Clergy Retirement Planning Session
September 24, 2020
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Today’s Presenters

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Overview

• Wespath Retirement Plans
  • Ministerial Pension Plan
  • Clergy Retirement Security Program
  • Pre-82 and UMMPIP
• Housing Allowance Exclusion
• Comprehensive Protection Plan (CPP)
• EY Financial Planning
• Wespath Participant Services
• Normal Retirement: 
  Age 65 or 40 years of service

• Early Retirement: 
  Age 62 or 30 years of service

• Mandatory Retirement: 
  Age 72

• 20-year retirement
Wespath Retirement Plans

CRSP
- 2014+ CRSP
- 2007-2013 CRSP
- 1982-2006 Ministerial Pension Plan (MPP)
- Pre-82 Plan (Minister’s Reserve Pension Fund)

UMPIP

• An account balance invested using LifeStage Investment Management
• Lifetime monthly benefit upon retirement—65%
• Cash account balance—35%
Ministerial Pension Plan

65%

Life Annuity
- Six-lifetime annuities
- COLA increase

35%

Account Balance
- As a cash distribution
- Other options
What Is an Annuity?

A series of payments

Life annuity—benefit payments that last through the participant’s lifetime (or two lives, if joint annuity elected)
MPP Distribution Options: Life and Survivor Annuities

Example:

<table>
<thead>
<tr>
<th>Annuity Type</th>
<th>Payable to You</th>
<th>Payable to Contingent Annuitant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life and 100%</td>
<td>$866</td>
<td>$866</td>
</tr>
<tr>
<td>Life and 85%</td>
<td>$890</td>
<td>$757</td>
</tr>
<tr>
<td>Life and 70%</td>
<td>$915</td>
<td>$641</td>
</tr>
</tbody>
</table>

* Since we are assuming a 2% COLA, these payouts will grow by 2% each year in retirement.
## MPP Distribution Options: Life Annuities

### Example:

<table>
<thead>
<tr>
<th>Annuity Type</th>
<th>Payable to You</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life only</td>
<td>$1,056</td>
</tr>
<tr>
<td>Life with 5-year certain</td>
<td>$1,052</td>
</tr>
<tr>
<td>Life with 10-year certain</td>
<td>$1,035</td>
</tr>
</tbody>
</table>

* Since we are assuming a 2% COLA, these payouts will grow by 2% each year in retirement.
MPP and CRSP DB Annuity: COLA Options*

* CRSP DB does not offer a 0% COLA
Summary of MPP Considerations

• Can leave on account until age 72
• Annuity and Cola options
• Take the 35% of account balance and wait on the 65%
• Rollover to UMPIP
• Roll over to another retirement plan
Wespath Retirement Plans

CRSP

2014+ CRSP

2007-2013 CRSP

1982-2006 Ministerial Pension Plan (MPP)

Pre-82 Plan (Minister’s Reserve Pension Fund)

UMPIP
Clergy Retirement Security Program (CRSP)

- Defined Benefit (DB)
  - Monthly benefit
  - Defined Benefit (DB)

- Defined Contribution (DC)
  - Account balance
  - Defined Contribution (DC)

+
Denominational Average Compensation (DAC)

Average Plan Compensation of clergy serving full-time appointments

2019: $71,361
2020: $72,648
2021: $74,199
Monthly payment, payable for life, calculated by multiplying the following and then dividing by 12:

- 1.25%
- DAC at time of retirement
- Years of credited service from January 1, 2007 until December 31, 2013 (7 years if full-time)

Example for 2021 Retirement

$74,199 (2021 DAC) 
× 0.0125 
× 7 years 
= $6,492 
÷ 12 
= $541 per month
CRSP DB: Service January 1, 2014 – June 30, 2021

Monthly payment, payable for life, calculated by multiplying the following and then dividing by 12:

• 1.00%
• DAC at time of retirement
• Years of credited service from January 1, 2014 until June 30, 2021 (7.5 years if full-time)

Example for 2021 Retirement

\[
\begin{align*}
\text{Monthly payment} & = \frac{74,199 \times 0.01 \times 7.5}{12} \\
& = \frac{5,565}{12} \\
& = \$464 \text{ month}
\end{align*}
\]
2021 Retirement

Total benefit:

$541
+ $464

= $1,005 per month

• Surviving spouse benefit available – 6 annuity options

• Choice of cost-of-living adjustment (COLA) – min. 2%

• Reduction for early retirement
In this example the clergyperson does not meet the 40-years-of-service rule.

**2021 Early Retirement**

Total benefit: $884 per month

$1,005 Full amount for 2021

- $121 12% reduced; reduction of 6% per year

= $884 Per month
Clergy Retirement Security Program (CRSP)

 Defined Benefit (DB) + Defined Contribution (DC)

Monthly benefit

Account balance
CRSP Defined Contribution (DC)

- Participant directs investments
- LifeStage Investment Management
- Available as cash distributions
- Rollover to UMPIP or other retirement plan
- Required Minimum Distribution by age 72
- Remaining balance paid to beneficiaries upon participant’s death
Pre-82 Plan

- **Pre-82**
  - Defined Benefit Service Money (DBSM)
  - Formula Benefit
Pre-82 Benefit

• Lifetime monthly benefit payment
• Benefit is the greater of two calculations:
  – Pre-82 Years of Service x Past Service Rate
  – DBSM account balance converted to a life annuity

Example:
• 5 years x $768 = $3,840 annual benefit
• $3,840 / 12 = $320 monthly benefit

• $75,000 converts to $4,212 annual benefit
• $4,212 / 12 = $351 monthly benefit
Pre-82: Benefit Paid for Life

Single Participant
• Single-life, no refund
• Benefit ceases upon participant’s death

Married Participant
• Life and 85% to surviving spouse—set by each Annual Conference
  – Spouse during episcopal appointment, at time of retirement and when beginning benefits
Wespath Retirement Plans

CRSP

2014+ CRSP

2007-2013 CRSP

1982-2006 Ministerial Pension Plan (MPP)

Pre-82 Plan (Minister’s Reserve Pension Fund)

UMPIP
What Is UMPIP?

• Defined Contribution (DC) plan that accepts contributions from:
  – Plan sponsors/employers
  – Participants via payroll deduction

• You direct investments
  – LifeStage Investment Management
  – “Self-manage” your investments
Advantages of UMPIP Participation

• Save on taxes
• Autopilot solutions
• Matching contributions
• Sustainable investments
Different Ways to Contribute to UMPIP

- Avoid taxes NOW
- Avoid tax LATER
- Rollovers
UMPIP Participant Contributions

- Before-Tax
- After-Tax
- Roth
- Rollovers
2020 Contribution Limits

Before-tax and Roth combined

- $19,500
- $26,000 if age 50+
Roth Contributions and Earnings

Tax-free if:

- First Roth contribution was made at least 5 years* prior to withdrawal
- Participant is 59½ or older, permanently disabled or deceased

* Unless a rolled over Roth 403b or 401k is a part of your UMPIP. Also, any Roth balances may be taken last (securing the 5-year qualification) to avoid tax consequences.
Rollovers—Direct or Indirect

Accepted from IRS-Qualified Accounts—such as:

- 401(k) Plans
- 403(b) Plans
- 457(b) Governmental Plans
- Traditional IRA*

* Roth IRAs and after-tax contributions in IRAs cannot be rolled over

Submit *Incoming Rollover* form
UMPIP Access

- In-service withdrawals at 59 ½
- Hardship loans
- Hardship withdrawals
- Disability
- Separation
- Retirement
Distribution Options for Retired and Separated Participants

• Distribution choices
  – Full lump sum
  – Partial lump sum
  – Cash installments
    ➢ Self-Managed Retirement Income
    ➢ LifeStage Retirement Income

• Leave on account until RMD –
  • Required Minimum Distribution
• At death remaining balance to beneficiaries
Required Minimum Distributions

• Beginning by no later than April 1\textsuperscript{st} of the following year after the participant turns age 72
• Applies to defined contribution accounts (UMPIP, CRSP and MPP 35%)
• Subsequent RMDs each calendar year using prior-year December 31 balances
• MPP, CRSP DB and Pre-82 benefits must also begin at this time
• See IRS \textit{Publication 590} for details
Investing with Wespath
Investment Information at wespath.org

- Daily changes
- Fund descriptions
- Comparative results
- Benchmarks
- Fees
Quarterly Statements

• Available online—benefitsaccess.org
• By mail
• View current account balances
• Verify transaction details
Investing with Wespath Benefits and Investments

LifeStage Investment Management

Asset allocation consultation through EY

Choose your own mix of investment funds
LifeStage Investment Management

- Personalized investment management tool for Defined Contribution (DC) accounts
- Set your account on auto-pilot
- Fund allocations unique to each participant
- Variables affecting fund allocations
  - Participant’s age
  - Benefit commencement date
  - Risk tolerance
  - Social Security benefits
  - Wespath benefits
LifeStage Investment Management

• Creates a diversified investment portfolio customized to each participant
• Sets an asset allocation and reviews quarterly
• Rebalances your account as needed
• Sets a separate asset allocation for MPP accounts
• Manages investments throughout active service and in retirement
If you create a Personal Investment Profile, LifeStage will model your target allocation according to your profile.

Otherwise, the default profile is...

- Moderate risk tolerance
- Benefit commencement at age 65
- Eligible for Social Security benefits
LifeStage Investment Management: Rebalancing

Before the Rebalance:
- 27% U.S. Equity Fund
- 17% Extended Term Fixed Income Fund
- 29% International Equity Fund
- 13% Fixed Income Fund
- 13% Inflation Protection Fund

After the Rebalance:
- 26% U.S. Equity Fund
- 14% Extended Term Fixed Income Fund
- 13% International Equity Fund
- 13% Fixed Income Fund
- 34% Inflation Protection Fund
Housing Allowance Exclusion
Housing Allowance Exclusion in Retirement

Amount to be excluded is the least of:

- Amount designated as housing allowance
  - Generally comes from annual conference resolution designating a housing allowance
- Amount actually expended for housing
- Fair rental value of the housing
Housing Allowance Exclusion

Example: A clergyperson...

- Receives $24,000 in pension (designated)
- Spends $20,000 on housing
- Fair rental value of housing is $21,000
- Housing allowance exclusion cannot exceed $20,000
- **Amount taxable**: $4,000
## Retired Clergy Housing Allowance Exclusion—Examples

<table>
<thead>
<tr>
<th>Example A</th>
<th>Example B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Two kinds of first-year pension disbursements:</strong></td>
<td><strong>First-year setup with monthly pension only:</strong></td>
</tr>
<tr>
<td>• $1,800/monthly or $21,600</td>
<td>• $1,800/monthly or $21,600</td>
</tr>
<tr>
<td>• $40,000 partial distribution</td>
<td>• No partial distribution</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>Total:</strong></td>
</tr>
<tr>
<td>$61,600</td>
<td>$21,600</td>
</tr>
<tr>
<td><strong>Lesser of:</strong></td>
<td><strong>Lesser of:</strong></td>
</tr>
<tr>
<td>• Amount designated:</td>
<td>• Amount designated:</td>
</tr>
<tr>
<td>$61,600</td>
<td>$21,600</td>
</tr>
<tr>
<td>• Amount spent:</td>
<td>• Amount spent:</td>
</tr>
<tr>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>• Fair rental value:</td>
<td>• Fair rental value:</td>
</tr>
<tr>
<td>$24,000</td>
<td>$24,000</td>
</tr>
<tr>
<td><strong>Subject to taxation:</strong></td>
<td><strong>Subject to taxation:</strong></td>
</tr>
<tr>
<td>$37,600</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
Housing Allowance Exclusion Worksheet

This worksheet is designed to help a retired clergy person determine the amount that he or she may exclude from gross income pursuant to the provisions of Section 107 of the Internal Revenue Code (Code). These provisions provide that "a minister of the gospel" may exclude a "housing allowance" from his or her gross income. This worksheet assumes that a parsonage is not provided to the clergy person by the salary-paying unit.

The amount that may be excluded by the clergy person is the lesser of:

1) the amount classified as the housing allowance by the salary-paying unit (in most cases for a retired clergy person, the salary-paying unit will be the annual conference from which he or she retired);
2) the amount actually expended by the clergy person for housing;
3) the fair rental value of the residential property occupied by the clergy person.

For tax year: ____________________

1. Indicate the amount classified as the housing allowance by the salary-paying unit.

2. Indicate the amount actually expended by the clergy person on housing:
   a. rent payments or mortgage principal payments made ...........................................
   b. mortgage interest payments made .................................................................
   c. real property taxes ..........................................................................................
   d. maintenance expenses ..........................................................
   e. utilities ........................................
   f. furnishings ........................................
   g. other applicable expenses related to housing ........................................
   h. add lines a, b, c, d, e, f and g and indicate total here ........................................

3. Indicate the fair rental value of the housing plus the cost of utilities:
   a. fair rental value of the housing (furnished) ......................................................
   b. fair rental value of appurtenances, such as garage (if not in line a) ................
   c. cost of utilities ..........................................................................................
   d. add lines a, b and c and indicate total here .....................................................

4. Indicate the least of the amounts indicated on lines 1, 2, and 3 ....................

Assuming there is sufficient documentation, the amount indicated on line 4 is the amount that may be excluded from gross income as a housing allowance pursuant to the provisions of Section 107 of the Code.

(continued)
Housing Allowance Exclusion

- Available to retired clergy
- Not applicable to surviving spouse unless clergy couple
- Attach a note to IRS Form-1040
- Refer to section in conference journal
Comprehensive Protection Plan

Death and Disability
## Active Clergy Death Benefits 2020

The 2020 DAC is $72,648.

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Benefit Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clergy</td>
<td>$50,000</td>
</tr>
<tr>
<td>Spouse</td>
<td>20% of DAC at time of death</td>
</tr>
<tr>
<td>Surviving spouse</td>
<td>15% of DAC at time of death</td>
</tr>
<tr>
<td>Child</td>
<td>10% of DAC at time of death</td>
</tr>
</tbody>
</table>

CPP Death Benefit

2020 DAC: $72,648
Retired Clergy Death Benefits

<table>
<thead>
<tr>
<th></th>
<th>2017 – 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clergy</td>
<td>$20,400</td>
</tr>
<tr>
<td>Spouse</td>
<td>$15,300</td>
</tr>
<tr>
<td>Surviving spouse</td>
<td>$10,200</td>
</tr>
<tr>
<td>Child</td>
<td>$8,160</td>
</tr>
</tbody>
</table>

Benefits increased 2% January 1, 2017 and every four years thereafter.
CPP Disability Benefits

• 70% of Plan Compensation coordinated with any Social Security disability income
• Must submit application and be approved
• Periodic re-approval
• Retirement Plan Credit – CRSP DC 2% non-match +1% match
• CRSP DB credit funded by conference
## Access to Retirement Plans

<table>
<thead>
<tr>
<th>Disability</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MPP</td>
<td>35% of account balance</td>
</tr>
<tr>
<td>CRSP</td>
<td>DC account balance</td>
</tr>
<tr>
<td>UMPIP</td>
<td>100% of account balance if permanently disabled</td>
</tr>
</tbody>
</table>
Beneficiary Designation

• Beneficiary designations are required for retirement and welfare plans, and supersede Will provisions

• Can make separate designations for CRSP DC, UMPIP and CPP

• Update at times of change
  – Birth or adoption of a child, marriage, divorce or death

Update at benefitsaccess.org
EY Financial Planning Services
Program Advantages

• Confidential, professional financial counseling at no additional cost*
• Unlimited hours of financial planning advice via telephone
• Objective advice—no sales pitch
• No need to enroll
  – Call 1-800-360-2539
  – Visit website: wespath.eyfpc.com
    (create a username and password to register)

* Costs for these services are included in Wespath’s operating expenses that are paid for by the funds.
Consultation Topics

- Creating a retirement plan
- Electing Roth contributions
- Choosing retirement plan investments
- Buying a home
- Developing an estate plan
- Managing debt
- Funding children’s/grandchildren’s education
- And more
EY Navigate

- Questions financial attitudes and behaviors
- Identifies financial concerns
- Provides score and recommendations for improving finances
- Take periodically to compare scores and develop new action plans
Benefits Access

- Current account information
- Projection tools
- Retirement Readiness Tool
- Retirement Benefits Projection
- Investment information
- Beneficiary designations
- Educational resources about finances and retirement
Retirement Benefits Projection

Not a “forecast,” but a changeable estimate based on:

- Account growth
- Inflation assumption for salary
- Assumed retirement commencement date
- DC account balance distributions are projected using LifeStage Retirement Income
Benefits Access

Your Personalized Retirement Benefits Projection Statement
For Benefits Commencement Date 01/01/2020

Projection

PROJECTIONS ESTIMATE FUTURE BENEFITS BASED ON UNDERLYING ASSUMPTIONS, WHICH MAY CHANGE FROM TIME TO TIME. ACTUAL BENEFITS MAY VARY.1

Lifetime Income:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Estimated Monthly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clergy Retirement Security Program Defined Benefit (CRSP'DB) for 2007 through 2013 service</td>
<td>$541</td>
</tr>
<tr>
<td>Clergy Retirement Security Program Defined Benefit (CRSP'DB) for post 2013 service</td>
<td>$776</td>
</tr>
<tr>
<td>Ministerial Pension Plan (MPP) Actuarly (5%)</td>
<td>$808</td>
</tr>
<tr>
<td>Pre-Retirement Plan (Pre-RP) North Georgia (TDS)</td>
<td>$928</td>
</tr>
<tr>
<td>Subtotal for Lifetime Income:</td>
<td>$1,417</td>
</tr>
</tbody>
</table>

Account Balance(s):

<table>
<thead>
<tr>
<th>Plan</th>
<th>Estimated Monthly Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministerial Pension Plan (MPP) (5%)</td>
<td>$340</td>
</tr>
<tr>
<td>Clergy Retirement Security Program Defined Contribution (CRSP DC)</td>
<td>$105</td>
</tr>
<tr>
<td>United Methodist Pension Investment Plan (UMHP)</td>
<td>$308</td>
</tr>
<tr>
<td>Subtotal for Account Balances:</td>
<td>$851</td>
</tr>
</tbody>
</table>

Understanding the Value of the Estimated Amounts:

<table>
<thead>
<tr>
<th>Estimated Account Balance</th>
<th>Estimated Monthly Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Total at Retirement:</td>
<td>$2,145</td>
</tr>
<tr>
<td>Equivalent value in Today’s Dollars:</td>
<td>$31,958</td>
</tr>
<tr>
<td>Estimated Income Replacement Ratio:</td>
<td>47.07%</td>
</tr>
</tbody>
</table>

1This Retirement Benefits Projection Statement (Statement) represents an estimate of your benefits assuming that you continue to work or remain under appointment and are covered under the plan until you begin receiving benefits. This estimate is based on the Participant Selected Input and System Determined Input. If actual experience varies from the assumptions (investment return, compensation increase, retirement age, mortality, etc.), the amount of the benefit will differ from the estimate. If the assumptions do not meet the requirements of the plan, the plan provisions will control your benefits eligibility and the amount of your benefit. If you are a terminated employee who has returned to active service, your retirement benefits projection may be inaccurate. For a complete explanation of the calculations used by this Statement, please refer to the Assumptions and Disclaimers.

If you have any questions or concerns regarding your Statement, please call Wespath at 800-801-2259, Monday through Friday, 8:00 a.m. to 6:00 p.m., Central time, or CT Financial Planning Services at 800-250-2259, Monday through Friday, 8:00 a.m. to 5:00 p.m., Central time.

http://www.benefitsaccess.org/wespath_retirement_projection.aspx

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Action Planning

• Register for Benefits Access
  – Online—benefitsaccess.org
  – Review beneficiary designation

• Optimize your contribution strategy

• Review your LifeStage Investment Management profile

• Project your retirement income

• Call EY and register on EY Navigate

• Benefit Education Consultation —
  https://www.wespath.org/r/consultation
Action Planning—Next Steps

• Enroll in UMPIP or increase your contributions
• Get “help” with investing
• Manage your account at benefitsaccess.org
• View our other webinars
Participant Resources

Wespath Participant Solutions
wespath.org
1-800-851-2201

Benefits Access
benefitsaccess.org (online participant account management)
Mobile app

EY Financial Planning Services
wespath.eyfpc.com
1-800-360-2539