



Baltimore-Washington Annual Conference



Wespath

BENEFITS | INVESTMENTS

Clergy Retirement Planning Session

September 24, 2020

Bob Christophel and Peter Hang

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



Provisions for Retirement—*Book of Discipline* ¶357

- **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

Ministerial Pension Plan: 1982–2006

- An account balance invested using LifeStage Investment Management
- Lifetime monthly benefit upon retirement—65%
- Cash account balance—35%

Ministerial Pension Plan



Life Annuity

- Six-lifetime annuities
- COLA increase



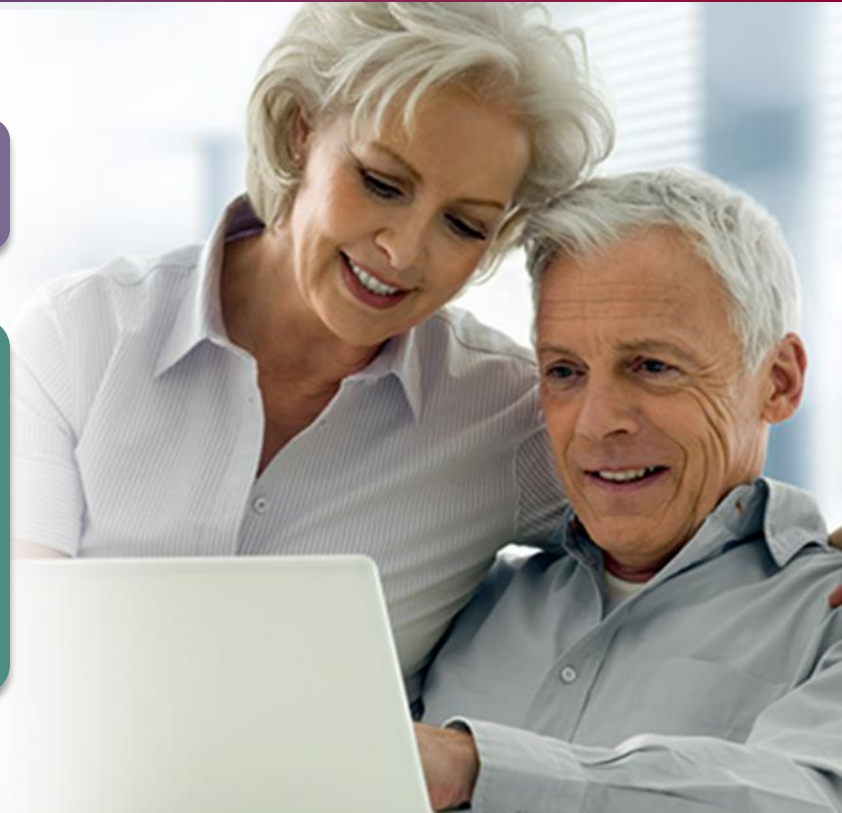
Account Balance

- 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:

Annuity Type	Payable to You	Payable to Contingent Annuitant
Life and 100%	\$866	\$866
Life and 85%	\$890	\$757
Life and 70%	\$915	\$641

* Since we are assuming a 2% COLA, these payouts will grow by 2% each year in retirement.

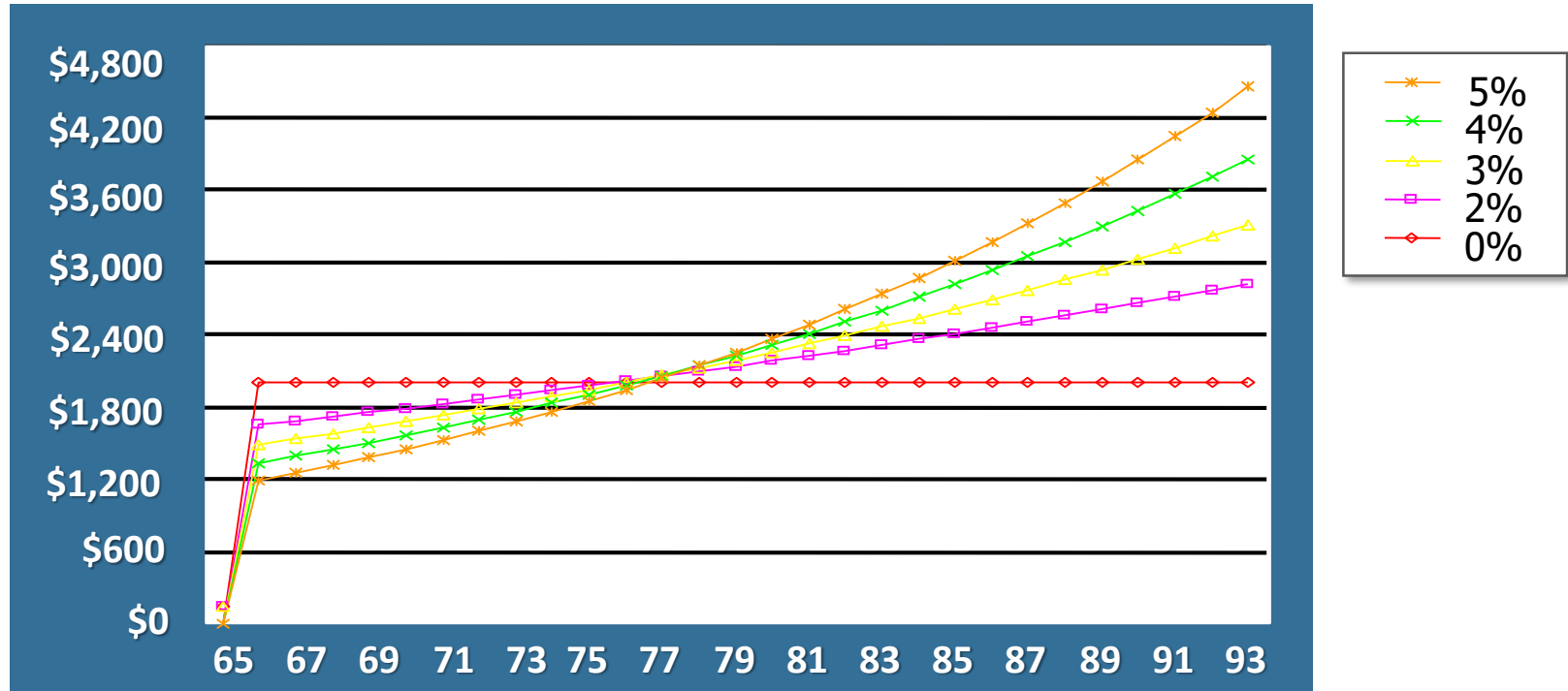
MPP Distribution Options: Life Annuities

Example:

Annuity Type	Payable to You
Life only	\$1,056
Life with 5-year certain	\$1,052
Life with 10-year certain	\$1,035

* Since we are assuming a 2% COLA, these payouts will grow by 2% each year in retirement.

MPP and CRSP DB Annuity: COLA Options*



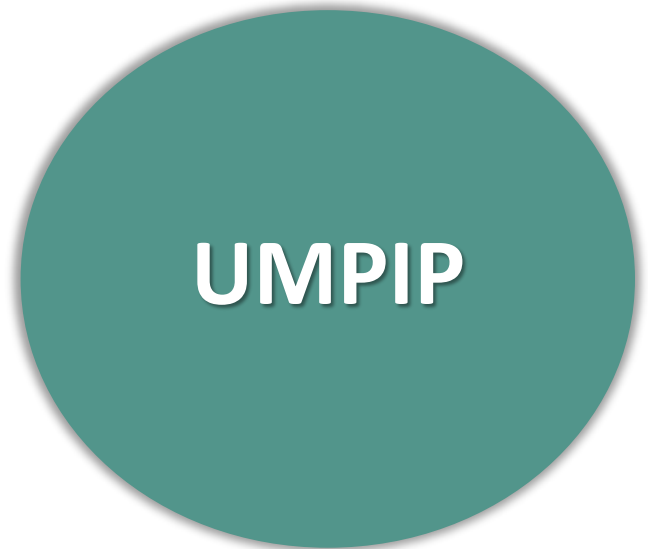
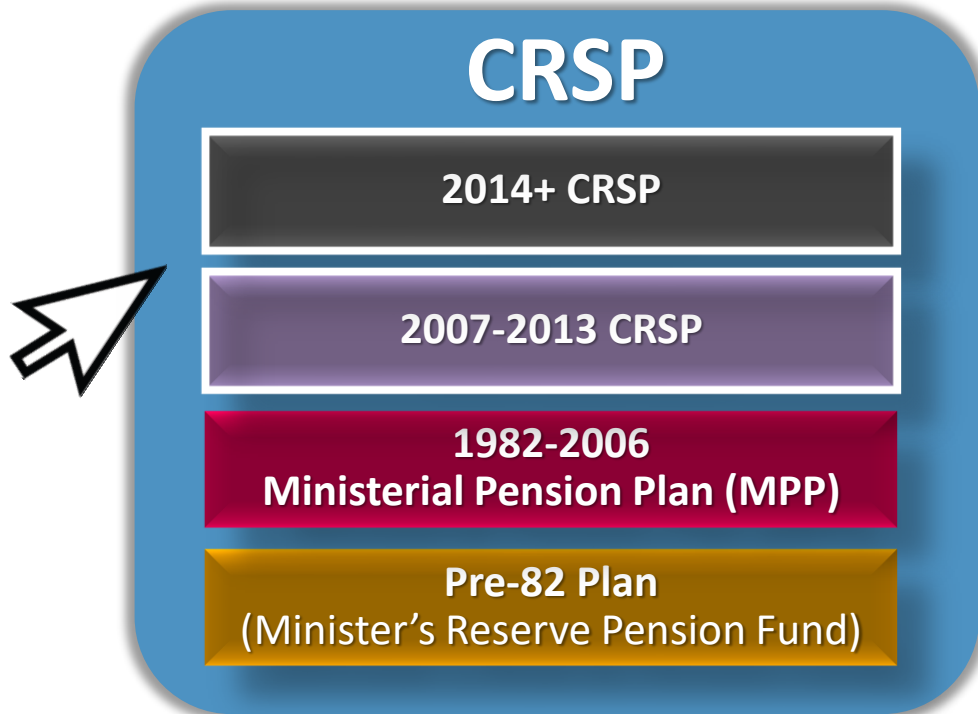
* CRSP DB does not offer a 0% COLA

Summary of MPP Considerations

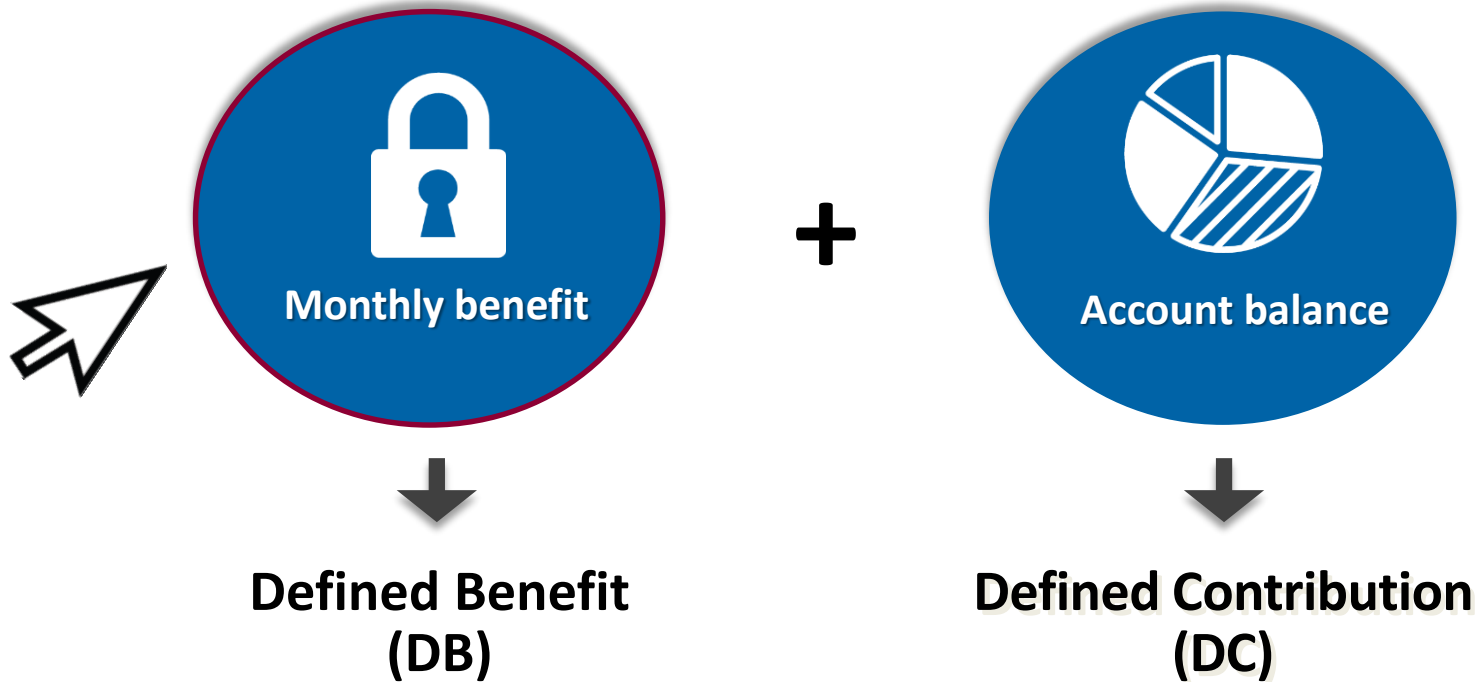
- Can leave on account until age 72
- Annuity and Cola options
- Take the 35% of account balance and wait on the 65%
- Rollover to UMPIP
- Roll over to another retirement plan



Wespath Retirement Plans



Clergy Retirement Security Program (CRSP)



Denominational Average Compensation (DAC)

Average Plan Compensation of clergy
serving full-time appointments

2019:
\$71,361

2020:
\$72,648

2021:
\$74,199

CRSP DB: Service January 1, 2007– December 31, 2013

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

$$\begin{array}{r} \$74,199 \text{ (2021 DAC)} \\ \times .0125 \\ \times 7 \text{ years} \\ \hline = \$6,492 \\ \div 12 \\ = \mathbf{\$541 \text{ per month}} \end{array}$$

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

$$\begin{array}{r} \$74,199 \text{ (2021 DAC)} \\ \times .01 \\ \times 7.5 \text{ years} \\ \hline = \$5,565 \\ \div 12 \\ = \mathbf{\$464 \text{ month}} \end{array}$$

CRSP DB: Service 2007 to June 30, 2021

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

CRSP DB: Age 63 Early Retirement

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

In this example the clergyperson does not meet the 40-years-of-service rule.

Clergy Retirement Security Program (CRSP)



**Defined Benefit
(DB)**

+



**Defined Contribution
(DC)**

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

Wespath Retirement Plans

CRSP

2014+ CRSP

2007-2013 CRSP

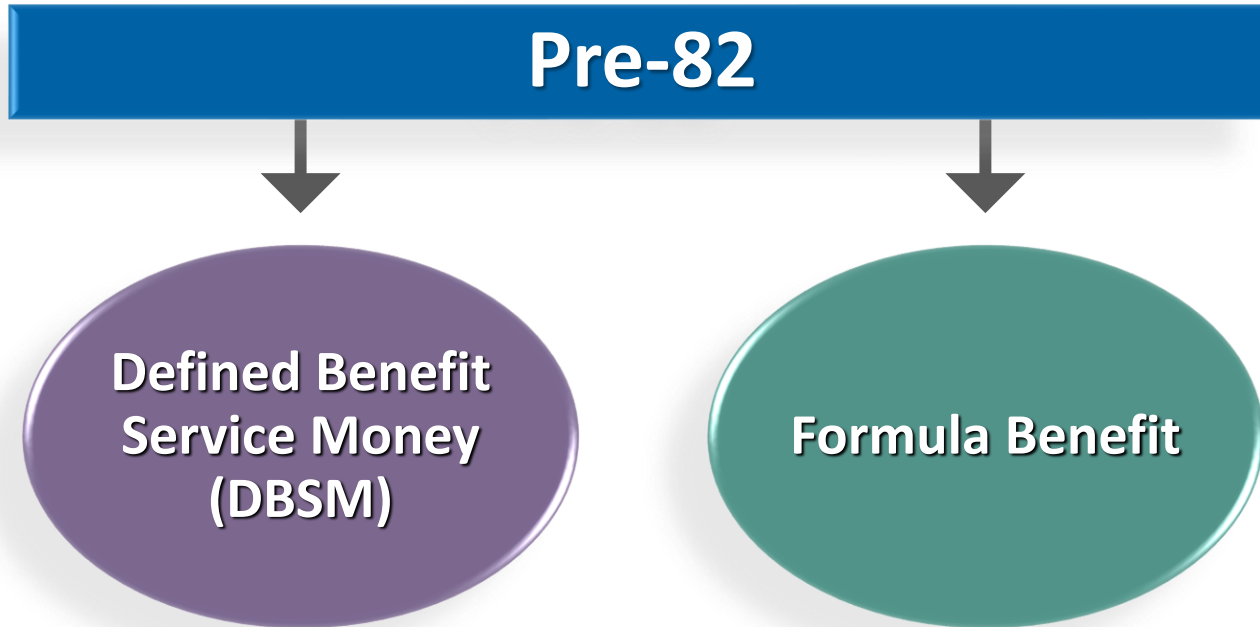
1982-2006
Ministerial Pension Plan (MPP)

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



UMPIP

Pre-82 Plan



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

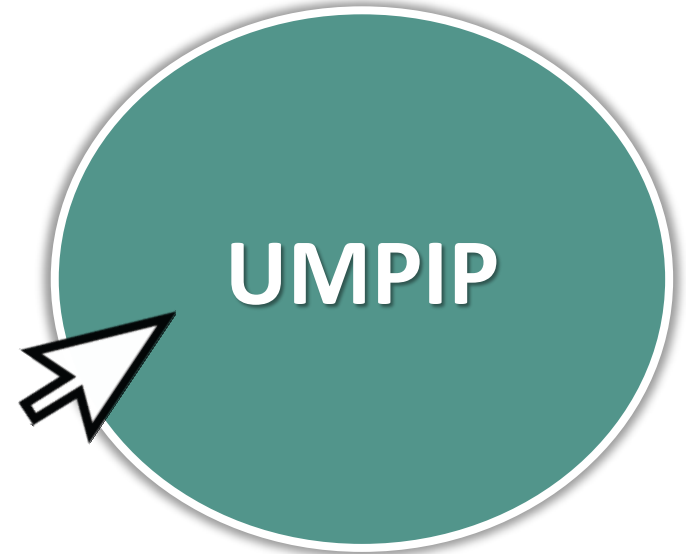
- Single-life, no refund
- Benefit ceases upon participant's death

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



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



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.



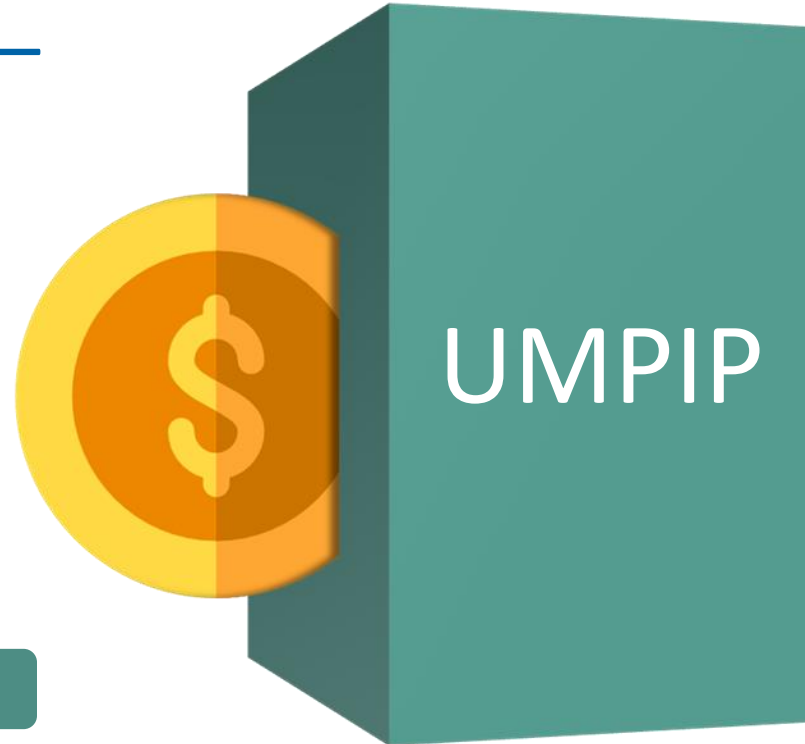
Rollovers—Direct or Indirect

Accepted from IRS-Qualified Accounts— such as:

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

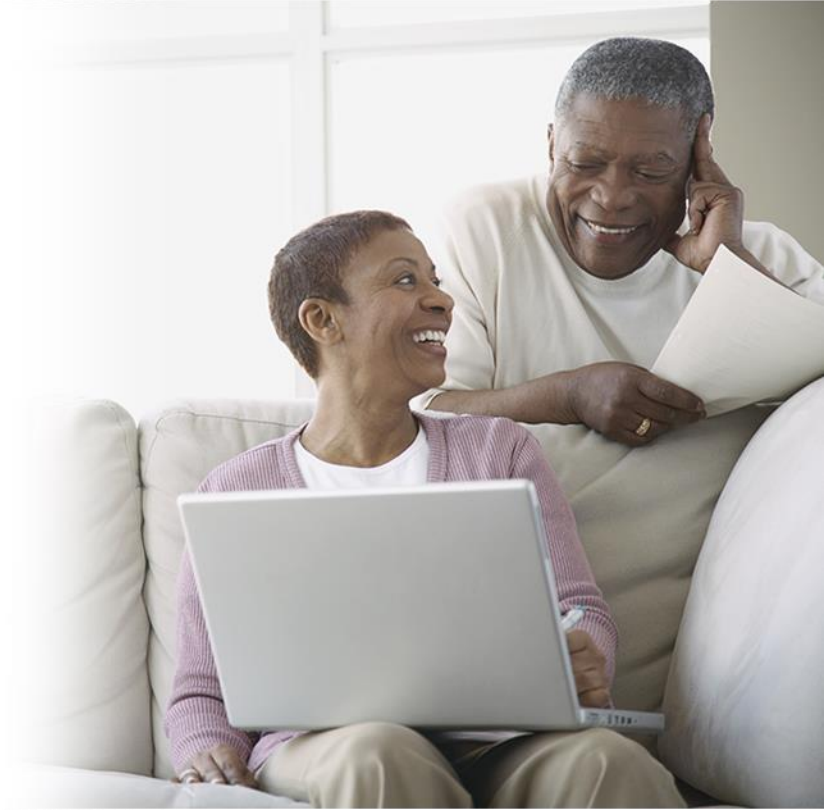
* Roth IRAs and after-tax contributions in IRAs cannot be rolled over

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 1st 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 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

Investment Profile Default

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



1501 Chestnut Avenue
Glenview, Illinois 60025-1684
(408) 451-2251
wespath.com

LifeStage Personal Investment Profile—Information and Instructions

INFORMATION

This form allows you to update your LifeStage Personal Investment Profile.

LifeStage Investment Management automates the investment of your Wespath-administered retirement plan account balance(s) by developing a customized target investment mix. This investment mix is based on your:

- Age
- Wespath administered account balances, and
- LifeStage Personal Investment Profile.

You can personalize your Personal Investment Profile by updating it online or completing and submitting this form. If you are enrolled in LifeStage Investment Management and do not submit a LifeStage Personal Investment Profile, the default answers (indicated on the form) will be applied.

LifeStage Investment Management automatically manages Ministerial Pension Plans (MPP) account balances—you cannot opt out. If you have an MPP account balance and self-manage the investment of other retirement plan balances, continue to update your LifeStage Personal Investment Profile to ensure your MPP account balance is invested appropriately.

Review the *Understanding Your Investment Options* brochure and *Investment Funds Description* for more information.

INSTRUCTIONS

Wespath recommends you manage your account online. To view and update your LifeStage Personal Investment Profile, log in to benefitsaccess.org, select "My Benefits" from the toolbar, then on the RETIREMENT BENEFITS drop-down menu, choose "LifeStage."

Part 1 – Personal Information
Complete your personal information. Use a black pen and print clearly in CAPITAL LETTERS.

Part 2 – LifeStage Personal Investment Profile
Answer the questions displayed. Questions 3 and 4 in this section apply only to clergy participants in the Ministerial Pension Plan (MPP).

For question 3, your Expected Benefit Commencement Date is the date on which you anticipate beginning your lifetime retirement benefit payments. If you don't enter a specific date, this will be your Social Security Normal Retirement Age (SSNRA) or your current age (if you have passed your SSNRA).

You may change these variables as often as you wish. For more information regarding these selections, please refer to the *Understanding Your Investment Options* brochure.

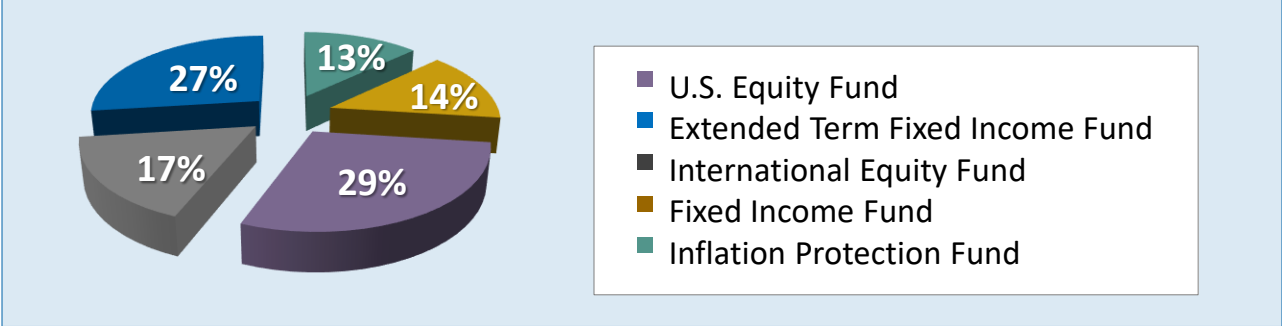
Part 3 – Signature
Read the statement and, if you agree, sign and date the form. Then, return it to Wespath at the address indicated. Keep a copy of the submitted form for your records.

Consider an investment's objectives, risks and expenses carefully. This and other important information can be found in the *Understanding Your Investment Options* brochure, available online at wespath.org/investments/resources/information/.

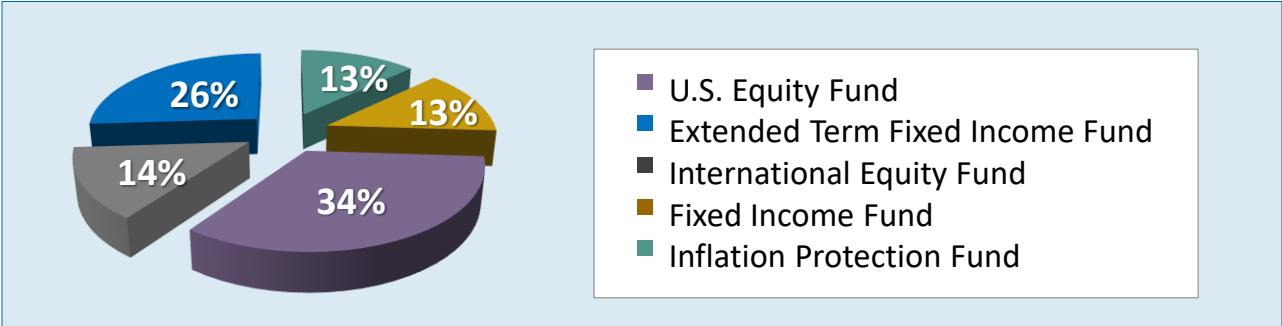
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LifeStage Investment Management: Rebalancing

Before the Rebalance



After the Rebalance





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

Example A

Two kinds of first-year pension disbursements:

- \$1,800/monthly or \$21,600
- \$40,000 partial distribution

Total: **\$61,600**

Lesser of:

- Amount designated: \$61,600
- Amount spent: \$25,000
- Fair rental value: \$24,000

Subject to taxation: **\$37,600**

Example B

First-year setup with monthly pension only:

- \$1,800/monthly or \$21,600
- No partial distribution

Total: **\$21,600**

Lesser of:

- Amount designated: \$21,600
- Amount spent: \$25,000
- Fair rental value: \$24,000

Subject to taxation: **\$0.00**

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). Those 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 least 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 retires);
- 2) the amount actually expended by the clergy person for housing; or
- 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.

1

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

2a
2b
2c
2d
2e
2f
2g

2h

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

3a
3b
3c

3d

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

4

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

	CPP Death Benefit
Clergy	\$50,000
Spouse	20% of DAC at time of death
Surviving spouse	15% of DAC at time of death
Child	10% of DAC at time of death

2020 DAC: \$72,648

Retired Clergy Death Benefits

2017 – 2020

Clergy	\$20,400
Spouse	\$15,300
Surviving spouse	\$10,200
Child	\$8,160

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

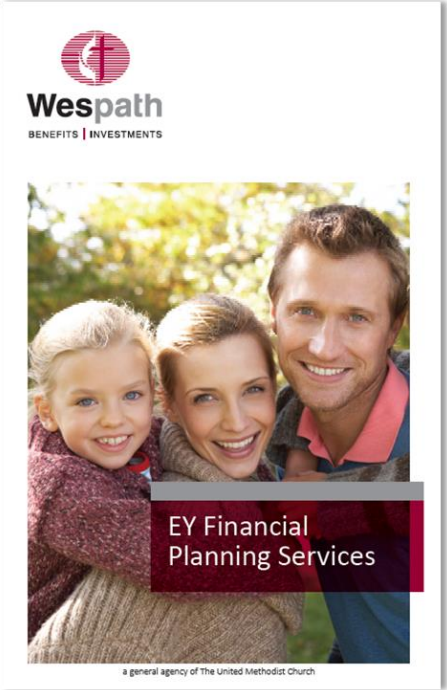
	Disability
MPP	35% of account balance
CRSP	DC account balance
UMPIP	100% of account balance if permanently disabled

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.**

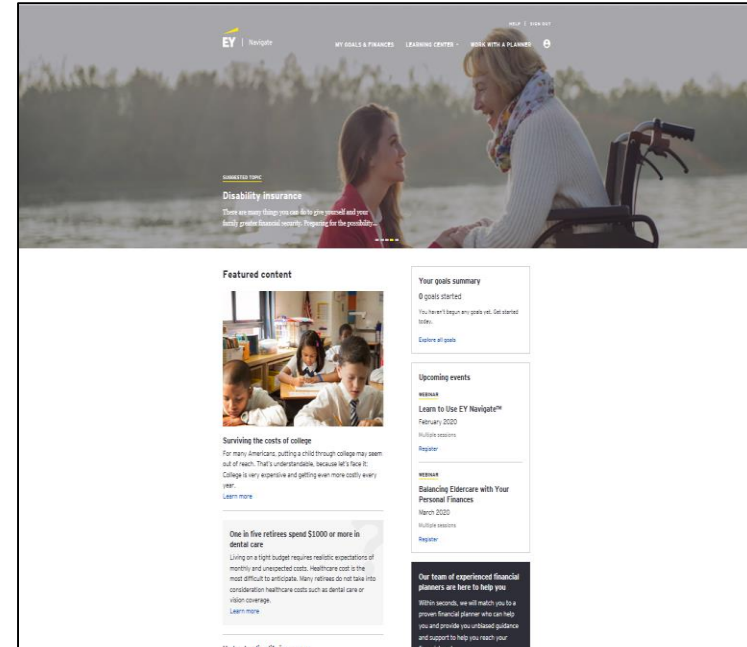
Consultation Topics

- 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

Benefits Access

Benefits Access

Log In

All users must [register](#) for the site.

Username:

Password:


Remember my username
Not recommended for shared computers

[New user registration](#)
[Need help logging in?](#)

By logging in, you agree to the [Terms and Conditions of Use](#).

Access Your Tax Forms Online

After you log in, go to "My Benefits" and select the drop-down next to Retirement Benefits and then click "Tax Forms."

 **Online Security**


Wespath values the security and well-being of our participants and plan sponsors—that is why we employ multiple layers of security and continually monitor industry best practices. [Learn more](#).

Plan sponsors, please click [here](#) to log in to administer your participants' records.

Welcome!

On this site you can review your benefits, access information regarding your plans and check your retirement benefit projections. To begin, please log in by entering your username and password.

Visiting Benefits Access for the first time? Please click "New user registration" to create an account.



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 07/01/2020

Projection

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

Lifetime Income

Plan	Estimated Monthly Benefit
Clergy Retirement Security Program Defined Benefit (CRSP DB) for 2007 through 2013 service	\$541
Clergy Retirement Security Program Defined Benefit (CRSP DB) for post-2013 service	\$216
Ministerial Pension Plan (MPP) Annuity (65%)	\$698
Pre-82 Plan (Pre-82)	
North Georgia (711)	\$32
Subtotal for Lifetime Income:	\$1,487

Account Balance(s)

Plan	Estimated Account Balance	Estimated Monthly Installments
Ministerial Pension Plan (MPP) (35%)	-	\$248
Clergy Retirement Security Program Defined Contribution (CRSP DC)	-	\$105
United Methodist Personal Investment Plan (UMPPIP)	-	\$308
Subtotal for Account Balance(s):	-	\$661

Understanding the Value of the Estimated Amounts

	Estimated Account Balance	Estimated Monthly Income
Estimated Total at Retirement:	-	\$2,148
Equivalent Value in Today's Dollars:	-	\$1,998
Estimated Income Replacement Ratio:	-	47.87%

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 plans 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 increases, retirement age, mortality, etc.), the amount of the benefit will differ from the estimate. If the assumptions do not match the requirements of the plan, the plan's provisions will control your benefits eligibility and the amount of your benefit. If you are a terminated clergy person 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 Methodology.

If you have any questions or concerns regarding your Statement, please call Wespath at 800-851-2201, Monday through Friday, 8:00 a.m. to 6:00 p.m., Central time, or EY Financial Planning Services at 800-360-2539, Monday through Friday, 8:00 a.m. to 7:00 p.m., Central time.

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



Wespath

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