

Disaffiliation FAQs

If our congregation is interested in finding out more information or in considering disaffiliation, where should they go?

The office of your district superintendent is your first point of contact for information about disaffiliation. District offices will have appropriate information available. It is also helpful for your district superintendent to be informed early on of your interest in this process.

Who should make an inquiry from our congregation?

As decisions regarding disaffiliation are decisions made by local churches, inquiries about the process should come from an official representative of your church – the SPRC chairperson, the Administrative Council chairperson, the chairperson of the Trustees or your pastor. To ensure that there aren't multiple inquiries from a local church, each congregation should designate their point person for communication.

How early must our petition be submitted to be eligible for the annual conference corporate session?

May 1st, however there are a number of steps that must be completed prior to this date. Every congregation needs to pay close attention to the steps noted in the terms of the Disaffiliation Agreement and the *applicable Book of Discipline paragraphs*.

Is disaffiliation irreversible?

Yes. Once this decision has been made and all the requirements have been fulfilled for disaffiliation, the decision is irreversible. However, the congregation at a later date could decide to re-affiliate with The United Methodist Church or a successor denomination. This would not technically be a reversal of the initial decision, but an entirely new decision. It should be noted that General Conference has the authority to modify the disaffiliation process in the future. Finally, it is helpful to understand there are three distinct processes:

- **Disaffiliation:** this is a decision by a congregation to leave The United Methodist Church “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 as resolved and adopted by the 2019 General Conference, or the actions or inactions of its annual conference related to these issues which follow” (§12553).
- **Closure:** wherein a church may decide to discontinue as a United Methodist Church, and would thus engage in the process of closure (§12549). Closing a local church does not entail all of the same requirements as the disaffiliation process; however, payment of the pro rata share of the Annual Conference's unfunded pension liability still applies pursuant to General Conference petition 90016. Closing as a United Methodist Church does not preclude the possibility of a new church organization purchasing the building from the Annual Conference and beginning a new congregation in that space. However, it is improper for a congregation whose intent is to disaffiliate to use the closure process to that end. Both disaffiliation and closure need to be kept distinct from a possible future separation of The United Methodist Church into separate Methodist expressions.
- **Separation:** if The United Methodist Church determines at the 2020 General conference or subsequent conferences to separate in one way or another into different organizational expressions, local churches will be able to choose the expression which best fits their context for and understanding of ministry. It is likely that all these various expressions would continue to participate in the pension plan and thus many of the costs associated with disaffiliation would not apply.



Does dissolving our existing corporation (as required) jeopardize anything?

Potentially yes. There are several considerations. It is suggested that:

- If there is an existing mortgage, the lender be apprised of the potential change in legal status as they may determine the borrower no longer exists. This could cause acceleration (i.e. calling the loan).
- The title of properties be reviewed to ensure no donated parcels contain restrictive language as to use for UMC purposes (i.e. “reverter clauses” wherein title might be at-risk).
- Records of financial gifts (bequeathments, memorial funds, etc.) be reviewed to ensure no conflict with donor’s wishes as to UMC intent. (Though donor can’t control use, there exists potential for controversy).

Should the new church file new articles of corporation?

It is suggested that this be done to both establish the protection of said structure and ensure title is held by a legal entity.

What happens with our tax filings?

All legal documents for the United Methodist Church need to be turned over to the Annual Conference for storage in the Annual Conference Archives. It is highly recommended that the disaffiliating church keep copies of certain items such as payroll records, tax filings, and insurance policies.

If we dissolve our corporation what happens if some document or paperwork is required post-disaffiliation (e.g. tax questions)?

State law grants the officers of a dissolved company the continued authority to wind up the affairs of that company. That would include signing any document or paperwork that appears post-disaffiliation. The Conference will need to keep the original documents dissolving the local church’s corporation, but the officers of that company should keep copies for their own purposes as well.

Does this affect our accounts with state and federal entities?

Yes. The new church will no longer be qualified under the IRS GCFA group ruling of having a 501c(3) status and the umbrella EIN filing. A new EIN will need to be established and the new church will need to file for its own 501 (c) (3) status.

What are the two pension-related petitions that were approved at General Conference 2019, and how do they affect clergy and the local church?

Petition 90016 addresses the requirement of a local church to pay its “pro rata fair share” of an annual conference’s long-term unfunded pension obligations to the conference upon its withdrawal from the UMC connection.

Petition 90017 addresses active clergy pension benefits who leave the UMC.

Wespath provides a comprehensive FAQ on their website related to both active and retired clergy, local churches, lay employees, institutional investors, and other general information which may be found using the following link: <https://www.wespath.org/wayforwardwespathfaq/>

Is the pension liability a negotiable amount?

No. The pension liability is non-negotiable and the conference has obtained a legal opinion addressing this issue.



Is the pension liability payable before all other unsecured debt?

Yes. The pension liability must be satisfied before any other unsecured debt and the conference has obtained a legal opinion affirming this issue.

What is the pro rata unfunded pension obligation for The Michigan Conference?

Pension payments for current active clergy are expected to be paid through about the year 2090. Utilizing market factors, Wespath estimates The Michigan Conference total unfunded liability for accrued pension benefits and annuities at \$105,212,662.

How is an individual church's pro rata fair share of unfunded pension obligations being determined by the Michigan Conference?

Annual conference pension obligations have historically and are currently determined exclusively on compensation. A Pension Grade Figure (ratio) was calculated by dividing each local church's clergy compensation effective July 1, 2019 by the total Michigan Conference clergy compensation. This grade figure was then multiplied by the total unfunded liability to determine each church's fair share. It is anticipated that the fair share amount determined on July 1, 2019 will remain fixed throughout the disaffiliation period in order to provide an established liability amount for local churches considering disaffiliation.

How was an individual church's pro rata fair share determined if they did not have an appointed clergy effective July 1, 2019?

In situations of a District Superintendent Assignment (DSA), the same grade figure formula previously explained was calculated using the compensation of the DSA. In situations where a church has no appointment, a standard minimum base annual compensation was used in the grade figure calculation.

What is my church's pro rata fair share of the Michigan Conference aggregate unfunded pension obligation?

The following Individuals; Trustee Chairperson, Church Council Chairperson, or Pastor may request their specific obligation on behalf of their local church by contacting their District Office in writing.

Does the pro rata fair share of the Michigan Conference aggregate unfunded pension obligation also include prior year outstanding balances for pension and/or health insurance payments?

No. If a local church has prior year outstanding balances for pension or health insurance, the prior year balances must be paid in addition to the pro rata share of future pension obligations. The District Office will provide updated balances to the local church if applicable. If the local church believes there is a discrepancy in their prior year balance total, they may contact the Conference Benefits Office.

If a local church disaffiliates from the United Methodist denomination and a pastor remains at that local church (either as an appointment or direct hire), what happens to the pastor's pension benefits?

A disaffiliated local church may become a plan sponsor with Wespath as permitted by The Book of Discipline (non-UMC churches that share "common bonds and convictions" with the UMC.) In this situation a pastor may be able to participate in the United Methodist Personal Investment Plan (retirement plan) and Comprehensive Protection Plan (death and disability plan). However, they would no longer be eligible for the Clergy Retirement Security Program.



If a local church disaffiliates from the United Methodist denomination and a pastor remains at that local church (either as an appointment or direct hire), what happens to the pastor's *health care* benefits?

Health care coverage would not be available through the conference group health care plan since the local church would no longer be an eligible employer. Further, an appointment to a non-UMC entity prior to retirement could potentially affect or negate the pastor's eligibility to participate in the conference health care plan in retirement depending on the pastor's future appointments.

It is the responsibility of all participants to understand the specific rules relating to eligibility for health insurance benefits both while active and in retirement. The Michigan Conference Health Insurance Policy is printed annually in the Conference Board of Pension & Health Benefits (CBOPHB) Historical Report to the Annual Conference. Questions may be directed to the Conference Benefits Office or submitted in writing to the CBOPHB. Do not rely on verbal responses provided by representatives other than the Board of Pension & Health Benefits.

What happens to a pastor's pension and conference health insurance benefits if a pastor's conference relationship is terminated?

If an active pastor leaves the denomination, earned pension benefits are preserved but the form of their retirement benefits will change. Benefits for retired clergy in payment status are generally not impacted. See Wespeth FAQ for detailed explanations.

Health care is not available to clergy members (either active or retired) whose conference relationship is terminated for any reason.

Who is responsible for removing any/all UMC-related items?

The annual conference board of trustees will work with the disaffiliating church's board of trustees to make sure all United Methodist insignias and symbols are removed from the local church. Authorization comes from the 2016 Book of Discipline. Paragraph 2549.2.c of the 2016 Book of Discipline states

"It shall be the duty of the annual conference board of trustees to remove, insofar as reasonably practicable or necessary, all Christian and United Methodist insignia and symbols from such property."

If there are any costs associated with the removal then the cost of the removal will be borne by the disaffiliating church per Item #6 of the Disaffiliation Agreement.

What happens to the status of my membership? How am I designated?

The Book of Discipline provides in paragraphs 229 and 2549 that upon the discontinuance of a local church, the District Superintendent shall select another UM church and transfer its members thereto, or to such other churches as the members may select. Accordingly, upon the date of disaffiliation, members can choose to transfer their membership to a succeeding congregation, or to another UMC, or to a local congregation as designated by the DS. This would all be established as part of the Disaffiliation Agreement.

What happens to the congregation's membership records?

All membership records of the congregation should be delivered to and retained by the Michigan Conference Commission on Archives and History. A succeeding congregation may retain copies of these records if it so chooses.

Must we have all monies transferred by the Date of Disaffiliation?

Yes. All terms and conditions of the disaffiliation agreement must be performed in full prior to the disaffiliation taking effect. That includes payment of all funds related to unfunded pension liabilities, ministry shares, and payment for properties to be released from the Trust Clause. Installment payments can be made ahead of the date of disaffiliation, but there can be no installment payments arranged to be paid after the date of disaffiliation.

What happens if the Annual Conference votes “No” on a motion for disaffiliation?

It is our expectation that because of the clear and transparent process involved in disaffiliation, Annual Conference members will graciously affirm motions for disaffiliation. Those gracious affirmations will come with both heavy hearts and a desire to bless the future ministries of the disaffiliating congregations. However, ultimately, the Annual Conference must approve all disaffiliations and if it discerns not to do so, the disaffiliation is not approved.