



## Support for a Lifetime

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*Thousands of books, TV programs, financial planning seminars, publications and more indicate personal financial management is a widely misunderstood and very confusing subject. To help you understand and evaluate the issues being raised within the Church about retirement plans and their suitability, the General Board of Pension and Health Benefits (General Board) writes directly to you...*

### Retirement Plans—a Brief History

Defined benefit (DB) plans were the retirement gold standard for many years—a time when workers joined companies for their full career and retired from them with a guaranteed benefit for life. Those plans were designed to secure a retirement future for our parents' generation, and they worked well and accomplished this goal. In those years, employees were loyal to the company, and the company was loyal to them.

In contrast, today's corporate work force is mobile—holding an average of seven jobs in a career and staying an average of five years in each. The profile of employees and their commitment to their employers (and their employers' commitment to them) has changed over the past 20 years. The DB plan may not be the right solution for today's corporate work force—the employee is rarely that full-career worker who will stay (or can stay) with an employer long enough to reach retirement. That's why “portable” defined contribution (DC) plans were created to meet the saving and retirement needs of this changing, mobile work force—who complained that every time they changed jobs, the benefit that had accrued for them was frozen and not able to be taken along to a new employer to continue growing. This situation is more reflective of the work force in general agencies.

The recent decline in corporate DB plans is a broader story, though, with a number of complexities. In the 1990s, many for-profit corporations had DB plans that were overfunded, making them attractive takeover targets for buyers wanting to tap into the large pools of money. Many corporations also tapped that pool themselves to stay afloat and make “gains” for shareholders as markets declined and cash flow tightened, all the while jeopardizing their retirement promises to employees who depended on them.

During this time, corporate funding and accounting rules also changed in ways that made it difficult to manage DB plans. As a result, many companies have terminated or are planning to terminate their DB plans.

To evaluate business decisions made by corporations, you have to be able to make an apples-to-apples comparison. Financial pressures on a for-profit corporation are very different from the financial considerations for nonprofits. In order to survive in a business environment, corporations make management decisions with their stock price, competitive advantage against other organizations and a short-term financial focus in mind. These considerations and short-term business perspective cannot be compared with the considerations and long-term view of a not-for-profit church organization.

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For this reason, the Clergy Retirement Security Program (CRSP) cannot be evaluated using the same criteria that corporations use when making business decisions about DB plans. As a “church plan,” we are not limited by funding and accounting rules and regulations—we can fully fund the plan, and we are not a takeover target.

### **Work Force Needs—Plans Designed to Fit**

Instituting a DB plan in today’s corporate financial climate was undoubtedly an unusual decision. Three and a half years after the General Conference 2004 action made headlines, benefits professionals across the country are still talking about it in awe and admiration.

Our obligation and stewardship role is to work for the best interests of clergy (as a whole) and lay workers in developing benefit plans and programs.

**For clergy**—the majority of whom are called into ministry and continue to serve in this vocation until they retire—our focus is to assure a retirement financial safety net that they (and their spouses) cannot outlive.

The majority of our clergy (whether first- or second-career) enter and remain connected throughout their active service years until retirement. Certainly, there are some who enter and in short order decide that this is not the right choice, but they are not the norm, and CRSP is not designed for them. Both first- and second-career clergy will generally be better off in a DB plan, with a retirement benefit they cannot outlive.

Our clergy profile is closest to the previous generations’ worker profile, for which DB plans were originally designed—it does not fit the profile of today’s corporate work force. For-profit corporations have been shedding DB plans for years now because they are not right for their changing work force needs and the changing regulatory environments.

CRSP also provides a DC plan as a companion to the DB plan—providing participants two main advantages: 1) the opportunity to manage account growth or have it managed by the General Board, and 2) the flexibility and control in taking payouts from the plan, as needed, after retirement.

**For lay workers**—whose needs and profile are closer to those of the for-profit corporate employee—the focus is to attract professional workers with portable plans that suit their mobility needs.

To follow the tradition that general agency plan design mirrors clergy plan design, we proposed a CRSP-parallel design for lay workers at General Conference 2004. Since then, that design has been challenged as the UMC has come to grips with the reality that the agency work force has different benefits needs than the clergy work force. We are evaluating options to better serve the needs of lay employees.

### **Financial Management—Personal Responsibility**

For nearly 100 years, we have worked in the long-term best interests of clergy and lay workers. Focusing on the retirement needs of our participants, we have designed CRSP to balance participant risks by managing the plans and sharing risk across all conferences or plan sponsors.

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We take pride in our consistent high performance—the top quartile of investment managers, low fees, high returns and investments in alignment with the Social Principles of the Church. We select our funds and managers and directly monitor them and their performance.

Our management approach is in contrast to financial advisors and brokers who are paid by the investment trade or transaction and are not concerned with measuring fund performance. The high investment fees charged for these activities pay commissions to the advisors and planners, regardless of how well the investments they recommend perform.

As an investor, it is your responsibility to ask questions in order to make an informed decision when hiring a financial advisor to manage your retirement security—as the account holder, you bear the risk.

Financial matters can be intimidating, especially when your primary focus is on ministry and the day-to-day work of the Church. Managing finances takes time, knowledge and commitment because it's *your* financial future. When you are unclear about—or don't have the time to focus on—financial matters, it is easy to be swayed or misled.

Above all, we want you to be an informed decision-maker when it comes to financial matters—retirement plan decisions you make today have long-ranging consequences. If you truly had a crystal ball, determining how to invest and what investments to choose would be easy, and reaping the benefits would be guaranteed.

We do not have a crystal ball either, but we do have a long track record of ensuring the retirement security of our participants. Our mission is to make the most prudent decisions and recommendations in the best interests of our plan participants—working to assure retirement financial security with a benefit that cannot be outlived. Remember: Retirement security is really *your* responsibility. You have an advantage with the General Board—we design and offer plans and programs to give you the opportunity to participate in managing and growing your account balances without bearing all the risk.

When it comes to your future financial security, think carefully—gather all the facts before making decisions. What may seem right for a few today may not be in the best interests of the majority for a secure retirement tomorrow.

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### **About the General Board**

*The General Board of Pension and Health Benefits is a not-for-profit administrative agency of The United Methodist Church, responsible for the general supervision and administration of the retirement, health and welfare benefit plans, programs and funds for more than 74,000 clergy and lay employees of the Church.*

*Approximately \$17 billion in assets under management, the General Board is the largest faith-based pension fund in the United States and ranks among the top 100 pension funds in the country. As a socially responsible investor, the General Board is actively involved in shareholder advocacy, proxy voting, portfolio screening and community investing.*

We invite your questions or comments via our Web site at [www.gbophb.org](http://www.gbophb.org)  
or directly to Colette Nies, Managing Director of Communications,  
at [cnies@gbophb.org](mailto:cnies@gbophb.org) or (847) 866-4296.