



Judicial Council Ruling on the Disaffiliation Petition 90066

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2019 PreCon

Topics



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2. Local Church Resolutions and Conference Agreements
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1. Overview of the Judicial Council Ruling



Petition 90066

- The petition approved at the 2019 Special Session created a new paragraph in the Book of Discipline
 - ¶2553. *Disaffiliation of a Local Church Over Issues Related to Human Sexuality*
- March 6th – The Council of Bishops filed a request for a declaratory decision on the constitutionality of the petition
- April 26th – The Judicial Council ruled ¶2553 to be constitutional when combined with the existing ¶2529.1(b)(3) that requires annual conference ratification



Basis of Constitutionality

The Judicial Council established a Three-Part Test to determine if a disaffiliation petition is constitutional.

1. A Local Church Conference Disaffiliation Resolution

Approved by 2/3 majority of members present and voting

2. A Written Disaffiliation Agreement

The terms and conditions for disaffiliation are to be established by the Annual Conference Board of Trustees (with the advice of the cabinet and other specified conference officers), which must then be “memorialized in a binding Disaffiliation Agreement between the annual conference and the trustees of the local church.”

3. Annual Conference Disaffiliation Ratification

The Disaffiliation Agreement must subsequently be approved by simple majority of members present and voting, must be ratified before the disaffiliation date



2. Local Church Resolutions and Written Disaffiliation Agreements



Local Church Resolutions

¶2553 offers a limited right for a Local Church to disaffiliate from the denomination:

- For Reasons of Conscience

“Regarding a change in the requirements and provisions of the Book of Discipline related to the practice of homosexuality or the ordination or marriage of self-avowed practicing homosexuals” adopted by the 2019 General Conference OR the related actions or inactions of its annual conference

- Provisions of ¶2553 expire on December 31, 2023

Process must start early enough to complete all steps by this date

- Church Conference Disaffiliation Resolution

Requires approval by 2/3 majority of members present and voting



Disaffiliation Agreements

As directed by the General Conference, the BWC Trustees and Conference leadership will establish procedures for churches who wish to consider disaffiliation

- GCFA is establishing a Disaffiliation Agreement Template

This will establish standard terms and conditions in addition to terms that are left to the discernment of the Conference Trustees and Conference leaders

- Minimum Terms Established by General Conference:

- *Payment of unpaid mission shares for the 12 months prior to disaffiliation*
- *Payment of an additional 12 months of mission shares*
- *Payment of the church's Fair Share of the unfunded pension liability*
- *Satisfy all debts, loans, and liabilities owed to any other party, or assign and transfer them to the congregation's new corporate entity*



Disaffiliation Agreements (cont.)

- ¶2553 also provides provision for the Conference Trustees to identify additional terms that apply within the Conference. Examples may include:
 - *Payment of benefit arrearages*
 - *Payment of Conference loans*
 - *Payment of Fair Share of the unfunded Retiree Medical liability*
- The BWC Disaffiliation Procedure will be issued on October 15, 2019
 - *Formalize information requests and feedback to support church discernments*
 - *Standardize Church Conference Disaffiliation Resolutions*
 - *Provide timeline of events and communications*
 - *Provide Wespath market-based valuations that will be received in late September*
 - *Identify terms left to the discernment of the BWC Trustees and leadership*
 - *Guidance to local churches about state and federal procedures regarding name changes, non-profit status, and treatment of intellectual property*



3. Conference Pension Obligations



Unfunded Pension Obligations

Amended ¶1504 specifies that Wespath will determine the aggregate funding obligations of the annual conference using market factors. The annual conference will determine the local church's share.

- Disaffiliating churches will pay a Withdrawal Liability in an amount equal to its pro rata share of the aggregate funding obligation.
- The pro rata sharing formula will be developed by the Conference Board of Pensions.
- The payments are for Direct Benefit Pension Obligations. These includes Pre-82, MPP, and CRSP-DB benefits.
- The payments are calculated on a Market Basis as opposed to the Funding Basis that is normally reported to the Annual Conference.
- The payments are in line with standard industry practices for entities who withdraw from a multi-employer pension plan.



Funding vs. Market Basis

Funding Basis:

- Serves as the basis for annual contributions by the Conference to Wespath to fund defined benefits in the Pre-82, MPP, and CRSP-DB Pension Plans

Uses: Current mortality tables to calculate the liabilities

Average expected earnings based on past trends

Average medical cost increases based on past trends

Market Basis:

- Serves as the basis for the Fair Share Payments by disaffiliating churches
- Reflects the liabilities and trends that an insurer or other outside party would use in pricing the liabilities if taking over the future risk for benefit payments for the life of the pension plan without any additional contributions

BWC's Unfunded Obligations

Preliminary View



	<u>Pre-82</u>	<u>MPP</u>	<u>CRSP-DB</u>	
<u>Funding-Basis</u> Status	138%	108%	109%	
<u>Market-Basis</u> Status (est.)	108%	72%	60%	Total Pension Liabilities
<i>Over/Under Funded</i>	<i>Over</i>	<i>Under</i>	<i>Under</i>	
Market-Basis Liabilities	+\$5.0M	(\$35.7M)	(\$23.6M)	→ <u>(\$54.3M)</u>

Unfunded Liabilities Summary:

BWC Pension Liabilities (est.)

(\$ 54.3M)

BWC Retiree Medical Liabilities

(\$ 6.1M)

Note:

Wespath will provide actual market-basis figures in September 2019



4. Summary



Summary

- ¶2553 offers a limited right for a Local Church to disaffiliate from the denomination for reasons of conscience prior to December 31, 2023
- The Disaffiliation Process has 3 required components:
 - Local Church Resolution by two-thirds majority
 - Written Disaffiliation Agreement
 - Annual Conference Ratification by simple majority
- The BWC Disaffiliation Procedures will be issued on October 15, 2019 for guidance to Conference churches