

## **MTF Section of the BOP Report to 2019 Annual Conference**

The Ministers' Transition Fund of the North Carolina Conference of The United Methodist Church (the "Fund") was established effective November 20, 1937, to assist the minister to more easily make the transition from the active relationship, in which a furnished parsonage was usually provided, to the retired relationship in which the minister provided his or her own housing. The Fund was established over the years by apportionments to each local church in the conference budget and by assessments to each minister who had membership in the Fund. The Fund was intended to be a church plan within the meaning of section 414(e) of the Internal Revenue Code of 1986 as amended (the "Code"), which has not made the election under section 410(d) of the Code, and also intended to meet the requirements of a retirement income account under section 403(b)(9) of the Code. Current evaluations of the Fund determined that although a plan of this design could not be implemented under current Code, the Fund was grandfathered in under regulations in place over time and is compliant under those sections of the Code.

The Board of Pension (BOP) reviewed the current design of the Fund to evaluate if the current plan design is as beneficial as possible to plan participants, considering plan designs available under current Code provisions. That review included legal review of the current plan, consultation with benefit plan legal counsel, and discussions with retirement plan providers on plan designs allowed under regulations. Careful review and consideration of plan design, asset levels, asset classifications, and current retirement benefit options led the Board of Pension to make recommendations to change the Fund for approval of the 2019 session of the North Carolina Annual Conference. The recommendations are as follows:

1. Freeze the current plan as of the end of the current Fund plan year (January 31, 2020).
2. Begin a new plan with redesigned options effectively immediately after the current Plan is frozen, named the Transition Fund.
3. Set the next plan year to end on December 31, 2020, to adopt a calendar plan year for the Fund. Plan years will be on a calendar-year basis for 2020 and beyond.
4. Coordinate the custody of the participant balances within the Fund with participant accounts held by Wespath Benefits and Investments (Wespath) in the United Methodist Personal Investment Plan (UMPIP).
5. Change the plan such that participant accounts hold participant balances. To do so, determine participant dividend balances as of January 31, 2020, and transfer those balances to participant UMPIP accounts indicating the amount of personal contributions for tax purposes.
6. For participants who have not yet accumulated dividends, transfer the amount of personal contributions to the participant's UMPIP account.

7. The BOP will continue to hold the plan assets that are not participant balances and will invest these funds in accordance with The Book of Discipline and an approved Investment Policy Statement. A legal trust document will be developed and adopted by the Board of Pension to protect the interest of beneficiaries. Plan assets will be subject to this trust agreement.
8. The BOP will determine annually a distribution of the plan assets at the current recommended endowment spending rate in consultation with Wespath and other foundation best practices for prevailing economic conditions. Dividends will be paid out of the annual distribution after Fund expenses are paid and will be distributed to participants eligible for a dividend based on current year personal contributions and eligible years in the Fund.
9. Participant contributions will be set at 1% of plan compensation as determined for other United Methodist clergy pension plans. Participant contributions will be billed monthly to the employer and withheld by the employer from the participant's salary for participants under the Conference's plan sponsorship of the UMPIP. Contributions can be before-tax, after-tax, or Roth contributions at the election of the plan participant. Initial elections will be made during charge conference season at the same time other pension elections are made by participants and can be changed by the participant mid-year.
10. Extension ministers and ministers on leave who are eligible to participate may have other billing arrangements established prior to plan implementation. There may be a need to establish withholding and billing agreements with the employers of extension ministers.
11. Earnings on dividends and personal contributions made to participant balances in the Fund will accrue to the participant's UMPIP balance and will be subject to the same allocation and plan provisions in place for other funds invested in participant accounts in the UMPIP.
12. Access to UMPIP accounts will be governed by the same provisions for all other participant balances within the UMPIP (e.g., retirement distribution, hardship loan or withdrawal provisions, investment allocation, etc.).
13. Participants will be eligible for dividends in the year following the tenth year of full personal contributions to the Fund (the same as is currently required).
14. The irrevocable election for withdrawal at age 59 ½ will no longer be available and normal plan provisions for distributions from the UMPIP will apply.
15. The base benefit will be discontinued for future years. Accrued base benefits will be paid with participant dividend and personal contributions in the initial participant balance transfer to UMPIP accounts.

16. Participation in the Fund will continue to be voluntary and will be open to part-time (half-time) up to full-time clergy appointed in the NC Conference as well as lay staff participating in the UMPIP sponsored by the NC Conference.

In order to enact these plan recommendations, the BOP will work with legal counsel to develop the official plan document and investment policy statement for adoption by the BOP. The plan documents will be sent to plan participants and will be posted to the Pension website on the NC Conference website. The NC Conference will implement a transition plan with Wespath beginning August 1, 2019, to allow for a February 1, 2020, revised plan effective date. Any Fund provisions or design options that must be considered during implementation of the transition plan will be reviewed and decided by the BOP. All assets currently held within the Fund will be transferred to the new Fund and will be used only for purposes of the Fund.

The Board of Pension recommends these changes as a way to provide for a Fund in accordance with current Code that will allow for greater flexibility and control for plan participants, dividend balances that follow prevailing market conditions accruing earnings to plan participant balances, better alignment with other pension plans made available to NC Conference clergy, and simpler administration of plan provisions. The Board of Pension is excited to recommend these plan design changes as a more current and better plan design for Fund participants.