

Disaffiliation Report

Michigan Annual Conference · March 18, 2024

SYNOPSIS

This report details key statistics about the impact of disaffiliation on the Michigan Annual Conference (MAC). It further details the proceeds from disaffiliation and how they are allocated based on legislation enacted by the 2019 General Conference of the United Methodist Church and policies enacted by the Conference Leadership Team, Council on Finance and Administration and the Board of Trustees of the Michigan Annual Conference

OUTLINE OF CONTENTS

- Disaffiliation: Key Statistics, p. 2
- Disaffiliation: Allocation of Funds
 - Disaffiliation Allocation Spreadsheet, p. 4
 - Description of Disaffiliation Allocations, p. 4
- Addenda
 - **A:** “Local Church Financial Responsibilities Prior to Disaffiliation” and “Disaffiliation: Distribution of Proceeds,” final revision 10/13/2022, p. 7
 - **B:** “Disaffiliation of a Local Church Over Issues Related to Human Sexuality,” Paragraph 2553 of The United Methodist Book of Discipline, 2016 as amended, 2019, p. 10

Disaffiliation: Key Statistics

- From 2019 through 2022, seven churches disaffiliated from the Michigan Annual Conference (MAC).
- Sixty churches applied to disaffiliate on June 30, 2023; fifty-eight churches successfully disaffiliated from the MAC.
- Sixty-two churches (sixty new churches plus the two churches which did not meet the requirements for June 30, 2023, disaffiliation) applied to disaffiliate on December 31, 2023. Sixty-one of these churches successfully disaffiliated from the MAC.
- **In total, one hundred and twenty churches voted to disaffiliate at special Church Conferences throughout 2023. One hundred and nineteen churches successfully met the requirements established by the MAC Board of Trustees and disaffiliated.**
- The Michigan Annual Conference started 2023 with 720 churches and ended with 592 churches. One hundred and nineteen churches disaffiliated; the other nine reductions were due to closings and/or mergers. In 2023 the number of churches in the conference shrank by 16.7% due to disaffiliation (17.8% in total).
- Of the churches which disaffiliated in 2023:
 - 23% voted unanimously to do so.
 - Only 13 churches disaffiliated by a vote of less than 80% of those attending their special Church Conferences.
- **One hundred and twenty-six Michigan Annual Conference churches have disaffiliated since 2019. This is 16.5% of the total number of churches in the conference (763) at the start of 2019.** According to the General Council on Finance and Administration, over the same period, the North Central Jurisdiction disaffiliation rate was 23.1% and the rate for General Church in the United States was 25.6%.
- Since 2019, disaffiliation has accounted for a 16.1% decline in professing members in the MAC. According to the General Council on Finance and Administration, over the same period, the North Central Jurisdiction disaffiliation rate was 18.9% and the rate for General Church in the United States was 23.9%.
- Since 2019, disaffiliation has accounted for a 9.0% decline in worship attendance in the MAC. According to the General Council on Finance and Administration, over the same period, the North Central Jurisdiction disaffiliation rate was 10.7% and the rate for General Church in the United States was 10.9%.

- In 2021 (the last year not impacted by the 2023 disaffiliations) the one hundred and nineteen churches which disaffiliated paid 63.7% of their annual Ministry Shares for a total of \$1,285,346.00. This compares to the whole conference where churches paid Ministries Shares at a rate of 75.1% for a total of \$9,449,643.00.
- Due to disaffiliation, thirty-three Elders and Deacons have withdrawn their membership in the Michigan Annual Conference. This includes ten who retired and withdrew immediately thereafter. Forty-one Licensed Local Pastors have discontinued their licenses in the Michigan Annual Conference due to disaffiliation. This includes five who retired and then voluntarily discontinued their licenses.
- For an in-depth analysis of disaffiliation's impact on the United Methodist denomination follow this link to the Lewis Center Report: <https://www.churchleadership.com/wp-content/uploads/2024/01/Disaffiliating-UM-Churches-report-Jan-2024.pdf>

Disaffiliation: Allocation of Funds

DISAFFILIATION ALLOCATION SPREADSHEET

<u>Disaffiliation Fund Category</u>	<u>Amounts</u>
A. Aggregate Unfunded Pension Obligation	\$ 15,501,467.00
B. Outstanding Pension and Health Benefit Balances	190,062.47
C. 2022 Ministry Share Income (MAC General Fund)	177,169.55
D. 2023 Ministry Share Income (MAC General Fund)	1,348,368.30
E. 2024 Ministry Share Income	1,127,029.66
1. District’s Portion of 2024 Ministry Share Income	112,702.97
2. MAC General Fund	760,745.02
3. Disaffiliation Transition Cost Fund	253,581.67
F. Ministry Innovation Fund	<u>2,837,342.00</u>
Total Proceeds from Disaffiliation	\$ 21,181,438.98

DESCRIPTION OF DISAFFILIATION ALLOCATIONS

Aggregate Unfunded Pension Obligation: **\$15,501,476.00**

To be transferred to the Funding Reserve Trust for Clergy Benefit Plans established by the MAC in its June 2023 Session. This is managed by the MAC Board of Pension and Health Benefits who will direct disbursements as needed to Wespath to address future pension deficits resulting from disaffiliations.

Outstanding Pension and Health Benefit Balances: **\$190,062.47**

These funds were collected from disaffiliating churches which had pension and health insurance arrearages prior to 2023. These funds are also managed by the MAC Board of Pension and Health Benefits. The pension-related amount is allocated to the Funding Reserve Trust for Clergy Benefit Plans. Disbursements will be made to Wespath as needed to address future pension deficits resulting from disaffiliations. The health insurance-related amount will be added to the MAC Health Insurance Fund.

2022 Ministry Share Income: **\$177,169.55**

Churches that disaffiliated June 30, 2023 were required by paragraph 2553 of The Book of Discipline to pay Ministry Shares “for the 12 months prior to disaffiliation.” This would include the last 6 months of 2022 for these churches. These funds have been disbursed to the MAC General Fund. The MAC General Fund supports the MAC’s annual budget.

2023 Ministry Share Income: **\$1,348,368.30**

Per paragraph 2553 of The Book of Discipline disaffiliating churches were required to pay Ministry Shares “for the 12 months prior to disaffiliation, as well as an additional 12 months of [Ministry Shares].” Consequently, all churches which disaffiliated in 2023 (June 30 and December 31 disaffiliations). were required to pay their 2023 Ministry Shares in full. These funds have been disbursed to the MAC General Fund, which supports the MAC’s annual budget.

2024 Ministry Share Income: **\$1,127,029.66**

Per paragraph 2553 of The Book of Discipline disaffiliating churches were required to pay Ministry Shares “for the 12 months prior to disaffiliation, as well as an additional 12 months of [Ministry Shares].”

Consequently, churches which disaffiliated on June 30, 2023 were required to pay the first six months of their 2024 Ministry Shares. Churches which disaffiliated on December 31, 2023 were required to pay all twelve months of their 2024 Ministry Shares.

These funds are being allocated in the following manner:

District’s Portion of 2024 Ministry Share Income: **\$112,702.97**

Since districts will not be receiving 2024 Ministry Shares from disaffiliating churches, 10% of the 2024 Ministry Share Income will be disbursed to each district in a manner proportional to the amount lost by the district from disaffiliations.

District Shares are as follows:

Central Bay	\$9,570.11
East Winds	\$28,304.41
Greater Detroit	\$10,881.91
Greater Southwest	\$11,428.62
Heritage	\$22,302.35
Northern Skies	\$12,717.46
Western Waters	\$17,498.11

MAC’s Portion of 2024 Ministry Share Income: **\$1,014,326.69**

The remaining 90% of the 2024 Ministry Share Income from disaffiliating churches remains with the Michigan Annual Conference. These funds will be allocated in the following manner:

MAC General Fund: **\$760,745.02**

75% of the \$1,014,326.69 is being disbursed to the MAC General Fund, which supports the MAC's annual budget.

Disaffiliation Transition Cost Fund: **\$253,581.67**

25% of the \$1,014,326.69 is being allocated to a new designated fund accessible to the bishop and cabinet to address short-term clergy needs. Such needs could include, but are not limited to, income support for clergy who have lost a disaffiliating congregation which was part of a multipoint charge, or Fresh Expression training for clergy and laity working to build ministries. (Once the disaffiliation transition period concludes any remaining funds will be reallocated to the MAC General Fund to support the conference's budget.)

Ministry Innovation Fund: **\$2,876,964.00**

These funds were collected from disaffiliating churches for release from the Trust Clause. The amount was twice the local church's annual Ministry Share payment. Churches which paid their Ministry Shares in full for the three years prior to their year of disaffiliation, and who were joining "another Methodist denomination," were eligible to have this amount waived by the MAC Board of Trustees. An amount totaling \$683,878.00 was waived. \$2,837,342.00 was collected.

The \$2,837,342.00 is being invested by the Council on Finance and Administration of the MAC to establish a Ministry Innovation Fund. The proceeds of this investment will be regularly disbursed to establish and support ministries of the Michigan Annual Conference.

Addendum A

LOCAL CHURCH FINANCIAL RESPONSIBILITIES PRIOR TO DISAFFILIATION

Prior to disaffiliation, it is the responsibility of local congregations of the Michigan Conference of the United Methodist Church to address several matters including these three items listed below. These three items are articulated in the Disaffiliation Agreement as established by the Michigan Conference Board of Trustees, which in turn is based on ¶12553 of The Book of Discipline (BOD) of the United Methodist Church.

PAYMENT OF AGGREGATE UNFUNDED PENSION OBLIGATIONS (sometimes referred to as “pension liability” or “unfunded pension liability”)

- Per the Disaffiliation Agreement (item 4.a.vi) 100% of proceeds garnered from a disaffiliating church for aggregate unfunded pension obligations will be held in trust by the Michigan Conference for the sole purpose of being disbursed to Wespath in a timely manner to address pension liability over the life of the retirement plan.

PAYMENT OF LOANS AND OTHER OBLIGATIONS TO UNITED METHODIST ENTITIES

- Per the Disaffiliation Agreement (item 4.a.vi) “any unpaid loans or other obligations to other United Methodist entities (i.e., to a District, Foundation, Conference, or other local churches)” must be paid in full “unless those loans can be assigned to a new legal entity.”

PAYMENT OF BENEFIT BILLINGS

- Per the Disaffiliation Agreement (item 4.a.v) “any pension and health insurance outstanding balances” must be paid in full.

DISAFFILIATION: DISTRIBUTION OF PROCEEDS

As the Michigan Conference of the United Methodist Church receives proceeds from disaffiliating churches it will follow this policy/process for disbursing the proceeds from disaffiliation. The foundation for this policy is the Disaffiliation Agreement as established by the Michigan Conference Board of Trustees. This agreement is based on ¶12553 of The Book of Discipline (BOD) of the United Methodist Church.

DISTRIBUTION OF PROCEEDS PERTAINING TO RELEASE FROM THE TRUST CLAUSE (EQUITY)

- Per the Disaffiliation Agreement (item 4.a.i) disaffiliating churches “must pay an amount equal to two times the current year’s Ministry Share allocation” unless this amount is “waived by the Michigan Conference Trustees.”

100% of the proceeds for release from the Trust Clause (¶12501 BOD) remain with the Michigan Conference which will disburse them in the following manner:

- 25% to a Capital/Property Fund (designated) which is capped and maintained at \$5M with an annual inflation adjustment beginning January 1, 2024. The purpose of this fund includes:
 - Purchase of conference properties
 - Fund for major repairs to conference properties
 - Resource for liability settlements (for example, the impending Boy Scout sexual abuse settlement)
 - Funding to support budget category “Conference Property Maintenance”
- 75% to a Ministry Innovation Fund (Once the Capital/Property Fund reaches its \$5M cap, 100% of proceeds from the release of the Trust Clause will be directed to the Ministry Innovation Fund.)

DISTRIBUTION OF PROCEEDS PERTAINING TO MINISTRY SHARE REMITTANCES

- Per ¶2553 of The Book of Discipline disaffiliating churches “shall pay any unpaid [Ministry Shares] for the 12 months prior to disaffiliation, as well as an additional 12 months of [Ministry Shares].”
 - DISTRIBUTION OF PROCEEDS FOR 12 MONTHS OF MINISTRY SHARES PRIOR TO DISAFFILIATION
 - 100% posted as income to the Michigan Conference’s current year’s budget and will remain there.
 - DISTRIBUTION OF PROCEEDS FOR AN ADDITIONAL 12 MONTHS OF MINISTRY SHARES AFTER DISAFFILIATION
 - 90% of these proceeds remain with the Michigan Conference and of this 90%:
 - 75% will be posted as income to the current year’s budget. It is recommended the Michigan Conference create ways to connect with persons who wish to remain United Methodist even though their church has disaffiliated. The purpose is to guide them to nearby United Methodist churches or “Fresh Expressions.”
 - 25% will be set aside in a temporary restricted fund to address short-term clergy needs during the disaffiliation period. (Once the disaffiliation period concludes these funds will be redesignated to the current year’s budget.) Short-term clergy needs can include, but are not limited to:
 - Financial support for clergy whose churches have disaffiliated but who are choosing to remain in the United Methodist denomination.

- Training for clergy in beginning “Fresh Expressions” or new church starts.
- 10% of these proceeds will be disbursed to the district in which the disaffiliating church is located. It is recommended that the districts use these resources to address laity needs such as:
 - Grief counseling for those who have lost their church due to disaffiliation.
 - Administrative costs associated with remaining connected with persons who have lost churches due to disaffiliation.

Addendum B

¶ 2553. Disaffiliation of a Local Church Over Issues Related to Human Sexuality—

1. *Basis*-- Because of the current deep conflict within The United Methodist Church around issues of human sexuality, a local church shall have a limited right, under the provisions of this paragraph, 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 as resolved and adopted by the 2019 General Conference, or the actions or inactions of its annual conference related to these issues which follow.

2. *Time Limits*--The choice by a local church to disaffiliate with The United Methodist Church under this paragraph shall be made in sufficient time for the process for exiting the denomination to be complete prior to December 31, 2023. The provisions of ¶ 2553 expire on December 31, 2023 and shall not be used after that date.

3. *Decision Making Process*--The church conference shall be conducted in accordance with ¶ 248 and shall be held within one hundred twenty (120) days after the district superintendent calls for the church conference. In addition to the provisions of ¶ 246.8, special attention shall be made to give broad notice to the full professing membership of the local church regarding the time and place of a church conference called for this purpose and to use all means necessary, including electronic communication where possible, to communicate. The decision to disaffiliate from The United Methodist Church must be approved by a two-thirds (2/3) majority vote of the professing members of the local church present at the church conference.

4. *Process Following Decision to Disaffiliate from The United Methodist Church*--If the church conference votes to disaffiliate from The United Methodist Church, the terms and conditions for that disaffiliation shall be established by the board of trustees of the applicable annual conference, with the advice of the cabinet, the annual conference treasurer, the annual conference benefits officer, the director of connectional ministries, and the annual conference chancellor. The terms and conditions, including the effective date of disaffiliation, shall be memorialized in a binding Disaffiliation Agreement between the annual conference and the trustees of the local church, acting on behalf of the members. That agreement must be consistent with the following provisions:

a) *Standard Terms of the Disaffiliation Agreement*. The General Council on Finance and Administration shall develop a standard form for Disaffiliation Agreements under this paragraph to protect The United Methodist Church as set forth in ¶ 807.9. The agreement shall include a recognition of the validity and applicability of ¶ 2501, notwithstanding the release of property therefrom. Annual conferences may develop additional standard terms that are not inconsistent with the standard form of this paragraph.

b) *Apportionments*. The local church shall pay any unpaid apportionments for the 12 months prior to disaffiliation, as well as an additional 12 months of apportionments.

c) *Property*. A disaffiliating local church shall have the right to retain its real and personal, tangible and intangible property. All transfers of property shall be made prior to disaffiliation. All costs for transfer of title or other legal work shall be borne by the disaffiliating local church.

d) *Pension Liabilities*. The local church shall contribute withdrawal liability in an amount equal to its pro rata share of any aggregate unfunded pension obligations to the annual conference. The General Board of Pension and Health Benefits shall determine the aggregate funding obligations of the annual conference using market factors similar to a commercial annuity provider, from which the annual conference will determine the local church's share.

e) *Other Liabilities*. The local church shall satisfy all other debts, loans, and liabilities, or assign and transfer them to its new entity, prior to disaffiliation. f) *Payment Terms*. Payment shall occur prior to the effective date of departure.

g) *Disaffiliating Churches Continuing as Plan Sponsors of the General Board of Pension and Health Benefits Plans*. The United Methodist Church believes that a local church disaffiliating under ¶ 2553 shall continue to share common religious bonds and convictions with The United Methodist Church based on shared Wesleyan theology and tradition and Methodist roots, unless the local church expressly resolves to the contrary. As such, a local church disaffiliating under ¶ 2553 shall continue to be eligible to sponsor voluntary employee benefit plans through the General Board of Pension and Health Benefits under ¶ 1504.2, subject to the applicable terms and conditions of the plans.

h) Once the disaffiliating local church has reimbursed the applicable annual conference for all funds due under the agreement, and provided that there are no other outstanding liabilities or claims against The United Methodist Church as a result of the disaffiliation, in consideration of the provisions of this paragraph, the applicable annual conference shall release any claims that it may have under ¶ 2501 and other paragraphs of *The Book of Discipline of The United Methodist Church* commonly referred to as the trust clause, or under the agreement.