

## **NWTX Conference**

### **Financial Framework for Transition Process Developed by Conference Council on Finance and Administration (in consultation with the Conference Board of Pension and Health Benefits)**

As stated in the Transition Process for Local Churches developed by the Conference Trustees, there will be major decisions facing churches regarding their future. This Financial Framework is intended to augment the Transition Process developed by the Conference Trustees and provide further financial guidance and procedures.

#### **Principles**

The NWTX Council on Finance and Administration has adopted the following principles related to the Transition Process:

1. All financial matters will be conducted in a transparent, fair and ethical manner.
2. Disaffiliating churches will not be impeded from leaving the UMC.
3. Churches remaining in the UMC will not be orphaned.

#### **Clergy Benefits**

1. Clergy pensions are guaranteed by Wespath regardless of whether the clergy person leaves or stays in the UMC.
2. To the extent possible, post-retirement medical benefits earned while a member of the UMC NWTX Conference will be available at retirement.

#### **Pension Withdrawal Liability**

1. In accordance with Par. 1504.23 of the Book of Discipline (as amended by General Conference in 2019), Wespath is to compute a pension withdrawal liability for each conference.
2. The pension withdrawal liability for the NWTX Conference to be allocated (see methodology below) to a disaffiliating church will be determined using the average of the latest two (2) calculations reasonably available prior to the disaffiliation date.
3. Reserves (net assets) allocated for the pension withdrawal liability (and post-retirement medical obligation) will be put into a benefits trust such that these reserves cannot be re-designated by a successor organization.

#### **Conference Entities**

1. For the ease of transitions, there should be two separate entities: 1) a continuing UMC NWTX Conference and 2) a group of former NWTX Conference churches joining the GMC.
2. The UMC NWTX Conference will cooperate and collaborate with NWTX disaffiliating churches to form a GMC congoing to the GMC.

#### **2023 and 2024 Budgets**

1. Reserves (Net Assets) will be allocated using the methodology above to cover the 2023 budget such that no apportionments (Shared Ministries) will be due for 2023.
2. Reserves (Net Assets) will be designated to cover the 2024 budget such that no apportionments will be due for 2024.
3. It is recommended that retention or allocation of District funds follow the principles of this financial framework.

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4. The 2023 budget requires the UMC NWTX Conference to accept general church apportionments at 100%. However, general church apportionment payments will not be guaranteed by the NWTX Conference. Payment will be determined by historic pay-in rates for general church apportionment for those churches remaining in the UMC NWTX Conference.

### Subsequent Allocation and Distribution of Reserves

1. This financial framework will serve as a covenant to govern subsequent distributions of Reserves (Net Assets) to active, chartered NWTX Conference churches as of December 31, 2022.
2. The allocation of assets, liabilities and reserves among NWTX churches will be made using the decimal system (as defined and used for the allocation of Shared Ministries – See CF&A Policies 1.E.2).
3. Restricted reserves (Net Assets with Donor Restrictions) will be retained by the UMC NWTX.
  - a. However, in accordance with CF&A Policy I.G.7 - 9, if Net Assets with Donor Restrictions fund(s)/Reserves become inactive or the Conference is no longer engaged in the ministry to which the donor restricted contributions were made, the CFO, with the approval of CF&A, may dissolve the restricted fund and move the fund balance to unrestricted net assets/reserves.
  - b. Funds moved from restricted to unrestricted will be includable in the allocation of the remaining assets discussed in point 4., below.
4. Prior to the liquidation or merger of the NWTX Conference all liabilities will be paid and all assets, to the extent possible and advisable, will be converted to cash. An allocation of these remaining assets will be accrued as of the earlier of the date of liquidation or merger, or August 31, 2024. A subsequent, proportional allocation and/or distribution will be made among active chartered NWTX Conference churches as noted in 1 above.