

1 **Action Request #4**

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3  
4 **TITLE: Local Church Disaffiliation Agreement Template**  
5 **SPONSORING GROUP OR INDIVIDUAL: OR-ID Annual Conference Board of Trustees**  
6 **SPOKESPERSON: Dan Wilson-Fey**  
7 **SPOKESPERSON'S ADDRESS: 1505 SW 18<sup>th</sup> Ave., Portland, OR 97201**  
8 **SPOKESPERSON'S E-MAIL: dan@umoi.org**  
9 **SPOKESPERSON'S TELEPHONE: 503-802-9222**

10 **LEGISLATIVE ASSEMBLY ACTION: Recommend for approval 20-0-0.**  
11 *The Assembly substituted the text below for the original Action Request.*

12 **I/We petition the Oregon-Idaho Annual conference to take the following action:**

13  
14 Approve the following local church disaffiliation agreement template for use by Conference  
15 Board of Trustees per Par. 2553.4 of the 2016 *Book of Discipline*, as amended by action of the  
16 2019 General Conference:  
17  
18

19 **DISAFFILIATION AGREEMENT PURSUANT TO ¶ 2553**

20 This Disaffiliation Agreement Pursuant to ¶ 2553 (“Disaffiliation Agreement”) is entered  
21 into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_ (“Local  
22 Church”) and the OREGON-IDAHO ANNUAL CONFERENCE OF THE UNITED  
23 METHODIST CHURCH.

24 WHEREAS, Local Church is a United Methodist church within the boundaries of Annual  
25 Conference;

26 WHEREAS, Local Church has held a church conference, in compliance with ¶¶ 246.8, 248, and  
27 2553.2-.3 of The Book of Discipline of The United Methodist Church (“Discipline”), at which at  
28 least two-thirds (2/3) of the professing members present at the church conference of Local Church  
29 voted to disaffiliate from The United Methodist Church “for reasons of conscience regarding a  
30 change in the requirements and provisions of the Book of Discipline related to the practice of  
31 homosexuality or the ordination or marriage of self-avowed practicing homosexuals as resolved  
32 and adopted by the 2019 General Conference, or the actions or inactions of its annual conference  
33 related to these issues which follow.”

1 WHEREAS, pursuant to ¶ 2501.1 of the Discipline, Local Church holds its real and personal,  
2 tangible and intangible property “in trust for The United Methodist Church and subject to the  
3 provisions of its Discipline.”

4 WHEREAS, property subject to ¶ 2501.1 “can be released from the trust, transferred free of trust  
5 or subordinated to the interests of creditors and other third parties only to the extent authority is  
6 given by the Discipline.” (¶ 2501.2)

7 WHEREAS, ¶ 2553 provides a specific circumstance in which property subject to ¶ 2501.1 can be  
8 released from the trust imposed by that paragraph.

9 WHEREAS, ¶ 2553.4 requires the terms and conditions of Local Church’s disaffiliation from The  
10 United Methodist Church to be “memorialized in a binding Disaffiliation Agreement.”

11 WHEREAS, Local Church and Annual Conference wish to (1) resolve all matters between them,  
12 and Local Church wishes to acquire from Annual Conference all of Annual Conference’s interest,  
13 on behalf of The United Methodist Church, in the real and personal, tangible and intangible  
14 property held by Local Church and (2) comply with the requirements of ¶ 2553 and Judicial  
15 Council Decision 1379.

16 NOW, THEREFORE, in consideration of the foregoing and all the mutual covenants herein  
17 contained, and for other good and valuable consideration, the receipt and sufficiency of which is  
18 hereby acknowledged, Local Church and Annual Conference agree as follows:

19  
20 1. Conditions Precedent. Local Church and Annual Conference acknowledge and agree:

21 a. Church Conference Vote. At least two-thirds (2/3) of the professing members present  
22 at a church conference of Local Church must vote to disaffiliate from The United  
23 Methodist Church “for reasons of conscience regarding a change in the requirements  
24 and provisions of the Book of Discipline related to the practice of homosexuality or the  
25 ordination or marriage of self-avowed practicing homosexuals as resolved and adopted  
26 by the 2019 General Conference, or the actions or inactions of its annual conference  
27 related to these issues which follow.” Local Church must provide documentation, to  
28 the satisfaction of Annual Conference, in its sole discretion, which evidences the result

1 of the disaffiliation vote taken at the church conference. Such documentation must be  
2 certified by an authorized officer of Local Church and shall be included as an exhibit  
3 to this Disaffiliation Agreement.

4 b. Annual Conference Vote. This Disaffiliation Agreement must be “ratified by a simple  
5 majority of the members . . . present and voting” at a duly called session of Annual  
6 Conference, as required by Judicial Council Decision 1379 and ¶ 2529.1b(3).

7 c. Obligations of the Local Church. All obligations of Local Church set forth in Paragraph  
8 4 hereof are conditions precedent to all obligations of Annual Conference hereunder.

9 Should any of the above not occur, this Disaffiliation Agreement shall immediately become null  
10 and void.

11 2. Applicability of ¶ 2501. Local Church acknowledges and agrees that pursuant to ¶ 2501 of the  
12 Discipline, Local Church holds all property, real and personal, tangible and intangible, in trust for  
13 the benefit of The United Methodist Church.

14 3. Date of Disaffiliation. Should Local Church timely comply with all of its obligations as set  
15 forth herein, Local Church’s disaffiliation from The United Methodist Church will be effective on  
16 \_\_\_\_\_, 20\_\_ (“Disaffiliation Date”).<sup>1</sup> Such Disaffiliation Date must be subsequent to the Annual  
17 Conference’s ratification referenced in Section 1 above.

18 4. Local Church’s Obligations. Unless a different date is specified, Local Church shall, by no  
19 later than the Disaffiliation Date, do the following:

20 a. Payments. Prior to the Disaffiliation Date, Local Church shall pay to Annual  
21 Conference, in a manner specified by Annual Conference, the following:

22 i. Local Church shall pay \_\_\_\_\_ in exchange for the right to retain its real  
23 and personal, tangible and intangible property, subject to the following terms...

24 ii. Any unpaid apportionments for the twelve (12) months immediately prior to the  
25 Disaffiliation Date, as well as any unpaid apportionments for the five (5)

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<sup>1</sup> Per ¶ 2553.2, this date cannot be later than December 31, 2023.

1 calendar years prior to the Disaffiliation Date, as calculated by Annual  
2 Conference totaling \_\_\_\_\_. Upon receipt, these funds shall be  
3 immediately available for use by Annual Conference for its future general  
4 operating expenses;

5 iii. An additional twelve (12) months of apportionments, as calculated by Annual  
6 Conference, totaling \_\_\_\_\_; upon receipt, these funds shall be  
7 immediately available for use by Annual Conference for its future operating  
8 expenses;

9 iv. An amount equal to Local Church's pro rata share, as determined by Annual  
10 Conference[calculated by averaging the Local Church's percentage of the  
11 Annual Conference's total of "Clergy Non-Health Benefits (billed)" payments,  
12 currently line 39 of the BAC Statistical Table data, for the last full calendar year  
13 prior to the date of disaffiliation, and the corresponding payment percentages 5,  
14 10, and 15 years prior, multiplied by the total aggregate unfunded liability], of  
15 Annual Conference's unfunded pension obligations as of the date of the Local  
16 Church disaffiliation request in Section 1.a above, based on the Annual  
17 Conference's aggregate funding obligations as determined by the General  
18 Board of Pension and Health Benefits using market factors similar to a  
19 commercial annuity provider, totaling \_\_\_\_\_; upon receipt, these funds  
20 shall be retained by the Board of Pensions of the OR-ID Annual Conference for  
21 future pension obligations;

22 v. All costs associated with the transfer of any asset;

23 vi. Other debts and direct bill obligations to Annual Conference or a related  
24 foundation, such as United Methodist Foundation, and any debts and direct or  
25 indirect payment obligations owed to Conference or Wespeth for employee  
26 retirement, medical insurance, or other employment-related obligations;

27 vii. All compensation, payroll liabilities, and benefits obligations to and for its  
28 appointed or assigned clergy through the Disaffiliation Date;

1           viii. Reimbursement of any attorney fees and costs incurred by Annual Conference  
2           related to the creation and implementation of this Agreement, reimbursement  
3           of any attorney fees and costs incurred by Annual Conference related to any  
4           litigation between Local Church and Annual Conference or litigation between  
5           Local Church and a third party, and reimbursement of any payments made by  
6           Annual Conference for or toward the obligations of Local Church, paid by  
7           Annual Conference within the five-year period immediately preceding the  
8           Disaffiliation Date.

9           b. Other Liabilities. Local Church shall either satisfy all of its debts, loans, and liabilities,  
10          or assign or transfer such obligations to its new entity, releasing Local Church and  
11          Annual Conference from any further liability. Local Church must provide sufficient  
12          documentation of same to Annual Conference, such as records and archives, in Annual  
13          Conference's sole discretion. Those liabilities include, but are not limited to, amounts  
14          owed to third parties, directly or indirectly, and/or on-going duties resulting from  
15          contracts, employment relationships (such as clergy, staff, consultants, and  
16          independent contractors), tax withholding, unemployment insurance, cemetery and/or  
17          columbarium operations, vehicle ownership or rental, trailer ownership or rental, other  
18          equipment ownership or rental, day care contracts, insurance contracts, real estate  
19          leases or contracts for usage of the church campus in full or in part, utilities, and other  
20          services performed by third parties. Local Church shall provide to Annual Conference  
21          Treasurer's Office a list of all liabilities and proof of payment of each liability in a  
22          format acceptable to Annual Conference Treasurer's Office, in its sole discretion, by  
23          the deadlines set by the Treasurer's Office. The Treasurer's Office shall have the right  
24          to review Local Church's historical and current accounting records, as submitted by  
25          Local Church and/or on-site at Local Church's campus, in Treasurer's Office's sole  
26          discretion.

27          c. Intellectual Property. Local Church shall cease all use of "United Methodist," the Cross  
28          & Flame insignia, and any other intellectual property of the denomination and Annual  
29          Conference, including the removal of all signage containing the same.

1 d. Group Tax Exemption Ruling. As of the Disaffiliation Date, Local Church shall cease  
2 to use, and also shall ensure that any affiliates of Local Church which have been  
3 included in the group tax exemption ruling shall cease to use, any and all documentation  
4 stating that Local Church is included in the denomination's group tax exemption ruling  
5 administered by the General Council on Finance and Administration of The United  
6 Methodist Church. Local Church and any of its affiliates which have been included in  
7 the group tax exemption ruling will be removed as of the Disaffiliation Date.

8 e. Local Church Records. Before the Disaffiliation Date, Local Church shall deliver to  
9 Annual Conference all Local Church archives, membership rolls, historical documents  
10 related to funerals, baptisms, weddings, minutes, etc. Local Church shall be permitted  
11 to retain copies of such documents.

12 f. Endowments. All endowments, memorial bequests, and donations must be reviewed  
13 by Annual Conference to ensure compliance with all restrictions particular to United  
14 Methodism.

15 g. Notices. Local Church shall notify in writing all third parties affected by the  
16 disaffiliation in a timely manner. Local Church shall obtain pre-approval of the  
17 language in the notices from its District Superintendent. For example, clergy,  
18 employees, independent contractors, and other service providers shall be provided  
19 notices of disaffiliation that include the date of disaffiliation, effects on their  
20 compensation or payments, medical insurance, other insurance, retirement benefits,  
21 sick and vacation leave, other employee benefits, and any potential severance pay.

22 5. Organizational Transition/Indemnity/Insurance. Local Church shall take all steps necessary to  
23 [close and/or dissolve any legal entities and to settle, liquidate, or transfer all assets and obligations  
24 of such entities, or to establish any new legal entities, or to modify its current organizing  
25 documents,]<sup>2</sup> as needed to effectuate its disaffiliation from The United Methodist Church, to the  
26 satisfaction of Annual Conference, including obtaining a new EIN from the Internal Revenue  
27 Service. Local Church shall indemnify, defend, and hold harmless Annual Conference and its  
28 officers, directors, agents, and employees from any liability or costs (including reasonable attorney

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1 fees) resulting from any claim, action, or cause of action for damages to persons or property  
2 resulting from, or in any way connected to, a) any claim, action, or cause of action for damages  
3 to persons or property resulting from Local Church's failure to take all necessary steps as required  
4 by this Section 5 or b) in any way connected with the property referred to in this document or in  
5 any way connected with Local Church (its former or current agents, employees, officers, directors,  
6 pastor or any other person associated with Local Church). Further, and independent of its  
7 indemnity obligation, Local Church shall for a period of three years after the Disaffiliation Date  
8 maintain standard commercial liability insurance, errors and omission insurance, and employment  
9 liability insurance with limits of liability not less than \$1,000,000 which a) lists Annual Conference  
10 and its officers, directors, agents, and employees as additional insureds with coverage to the same  
11 extent and on the same basis as Local Church and b) which makes such insurance primary to any  
12 other available or collectible insurance which may be available to Annual Conference and its  
13 officers, directors, agents, and employees. Local Church shall provide to Annual Conference  
14 information and documentation about all pending and potential lawsuits by and against Local  
15 Church, with the format and content requested by Annual Conference, in its sole discretion. Local  
16 Church also shall provide to Annual Conference Treasurer's Office information and  
17 documentation sufficient to prove that Local Church has adequate funds and other assets to meet  
18 the above indemnification, defense, and hold harmless obligations, with the format and content  
19 requested by Annual Conference Treasurer's Office, in its sole discretion.

20 6. Property. On the Disaffiliation Date, if all conditions precedent have been met, Local Church  
21 will have full ownership of the property and assets listed in [identify relevant exhibit(s), as required  
22 by applicable law], will be transferred to the Local Church's new entity. The parties shall ensure  
23 all necessary transfers or other transactions relating to the above properties are completed prior to  
24 the Disaffiliation Date. Any costs resulting from such transfers or other transactions shall be borne  
25 by Local Church. Annual Conference shall fully cooperate with Local Church, as needed and  
26 applicable, to ensure that such transfers and other transactions convey all of Annual Conference's  
27 interest – both for itself and on behalf of The United Methodist Church – in the real and personal,  
28 tangible and intangible property of Local Church. After Local Church has made all payments  
29 pursuant to paragraph 4a, handled all liabilities pursuant to paragraph 4b, and complied with all  
30 other terms of this Agreement, Annual Conference will sign a quit-claim deed releasing all  
31 property to the Local Church effective on the Disaffiliation Date [add detail regarding deeds,

1 related timing issues, etc., as determined by the Annual Conference board of trustees, with the  
2 advice of the cabinet, the annual conference treasurer, the annual conference benefits officer, the  
3 director of connectional ministries, and the annual conference chancellor and/or as needed to  
4 comply with applicable law]

5 7. Release of Claims. Upon the completion of all of their respective obligations herein, Annual  
6 Conference and Local Church, for themselves and their agents, representatives, members, trustees,  
7 employees, successors, attorneys, and assigns, hereby fully and forever covenant not to sue each  
8 other, and release and discharge each other, and their current and former trustees, officers,  
9 representatives, employees, and assigns, in both their official and individual capacities, from any  
10 liability for any and all causes of action and claims, including any statutory or common law cause  
11 of action, tort or contractual claims, any claims for attorneys' fees, expenses and all other damages,  
12 whether known or unknown, foreseen or unforeseen, which Annual Conference or Local Church  
13 ever had, now has, hereafter may have or claim to have against any of the above-named entities or  
14 persons in any way arising out of their relationship with each other. The parties further represent  
15 they have no pending lawsuit, charge, complaint, or other action against each other.  
16 Notwithstanding the foregoing releases and covenants not to sue, the parties may take action to  
17 enforce this Disaffiliation Agreement in any court where jurisdiction and venue are proper.

18 8. Time Limit. Should the Local Church fail to satisfy all of its obligations set forth herein by  
19 December 31, 2023, this Disaffiliation Agreement shall be null and void.

20 9. Continuing as Plan Sponsor. Nothing in this Disaffiliation Agreement shall prevent Local  
21 Church, after the Disaffiliation Date, from continuing to sponsor benefit plans from the General  
22 Board of Pension and Health Benefits, to the extent permitted by federal law, and provided that  
23 Local Church has not expressly resolved that it no longer shares common religious bonds with The  
24 United Methodist Church. That determination shall be made by the General Board of Pension and  
25 Health Benefits and the Annual Conference's Treasurer's Office, per criteria established by those  
26 entities, in their sole discretion

27 10. Non-Severability. Each of the terms of this Disaffiliation Agreement is a material and integral  
28 part hereof. Should any provision of this Disaffiliation Agreement be held unenforceable or  
29 contrary to law, the entire Disaffiliation Agreement shall be deemed null and void.



1 11. Time. Time is of the essence of every provision of this Disaffiliation Agreement.

2 12. Survival. Unless otherwise specifically stated herein, all obligations of the parties of this  
3 Disaffiliation Agreement shall survive the transfer of the Local Church property to the Local  
4 Church pursuant to Section 6 hereof and shall be binding upon and inure to the benefit of the  
5 parties hereto and their respective successors and assign.

6 13. Comply with Terms. Both the Local Church and Annual Conference intend to comply with all  
7 applicable provisions of the Discipline. To the extent that Par. 2553 requires different action,  
8 documentation, or obligations of either party, then both Local Church and Annual Conference  
9 agree to comply with such terms.”

10

11 [insert signature blocks for Local Church and Annual Conference, as required by Annual  
12 Conference policy/practice and applicable law]

13 UNITED METHODIST CHURCH (local church name)

14

15 By: \_\_\_\_\_ Date: \_\_\_\_\_

16 Print Name: \_\_\_\_\_

17 Its: Trustee Chair

18

19 By: \_\_\_\_\_ Date: \_\_\_\_\_

20 Print Name: \_\_\_\_\_

21 Its: Trustee Secretary

22

23 By: \_\_\_\_\_ Date: \_\_\_\_\_

1 Print Name: \_\_\_\_\_

2 Its: Church Council/Administrative Board Chair

3

4 OREGON-IDAHO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

5 By: \_\_\_\_\_ Date: \_\_\_\_\_

6 Print Name: \_\_\_\_\_

7 Its: Conference Trustee Chair

8

9 By: \_\_\_\_\_ Date: \_\_\_\_\_

10 Print Name: \_\_\_\_\_

11 Its: Officer of the Conference (list position): \_\_\_\_\_

12

13

14

15 **SUPPORTING INFORMATION**

16

17 **What will this action accomplish?**

18

19 Until an April 16, 2021 ruling of the United Methodist Judicial Council [Decision #1401], the  
20 validity of Par. 2553 of the amended 2016 *Book of Discipline* was in question. Now that that  
21 question has been settled, the Annual Conference Board of Trustees, in preparation for the  
22 possibility of carrying out its obligations under Par. 2553, submits this action request to approve  
23 the standard disaffiliation agreement template for use in the OR-ID Annual Conference.  
24

25 This action will fulfill the requirements of Par. 2553.4a of the *Book of Discipline*: “The General  
26 Council on Finance and Administration shall develop a standard form for Disaffiliation  
27 Agreements under this paragraph to protect The United Methodist Church as set forth in ¶  
28 807.9. The agreement shall include a recognition of the validity and applicability of ¶ 2501,  
29 notwithstanding the release of property therefrom. Annual conferences may develop additional  
30 standard terms that are not inconsistent with the standard form of this paragraph.  
31

1 This action also clarifies the method by which a disaffiliating church's pro rata share of the  
2 Annual Conference's unfunded pension liability is calculated per Par. 2553.4d: "The local church  
3 shall contribute withdrawal liability in an amount equal to its pro rata share of any aggregate  
4 unfunded pension obligations to the annual conference. The General Board of Pension and  
5 Health Benefits shall determine the aggregate funding obligations of the annual conference  
6 using market factors similar to a commercial annuity provider, from which the annual conference  
7 will determine the local church's share.

8  
9 **Why is it important?**

10  
11 (from the introduction of the GCFA's release of the standard form for Disaffiliation Agreements)

12  
13 "In February 2019, the General Conference adopted petition 90066, which added a new ¶ 2553  
14 to *The Book of Discipline*. This new paragraph allows a local church to disaffiliate from The  
15 United Methodist Church "over issues related to human sexuality." Among other things, it  
16 requires a local church's disaffiliation be "memorialized in a binding Disaffiliation Agreement,"  
17 which must be consistent with certain provisions set forth within the paragraph. Additionally,  
18 GCFA is tasked with "develop[ing] a standard form for Disaffiliation Agreements under [¶ 2553]  
19 to protect The United Methodist Church as set forth in ¶ 807.9." In fulfillment of this provision,  
20 GCFA's Board of Directors has adopted the enclosed "Disaffiliation Agreement Pursuant to ¶  
21 2553."

22 This "standard form" is intended to address the **minimum** requirements for a disaffiliation  
23 agreement, as set forth in ¶ 2553. It also reflects that "the disaffiliation agreement [must] be  
24 ratified by a simple majority of the members of the annual conference present and voting," as  
25 required by Judicial Council Decision 1379.

26 It is not intended to be a comprehensive document which addresses all issues that could be  
27 relevant in any particular disaffiliation process, especially given that, per ¶ 2553.4a, "annual  
28 conferences may develop additional standard terms that are not inconsistent with the standard  
29 form of this paragraph." Thus, there are a number of specific and general legal and practical  
30 matters annual conferences should consider when developing an agreement for a specific  
31 disaffiliating church, but which are outside the scope of GCFA's mandate in drafting this  
32 standard form. Examples of other topics include: indemnification, maintenance of insurance  
33 coverage, jurisdiction/venue, arbitration, and other typical contractual terms; any guarantees the  
34 annual conference has made on behalf of the local church; acquisition of denominational  
35 archives and records; and other individuals/entities to be consulted, such as the annual  
36 conference's foundation.

37 The annual conference may want to provide a local church which is considering disaffiliation  
38 with a summary of the terms that local church can expect, including how calculations of any  
39 required payments would be made and estimates of such payments, if available. Nothing in this  
40 standard form is intended to preclude the annual conference from providing this information to a  
41 local church before it conducts a vote.

1 This is important to the OR-ID Annual Conference because it clarifies for all, the standard terms  
2 by which a Local Church in this Conference may pursue disaffiliation, if it so chooses, under the  
3 terms of Par. 2553 of the *Book of Discipline*.

4

5 **How will it be carried out? By whom?**

6

7 The terms of this agreement will be used by local church and Annual Conference leaders and  
8 staff, principally the Annual Conference Board of Trustees as required in Par. 2553.4 of the  
9 *Book of Discipline*: "...the terms and conditions for that disaffiliation shall be established by the  
10 board of trustees of the applicable annual conference, with the  
11 advice of the cabinet, the annual conference treasurer, the annual conference benefits officer,  
12 the director of connectional ministries, and the annual conference chancellor."

13

14 **How much will it cost? Where will the money come from?**

15

16 The cost to the Annual Conference will be staff time required to carry out the administration of  
17 the agreement.