

## **General Framework for the Disaffiliation Process per ¶ 2553 (see also ¶ 1504.23) Revised June 28, 2022**

**Who sets the terms?** The terms and conditions for disaffiliation shall be established by the board of trustees of the annual conference, with the advice of the cabinet, the annual conference treasurer, the annual conference benefits officer, the assistant to the bishop, and the annual conference chancellor.

**What terms must be included?** The General Council on Finance and Administration shall develop a standard form for Disaffiliation Agreements per ¶ 2553 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. Other terms shall include:

- a) **Apportionments:** The local church shall pay any unpaid apportionments for the year in which the effective date of disaffiliation is set, as well as an additional 12 months of apportionments based on the decimal for the year in which the date of disaffiliation occurs.
- b) **Property:** A disaffiliating local church shall have the right to retain its real and personal, tangible and intangible property. (Note that certain endowments, restricted gifts and intellectual property may be excluded.)
- c) **Property:** All transfers of property shall be made at the point of disaffiliation.
- d) **Property:** All costs for transfer of title or other legal work shall be borne by the disaffiliating local church.
- e) **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 using the decimal for the year in which the date of disaffiliation occurs. (Even if a local church has never had a clergy requiring a pension contribution, it still must contribute its pro rata share because the NTC takes on the unfunded pension obligations in covenant as a conference.)
- f) **Other Liabilities:** The local church shall satisfy all other debts, loans, and liabilities, or assign and transfer them to its new entity, at the point of disaffiliation.
- g) **Payment terms:** Payment shall occur prior to the effective date of departure.
- h) **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.
- i) **Trust Clause:** Once the disaffiliating local church has reimbursed the 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 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.

**What additional standard terms “not inconsistent” with the above will be included in the NTC?**

- a) Pay any unpaid salary and/or benefits due to appointed clergy of the local church up to the effective date of disaffiliation.
- b) Pay any unpaid pension invoices from the annual conference Board of Pensions for current clergy up to the date of disaffiliation.
- c) Pay any unpaid invoices for annual conference health insurance up to the date of disaffiliation.
- d) Pay any unpaid invoices for annual conference property insurance up to the date of disaffiliation.
- e) Provide indemnity to the annual conference for any future claims made against the local church.
- f) Maintain insurance coverages to the General Council on Finance and Administration standard until the date of disaffiliation.
- g) Provide sufficient documentation to AC proving payment or transfer of all debts; releasing all claims upon AC; and confirming it has no pending lawsuit, charge, complaint or other action against The UMC or its officers.
- h) Understand that any property insurance claims for damage deriving from incidents prior to the effective date of disaffiliation and filed after the effective date of disaffiliation will not be covered.
- i) Pay back any grants or gifts given by the conference in the prior 10 years related to congregational development. Grants made to support missional relief efforts, equitable compensation, interim clergy appointments, pension and insurance supplements will not be required to be paid back.

**What is the timeline for disaffiliations needing approval at Annual Conference 2023?**

- 1) By August 15, 2022, the initial conversation between the DS and the pastor and/or lay leadership must take place.
- 2) By October 1, 2022, the initial meeting with the local church and the DS / Discernment Team must take place.
- 3) By December 1, 2022, the DS must receive a letter from the local church requesting disaffiliation under paragraph 2553.
- 4) By December 1, 2022, the DS must receive a letter from the pastor indicating his/her intentions.
- 5) By December 31, 2022, the DS must receive a letter from the local church requesting a church conference for the purpose of disaffiliation.
- 6) By March 1, 2023, the church conference must meet and approve the disaffiliation resolution.
- 7) By April 1, 2023, the local church, board of trustees, and assistant to the bishop prepare a legislative item for Annual Conference action.
- 8) By June 6, 2023, the annual conference votes on the disaffiliation resolution.
- 9) By December 31, 2023, all terms of the disaffiliation agreement must be met by the local church.

### What does the overview of the “playbook” look like?

- 1) **Initial conversation**
- 2) **Initial meeting**
- 3) **Follow up conversation with the pastor**
- 4) **Period of Discernment**
- 5) **Local church makes formal request for disaffiliation**
- 6) **Pastor communicates his/her intentions**
- 7) **Local church requests church conference**
- 8) **Church conference**
- 9) **Annual Conference action**
- 10) **Terms of disaffiliation are fulfilled**

### What is the detailed “playbook” for conference leadership for disaffiliation under P. 2553?

- 1) **Initial conversation:** When a) a DS discerns that a local church is interested in and meets the criteria for disaffiliation under ¶ 2553 or b) local church leadership inquire about disaffiliation, information about the WCA, etc., the DS will communicate with the pastor and/or lay leadership and offer to come for a meeting to share the process. Contact/inquiry must come from at least one of the following: pastor; lay leader; council/board chair.
- 2) **Initial meeting:** The DS and members of the Discernment Team will meet with the congregation to listen to their concerns, to share about the identity and the “value” of the North Texas Conference, and to share about the disaffiliation process. The Discernment Team also will seek to ensure the local church body is present and informed as to the reasons why leadership is proposing disaffiliation, as well as to get a “feel” of the congregation’s sentiment about disaffiliation. All professing members of the local church will be invited. The Discernment Team will come to the meeting with an estimated payment amount per the required terms.
- 3) **Follow up conversation with the pastor:** Around the same time the initial meeting with church leadership is held, the DS will also have an informal conversation with the pastor to discern where the pastor is in his/her alignment with the congregation’s desires, his/her leadership role in the departure process and the implications of the church’s decision on his/her future in ministry.
- 4) **Period of Discernment:** To avoid rash decisions or to ensure fully informed decisions are made, there will be a minimum two-month discernment period before moving forward with the disaffiliation process. The Discernment Team will hold at least one follow up meeting in the discernment period and before December 1, 2022 to which all professing members of the local church will be invited to listen further, answer questions that have emerged, and to continue discerning if the local church desires to move forward with the disaffiliation process.
- 5) **Local church makes a formal request:** The local church must send a letter to the DS (copied to the conference treasurer and assistant to the bishop) expressing their desire to disaffiliate. Until December 31, 2023, all disaffiliations will be guided by ¶ 2553. As such, in the letter the local church must sufficiently articulate their “reasons of conscience” or “the actions or inactions of its annual conference” that would justify ¶2553 being utilized if that is the local church’s intent. A consensus is reached by the DS and Discernment Team as to whether the reasons articulated rise to the level of a ¶2553 departure. The DS and Discernment Team need to be reasonably

sure that whatever is submitted represents the views of a significant portion of the professing members of the local church as may be reflected by the position of the board/council.

- 6) **Pastor communicates his/her intentions:** Pastor provides in writing his/her intention to remain with The UMC, retire, or surrender credentials to continue to lead the church. As of June 2022, there are efforts being made across The UMC connection to reach alignment on interpretation of ¶ 360.1 and ¶ 360.2, which may lead to additional options related to Ordained Clergy who may leave The UMC.
- 7) **Local church requests church conference:** Assuming the DS and Discernment Team agree that the local church's reasons meet the standards of ¶ 2553, the local church would then send a letter to the DS requesting a church conference for the purpose of disaffiliation, indicating a disaffiliation date which must be a date following the next AC. In the letter, the local church should indicate that they understand the "cost" the DS / Discernment Team has shared with them. It will be important to note that cost is beyond financial. The DS must schedule the church conference within 120 days.  
All church conferences must comply with all requirements of ¶ 248 which includes but is not limited to:
  - a. being requested by one of the following: the DS, the pastor, the church council, or 10% of the professing membership;
  - b. notice of time and place given at least ten days in advance by two or more of the following: from the pulpit of the church, in its weekly bulletin, in a local church publication, or by mail;
  - c. the church must provide a copy of any published notices as well as a list of the addresses to which the notices were mailed. (Sufficient evidence that the full membership has been properly notified will be requested by the DS.)
- 8) **Preparations for the church conference:** The board of trustees approves the final terms and conditions for disaffiliation. Treasurer prepares a document detailing payments required. Conference prepares disaffiliation resolution and process for proper voting. A printed list of church members on the roll should be compared to previous years of statistical review membership numbers.
- 9) **Church Conference:** The DS will preside. Members should sign-in next to their name on the verified printed membership roll. The disaffiliation resolution must be approved by 2/3 majority vote of the professing members present and voting. The ballot and voting results must be signed and certified by an officer of the church and sent to the DS.
- 10) **Follow up from church conference:** Assuming the disaffiliation resolution is approved, the matter is turned over to the board of trustees, treasurer, and assistant to the bishop. DS sends disaffiliation agreement and vote count to trustees through the treasurer/assistant to the bishop and a copy to the chancellor. The local church then provides the following documents to the DS, treasurer, and assistant to the bishop (The tenor of the following is for the NTC to do its due diligence – to ensure the thorough transfer of each of item and that each is accounted for in the disaffiliation process.):
  - a. last statement of all bank accounts;
  - b. latest financial statement and balance sheet;
  - c. documentation of any debt;
  - d. information and balances for endowments or restricted gifts;

- e.* copies of all deeds and key contracts;
- f.* copies of leases and loan documents;
- g.* documentation of any grants received from the AC or district in the past ten years;
- h.* information on cemetery or columbarium
- i.* information on BSA Charter Org and any other chartered organizations;
- j.* names of church's Secretary and Chair and Vice Chair of its Board of Trustees;
- k.* name of any successor church to which its property and legal descriptions for the real property;
- l.* list of Insurance Policies and renewal dates

**11) Annual Conference Action:** Conference board of trustees works with the assistant to the bishop and local church to prepare a legislative item. It must be submitted by April 1 per Standing Rules unless with special permission. For disaffiliations under ¶ 2553, the annual conference must vote to approve the disaffiliation resolution previously agreed to by church and conference trustees. Disaffiliation does not happen until after the AC votes. The annual conference must approve the legislative item by a simple majority.

**12) Final matters:** The local church fulfills the terms of the Disaffiliation Agreement and prepares a final statistical report and church archives. In addition, the local church will:

- a.* change name on bank accounts, insurance, etc.;
- b.* file new deeds with Clerk of Circuit Court;
- c.* remove Cross and Flame logo and mention of The UMC from signage, websites, etc. It is expected that disaffiliating churches will act in good faith to remove such items within one year from the date of disaffiliation. Hymnals, Faith We Sing, and Bibles emblazoned with the Cross and Flame are exempt from this requirement. There is no further accountability to The UMC with regard to Cross and Flame emblazoned Hymnals, Faith We Sing, and Bibles.
- d.* obtain new state and federal tax ID numbers;
- e.* apply for tax exempt status with the IRS;
- f.* apply for tax exemption with counties in which it owns real property;
- g.* take all necessary steps to close and/or dissolve any legal entities and to settle, liquidate, or transfer all assets and obligations of such entities. (All sale of property must take place after AC vote.)

**What if a local church determines it would like to re-enter the Annual Conference?** If a local church that has disaffiliated determines that it wishes to re-enter the Annual Conference, it shall notify the presiding bishop. The decision to become a member of the annual conference can only be made with the consent of the presiding bishop and the cabinet and in accordance with the provisions of ¶ 259 of The Discipline. In addition, the decision must be approved by a two-thirds (2/3) majority vote of the professing members of the local church present at a church conference called for this purpose. If a local church is re-established as a local United Methodist Church, the conference treasurer shall determine the amount of any funds paid for pension liabilities pursuant to the disaffiliation agreement, plus any investment earnings and minus any investment losses, calculated in accordance with the annual conference pension liability policy. The balance, less any funds paid to cover pension obligations, shall be rebated to the local church within 6 months of the date it re-enters the annual conference.