.

Annual Conferences

May an annual conference separate from the UMC under *The Book of Discipline?*

No. The UMC's Judicial Council has ruled that U.S. annual conferences *do not* have authority to withdraw from the UMC under current church law. Judicial Council Decision 1444 (May 10, 2022) is explained further in this **UM News article**.

I've heard that some annual conferences plan to use conference reserves to reduce or partly offset the pension withdrawal liability payment for separating local churches. Is that okay? What does Wespath think of that?

A conference and its leadership (e.g., bishop, treasurer, chancellor and, as appropriate, board of pensions, board of trustees, and council on finance and administration) should consider the conference's fiduciary duties and procedural requirements when deciding whether and how to take the conference's reserves into account in determining a separating local church's pension withdrawal liability payment. Wespath does not have a position on whether a conference should take reserves into account in this way, although we encourage prudence in any case. The decision is up to the conference and will depend on local context and circumstances. Some conferences might choose to take reserves into account and others might not.

For annual conferences considering whether to use conference reserves to reduce or partly offset the pension withdrawal liability payment for separating local churches, what are some important factors to consider?

As noted above, the decision to use conference reserves depends on local context and circumstances and will vary among conferences. Conferences deciding to consider reserves should also consider equity among local churches in the application of reserves. Reserves should not be used to benefit only disaffiliating churches; rather, equitable allocation should also respect and account for the interests of UMC churches that remain in the conference. Conferences should keep in mind the connectional nature of the UMC's clergy pension plan when determining withdrawal liability payments for local churches, the use of reserves and application of payments received, and related considerations. If a conference that applies its reserves for disaffiliating local churches is unable to support its pension obligations in the future for local churches and clergy remaining in the UMC, this would have consequences for other UMC conferences that have otherwise met their obligations.

Additional considerations will likely vary significantly based on the local context. Some relevant questions for the conference to consider might include:

- Are the reserves held in a trust?
- Are the reserves designated for a specific purpose by the conference, or are there donor restrictions, that would allow (or not allow) use of the reserves for pension funding?
- How might the trust clause (¶2501) apply to reserves not designated for pension support?
- How might the interests of other potential beneficiaries affect reserves not designated for pension support?
- Are there current or planned future uses of the reserves that would need to be re-evaluated (e.g., use of the reserve to subsidize health plan premiums)?
- Will the conference have sufficient reserves going forward to meet liabilities, unforeseen circumstances, or needs that might arise?
- Will the reserves be applied equitably across all the local churches within the conference, regardless of whether they are separating from or remaining with the UMC?
- Will taking the reserves into account leave the local churches remaining in the conference in no worse of a financial position than they would have been if church disaffiliations had not occurred?
- What are the procedural requirements under *The Book of Discipline* and applicable conference rules that need to be met?
- Are there any applicable state laws?

If an annual conference decides to reduce or partly offset a separating local church's pension withdrawal liability payment by taking reserves into account, does that require the annual conference to actually contribute those reserve assets to the pension trust?

No. A conference could take reserves into account to determine its "net" remaining unfunded pension obligation (and determine a separating local church's share of that remaining amount) without actually contributing those reserves to the pension plan trust. *The Book of Discipline* does not require those reserves to be contributed to the pension plan trust at the time of separation. Whether and when an annual conference contributes assets to the pension plan trust depends on future funding requirements, as well as fiduciary and other considerations based on the relevant facts and circumstances present in the annual conference.

Once a pension withdrawal liability payment is made by the separating church to the annual conference, that payment similarly is not required by *The Book of Discipline* to be made to the pension trust. Rather, the use of those assets by the conference will be subject to its fiduciary duties and any applicable policies, as well as future pension funding requirements (if any) as determined by Wespath.

What is Wespath's role when an annual conference is determining a separating local church's pension withdrawal payment as required by ¶¶1504.23 and 2553 of *The Book of Discipline*?

Under *The Book of Discipline*, Wespath's official role is limited to determining the amount of the annual conference's aggregate pension funding obligation using market factors similar to a commercial annuity provider (i.e., in the plan withdrawal context), and informing the annual conference of that amount (i.e., the amount for the conference as a whole). From that point, *the annual conference* is responsible for determining a separating local church's share of that amount, how such payment is to be made to the annual conference (for example, any terms of payment), and the most prudent use or application of the assets once they are received.

These responsibilities appropriately reside with the annual conference because they may involve fiduciary decisions that must be made by the conference considering all relevant facts and circumstances in that particular context. However, Wespath will continue to serve as a resource on pension implications as conference leadership assesses options and potential approaches.

Clergy Who Change their UMC Relationship (Active Clergy)

Did General Conference 2019 pass legislation that impacts clergy pension benefits?

For most participants, nothing changed.

- **If you are receiving pension or annuity payments from Wespath as a retiree, surviving spouse or other beneficiary, your benefits are not changing**. Nothing that happened at General Conference 2019 will change those benefits. However, as was the case before General Conference 2019, if you are receiving benefits from the Pre-82 Plan and terminate your relationship with your annual conference, you would no longer be eligible for future past service rate (PSR) increases.
- **If you are actively serving as a clergyperson and you remain fully connected to your United Methodist annual conference, your benefit coverage remains the same.**
- **If you are an active clergyperson who leaves The United Methodist Church (meaning your conference relationship terminates under ¶360 of *The Book of Discipline*), then the retirement benefits you have earned up to the date you leave will be preserved but *converted* to an individual account balance (dollar amount) and deposited into your United Methodist Personal Investment Plan (UMPIP) account, as explained below.**

What happens to accrued pension benefits for a clergyperson who leaves the UMC after General Conference 2019?

If an active clergyperson's annual conference relationship is terminated under ¶360 of *The Book of Discipline*, all of that clergyperson's accrued pension benefits under the Clergy Retirement Security Program (CRSP), including those under the Pre-82 portion of the plan, would be converted into an account balance (dollar amount) equivalent and transferred to the United Methodist Personal Investment Plan (UMPIP), a voluntary defined contribution (DC) plan maintained by Wespath. *(See chart below.)*

Retirement Plan (U.S. Clergy)	Years of UMC Service	Impact of Leaving UMC Connection—ACTIVE Clergy
Pre-82 Plan	Prior to 1982	*For elders and deacons withdrawing under BOD ¶360: The* clergyperson's benefit is converted into an account balance equivalent and transferred to UMPIP upon withdrawal via ¶360. The calculation takes into account both the "formula benefit" [Pre-82 credited service **x** past service rate (PSR)] and the defined benefit service money (DBSM), and ensures that the participant's benefit reflects whichever of the two produces the greater value. • *For local pastors, provisional members and associate members:* Life annuity based on Past Service Rate at discontinuance or defined benefit service money (DBSM) account balance.
Ministerial Pension Plan (MPP)	1982 – 2006	*For elders and deacons withdrawing under BOD ¶360:* 65% remains as account balance (rather than being annuitized) and the entire account balance would be transferred to UMPIP upon withdrawal via ¶360. • *For local pastors, provisional members and associate members:* 65% is converted to life annuity as early as age 62.
CRSP defined benefit (CRSP DB)	January 2007 – date of termination/ relationship change	*For elders and deacons withdrawing under BOD ¶360:* Based on the date of the clergyperson's departure, DB benefits will no longer accrue service credit. Actuarial value of CRSP DB benefits (annuity) would be converted into an account balance and transferred to UMPIP upon withdrawal via ¶360. • *For local pastors, provisional members and associate members:* Life annuity based on denominational average compensation (DAC) in year of discontinuance, available at age 62 or later.
CRSP defined contribution (CRSP DC)	January 2007 – date of termination/ relationship change	*For elders and deacons withdrawing under BOD ¶360:* Remains as account balance, but no additional contributions. CRSP DC account balances would be transferred to UMPIP upon withdrawal via ¶360 • *For local pastors, provisional members and associate members:* No impact on account balance; remains in CRSP.

All of the amounts transferred to UMPIP as described above would be invested in Wespath funds according to the direction of the terminated participant—similar to the participant's personal contributions to UMPIP. These amounts could provide opportunities for growth that do not exist in pension benefits (depending on market conditions and fund returns), but no longer guarantee lifetime income through monthly annuity payments.

UMPIP benefits are portable, no matter where a clergyperson serves or if the pastor leaves ministry altogether.

How does the pension conversion provision apply to surviving spouses?

Widows, widowers and other survivors currently receiving pension or annuity payments will continue to receive those payments. There is no change in their pension benefits as a result of General Conference 2019.

As a result of General Conference 2019's enactment of the pension conversion provision in February 2019, and effective from February 26, 2019, forward, an active clergyperson who terminates his or her relationship with the UMC will have his or her benefit converted to an account balance equivalent. If the former UMC clergyperson then dies, the remaining account balance would pass on to the person's designated beneficiaries.

For clergy who leave the UMC and are required to have their pensions converted to an equivalent account balance: how is the conversion calculated?

The conversion is calculated using the same actuarial assumptions, or "factors," that are used when determining annual conference contributions to fund the pension benefits. These factors are sometimes referred to as "funding factors" and include considerations like expected mortality and long-term investment returns.

The use of funding factors to convert pensions to an equivalent account balance results in an account balance that approximates the value of contributions (with earnings) made by the annual conference to fund the pension of the clergyperson leaving the UMC.

Clergy who are considering terminating their UMC relationship or surrendering their UMC credentials should discuss the process with their annual conference (benefits office). The conference will coordinate with Wespath to assure appropriate benefits administration.

I've heard that Wespath will take a 7-10% fee from the personal pensions of active clergy who disaffiliate from the UMC. Is this true?

Absolutely not. **Wespath does not charge a fee or penalty to clergy who disaffiliate from the UMC** (i.e., withdrawals under ¶360).

Rather, if an active elder or deacon withdraws under ¶360, his or her pension benefit will be converted to an actuarially equivalent account balance and transferred, along with their entire MPP and CRSP-DC account balances, to the clergyperson's individual United Methodist Personal Investment Plan (UMPIP) account. The conversion of pension benefits (i.e., a monthly annuity payable for life) to an equivalent account balance is made using actuarial factors corresponding to those used when determining annual conference plan sponsor contributions to the Clergy Retirement Security Program (as required by legislation passed at the 2019 General Conference).

Thus, the same factors that were used to calculate annual conference contributions are also used to determine a withdrawing clergyperson's equivalent account balance, resulting in a fair individual distribution that neither harms nor benefits the plan.

Information about how and when Wespath converts pension benefits to an equivalent account balance is **here**.

I've heard that disaffiliating clergy are required to withdraw their money from Wespath (i.e., "cash out their pensions"). Is this true?

No. Clergy (and lay employees) are welcome to leave their retirement money on account with Wespath for as long as they choose—regardless of whether or not they remain in connection with the UMC.

What happens with your retirement benefits if you withdraw under ¶360 depends in part on whether you are an elder or deacon, or local pastor, provisional member or associate member—and which plans you are covered by (which is based on when you served). More information about the impact of clergy withdrawals by specific plans is **here**.

Similarly, lay employees who retire or move to a new job unrelated to the UMC also are welcome to leave their money on account with Wespath for as long as they'd like. Both clergy and lay employees are subject to **federal rules** on required minimum distributions (RMDs). Under these rules, in general, distributions must begin by the April 1 following the year a person reaches age 72. (More details about RMDs are provided in this online **brochure**.)

Why doesn't Wespath use "market factors" instead of "funding factors" when calculating the account balance conversion?

Using "market factors" would result in an account balance that is higher than the amount contributed to fund the future benefits plus the amount of earnings that were expected on the amount contributed. This would give clergy who leave the UMC a financial advantage over those who stay. Using market factors would also lower the "funded ratio" of the retirement plan, which could harm both annual conferences and clergy who remain with the UMC.

Can clergy who choose to exit the UMC keep their retirement account at Wespath—or would they be required to withdraw their account balance and invest elsewhere?

Clergy who terminate or change their relationship with their current annual conference or with the UMC *may keep their retirement account at Wespath*; they are not required to withdraw their account balance and invest elsewhere.

This is also true for clergy who have their pension benefits converted to an equivalent account balance, which is then transferred to UMPIP. For such clergy, any account balances transferred to UMPIP may remain invested with Wespath. (Wespath serves many former UMC employees, surviving spouses and beneficiaries.)

If clergy exit the UMC and become eligible for a distribution from UMPIP, are there any disadvantages to rolling the balance over to an individual retirement account (IRA) or other retirement plan?

Potentially, yes. Rolling retirement assets out of a Wespath-administered plan to an IRA or other retirement plan could result in the loss of a clergyperson's ability to benefit from the housing allowance exclusion from gross taxable income for distributions. *Clergy may want to consult a tax advisor for more information.*

With multiple local churches disaffiliating from the UMC, I am concerned about my clergy pension. What will happen to it? Will there be enough money to pay pension benefits?

If you currently are receiving pension payments from Wespath as a **retiree, surviving spouse or other contingent annuitant**: *your pension benefits will not change as a result of a separation or disaffiliation of your church or annual conference*.

Similarly, if you are an **actively serving clergyperson and you remain in the UMC**, *your pension benefit coverage is not changing*.

If you are an **actively serving clergyperson and you leave the UMC by terminating your annual conference relationship under ¶360**, *pension benefits you have earned up to the date you leave will be preserved, but the form of your benefits will change, as described below*:

- Pension benefits earned to date from defined benefit (DB) pension plans (CRSP and Pre-82) will be converted to an equivalent account balance (i.e., a lump-sum amount calculated by an actuary to reflect the value of future annuity payments that otherwise would be paid over your lifetime), and then transferred to your UMPIP account.
- Account balances earned to date through MPP and CRSP-DC will also be transferred to your UMPIP account.
- You will not receive monthly pension payments ("annuities") at retirement. Instead, you will have access to your full UMPIP account balance once you retire.

UMC annual conferences have been making contributions to the pension trust fund for many years. These contributions are designed to help ensure that the trust has sufficient assets to pay pension benefits earned. In addition, General Conference 2019 approved legislation that added provisions to *The Book of Discipline* that require churches that separate or disaffiliate to pay their fair share of aggregate unfunded pension obligations to the annual conference. This "pension withdrawal payment" is discussed in the above Q&As.

The pension withdrawal payment is specifically intended to help maintain your pension security by providing financial support to the UMC annual conferences that will remain liable for funding pension obligations owed to current and retired clergy members (including clergy members who remain in the UMC *and* those who change their affiliation to disaffiliating or separating churches) as well as surviving spouses and other contingent annuitants. It's important to remember this human aspect—that a disaffiliating local church is leaving full responsibility with the annual conference and its former sibling churches for pension benefits earned by active and retired pastors in years past.

As a reminder, lay employees with benefits from Wespath are covered in different plans, mainly through UMPIP. UMPIP is a defined contribution plan with individual account balances that are held in trust. Account balances are subject to changes in value based on investment performance of the funds.

If clergy withdraw from their annual conference and do not join another denomination, do they lose the housing allowance exclusion from gross income?

It depends. Terminating one's UMC relationship won't by itself impact whether the clergyperson may apply the housing allowance exclusion to retirement plan distributions.

However, a rollover of retirement plan benefits from Wespath to an IRA or a future employer's retirement plan could affect the clergyperson's ability to apply the housing allowance exclusion.

Please note: The housing allowance exclusion applies only to compensation earned or retirement benefits accrued while performing services as a "minister of the gospel" as defined by the Internal Revenue Service (IRS). Eligibility for the housing allowance exclusion is a tax issue regulated by the IRS. More details are available on the **IRS.gov website**. *Clergy who are interested in executing a rollover should consult with a tax advisor to assess the risk of losing the housing allowance exclusion.*

If a clergyperson exits the UMC, can he or she continue contributing to UMPIP?

Generally, clergy must remain active with an annual conference, local church or other UMC-associated organization that sponsors UMPIP in order to continue contributing. However, if a former UMC clergyperson serves a new employer, a former UMC local church or other organization that is sufficiently associated with the UMC, and the employer agrees to sponsor UMPIP, then personal contributions to UMPIP may continue.

- A clergyperson who moves to a new Methodist Expression that might emerge after the next General Conference would be able to continue making personal contributions to UMPIP (assuming the new denomination agrees to sponsor UMPIP).

If a clergyperson is currently receiving disability benefits from the Comprehensive Protection Plan (CPP), will leaving the UMC cause those disability benefits to stop? What if the clergyperson's local church leaves the UMC?

Replacement income that is *already being paid* from CPP due to disability will continue—even if the clergyperson leaves the UMC or his/her local church exits the UMC.

- Once those benefits begin, they will continue for as long as the recipient remains disabled (as defined in CPP).

Please note: Any retirement plan contributions made by CPP during disability would cease when a clergyperson leaves the UMC. Also, there are other events that may cause disability replacement income to end, such as failing to verify continued disability, reaching a certain age, etc.; these events are related to CPP plan rules and are not specific to leaving the UMC.

If an active clergyperson leaves the UMC, will he or she remain eligible for death benefits from CPP?

No. Per CPP provisions set by General Conference, if an active clergyperson with CPP coverage ceases to be a UMC clergyperson (whether through voluntary withdrawal or another termination process), their eligibility for CPP death benefits also ceases.

Some annual conferences may have other benefits available, such as additional life insurance programs outside CPP. Clergy should check with the annual conference for coverage details.

Does Wespath have an option that would allow active clergy to maintain the CPP death benefit if they withdraw from the UMC?

- Wespath has developed potential changes to CPP since the time petitions were filed for what was to be General Conference 2020. If the existing Wespath petition regarding CPP can be amended at or prior to the rescheduled General Conference in 2024, such an amendment could provide a path to eligibility for an active clergy that leaves the UMC. The path could be by means of clergy with a certain minimum years of service directly paying premiums in advance to obtain the required minimum years of service for death benefit eligibility, or by means of clergy earning additional years of service if the clergyperson joins a New Methodist Expression that sponsors UMLifeOptions (a non-mandatory plan administered by Wespath).

Retired Clergy

If an already retired clergyperson remains in connection with the UMC (*does not change his or her annual conference relationship*), will he/she lose his/her pension payments due to a separation or disaffiliation of their local church or annual conference?

No. If you currently are receiving pension payments from Wespath as a **retiree, surviving spouse or other contingent annuitant**: *your pension benefits will not change as a result of a separation or disaffiliation of your church or annual conference*.

Would a surviving spouse or other contingent annuitant lose pension payments due to a separation or disaffiliation of their local church or annual conference?

No. If you currently are receiving pension payments from Wespath as a **surviving spouse or other contingent annuitant or beneficiary**: *your pension benefits will not change as a result of a separation or disaffiliation of your church or annual conference*.

If an already retired clergyperson surrenders his or her UMC credentials (after retirement) or otherwise terminates their conference relationship, would the clergyperson lose earned pension benefits?

No. Generally, an already retired clergyperson who surrenders credentials (voluntarily or involuntarily) after retirement or terminates their conference relationship *does not lose earned pension benefits*. Earned pension benefits are vested under the terms of the retirement plans and cannot be taken away.

However, a clergyperson receiving Pre-82 pension benefits based on the conference's past service rate (PSR) will not receive further PSR increases after his or her relationship with the conference ends. Additionally, the retired clergyperson might have other benefits in retirement that could be affected by termination (for example: retiree medical coverage, which is subject to the rules and policies of the annual conference).

If an already retired clergyperson moves to the GMC, will their retirement benefits change?

If the clergyperson is receiving income through the Pre-82 Plan, they will continue to receive that life annuity. However, the individual will not receive future Past Service Rate (PSR) increases after the year they withdraw from the GMC. CRSP and MPP benefits are not affected.

If an already retired clergyperson leaves the UMC, will he or she remain eligible for death benefits from CPP?

Yes. Retired clergy eligible for death benefits under CPP plan rules who leave the UMC post-retirement will retain their CPP death benefit.

- **Please note**: Not all clergy are entitled to death benefits in retirement. For example, per CPP provisions set by General Conference, a clergyperson who retired early (for example, under the 20-year rule) and did not have the required age to begin retirement plan benefits through CRSP would not qualify as a "Retired Participant" under CPP provisions. Therefore, this pre-retirement-age clergyperson would not be eligible for the CPP death benefit upon withdrawal from the UMC, even if they are no longer in active ministry.

Some annual conferences may have other benefits available, such as additional life insurance programs outside CPP. Clergy should check with the annual conference for coverage details.

For impact on retirement benefits from other plans, see this **document**.

Lay Employees

Does any of the legislation passed at General Conference 2019 impact retirement benefits for lay employees?

No. Pension-related legislation that passed at General Conference 2019 does not impact retirement benefits of lay employees. Retirement benefits for lay employees are generally provided through defined contribution (DC) plans with individual accounts, such as the United Methodist Personal Investment Plan (UMPIP), the Retirement Plan for General Agencies (RPGA) or the Horizon 401(k) Plan. These accounts are portable and fully funded once contributions are made, so they do not involve long-term funding obligations. In addition, the retirement plans for lay are generally *not connectional* in nature, so the local church, annual conference, general agency or other UM employer do not carry *shared* responsibility for funding the plan.

A small number of former general agency employees who are now retired may be receiving pension or annuity payments from legacy defined benefit plans. Those legacy plans are well-funded.

Will lay employees who move to the Global Methodist Church have benefits through Wespath (retirement, health, disability and death benefits)?

Lay employees working at least 50% time at the GMC's national office will have retirement and health benefits too. Lay employees at GMC local churches or affiliated employers (such as schools and daycare centers attached to local churches) will have benefits as determined at the local level.

Can a lay employee who is still employed at a church that has disaffiliated take a full distribution of their retirement accounts?

No. When a local church disaffiliates from The United Methodist Church and becomes an independent church, or joins another denomination, that disaffiliation from The United Methodist Church does not impact the employment relationship the local church has with its employees. Lay employees of a disaffiliated church do not fall within the Plan's definition of a "Terminated Employee" and therefore are unable to take out a full distribution from their Wespath-administered plans unless they fall within one of the other permitted reasons for receiving a distribution (e.g., hardship withdrawal, attainment of age 59-1/2 or disability).

The requirement to have a severance from employment before being eligible for a distribution is also a requirement of the Internal Revenue Code[1], which sets forth certain requirements that tax-deferred retirement plans like UMPIP must follow.

Wespath Services (including institutional investment management services, Global Methodist Church and other groups)

Can Wespath serve churches or clergypersons who choose to leave the UMC, including those that move to a New Methodist Expression?

Yes. Wespath is authorized by the *Discipline* and U.S. law to manage funds and offer services to church and nonprofit organizations that share "common religious bonds and convictions" with, or are otherwise controlled by, associated with or related to the UMC, which Wespath evaluates on a case-by-case basis. On this basis, Wespath can administer benefits and provide investment management services (for a local church's endowment, for example) for a group of churches—or even a single church— that may break away from the UMC. Clergypersons can continue to participate in Wespath-administered plans if they serve such

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[1] Under Treasury Regulation 1.403(b)-6(d), which UMPIP is subject to, distributions to participants may not be paid earlier than the participant's severance from employment, death, disability, attainment of age 59-1/2, or hardship.

organizations, and if those organizations become plan sponsors of Wespath-administered plans. More information about benefit plan sponsorship is in this **document**.

Is Wespath working with the Global Methodist Church (GMC) to provide employee benefit plans to clergy and laypersons of their denomination?

Yes. Wespath has worked with GMC leaders to create the Covenant Personal Investment Plan (Covenant PIP) for retirement benefits, and the Covenant LifeOptions plan for death and disability benefits. The GMC also offers health benefits through HealthFlex for eligible clergy and lay employees.

Why would Wespath provide services to disaffiliating churches or a new Methodist denomination?

Wespath's mission is to care for those who serve. We believe that includes serving multiple expressions of Methodism. Moreover, the UMC has authorized and encouraged Wespath to do just that (see *Book of Discipline* ¶2553.4(g) and ¶1504.17). There are economic benefits in the scale of Wespath's assets, *which reduce costs for all participants and investors*. Further, there are theological groundings in Methodist unity and Christian unity (see, e.g., ¶6) for Wespath's "big tent" philosophy for serving multiple expressions of Methodism.

Would a reorganization of the UMC affect Wespath's ability to serve its institutional investors?

No. Wespath expects to continue to serve its institutional investor clients through its subsidiary, Wespath Institutional Investments LLC (WII). Under federal and church law, Wespath can serve a broad range of investors that share "common religious bonds and convictions" with, or are otherwise controlled by, associated with or related to the UMC, as determined by Wespath. A new expression of Methodism likely would share common religious bonds and convictions with the UMC based on shared Wesleyan theology and tradition and Methodist roots. As it currently does, Wespath will continue to evaluate new institutional investor eligibility on a case-by-case basis.

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