

1 **RESOLUTION 2016 - 05 (Adjourned Session)**
2 **Resolution Concerning a Comprehensive Funding Plan for Benefit Obligations**
3 **Presented by Board of Pension and Health Benefits**
4

5 **WHEREAS**, Paragraph 1506.8 of the 2012 *Book of Discipline* requires that each Annual
6 Conference shall develop, adopt and implement a formal funding plan for funding all of
7 its benefit obligations;

8
9 **WHEREAS**, Paragraph 1506.8 of the 2012 *Book of Discipline* further states that the
10 funding plan shall:

- 11 1. Address the funding for liabilities;
 - 12 2. Be approved annually by the Annual Conference, following receipt and
13 inclusion of a favorable opinion from the General Board of Pension and Health
14 Benefits; and
 - 15 3. Meet the minimum standards established by the General Board of Pension and
16 Health Benefits for all benefit liabilities;
- 17

18 **WHEREAS**, The General Board of Pension and Health Benefits has developed a
19 spreadsheet template with which all Annual Conferences are to develop and submit their
20 funding plans in a uniform format;

21
22 **WHEREAS**, The Eastern Pennsylvania Annual Conference staff and the Conference
23 Board of Pension and Health Benefits have developed the Comprehensive Funding Plan
24 for 2017, a summary of which is attached as Exhibit A (the detailed plan is available on
25 the conference website and is included in the Conference Board of Pension and Health
26 Benefits annual report);

27
28 **WHEREAS**, Exhibit A has been submitted to the General Board of Pension and Health
29 Benefits for review and a favorable opinion has been issued; a copy of which is included
30 as Exhibit B;

31
32 **THEREFORE BE IT RESOLVED**, that the Eastern Pennsylvania Conference adopt
33 Exhibit A as its Comprehensive Funding Plan for 2017.
34

35 **Person responsible for presenting resolution:** Barry Rose
36

37 **Eastern Pennsylvania Annual Conference**
38 **2017 Comprehensive Benefit Funding Plan Summary**
39

40 **INTRODUCTION**

41 The 2012 *Book of Discipline* ¶ 1506.6 requires that each annual conference develops,
42 adopt and implement a formal comprehensive funding plan for funding all of its benefit
43 obligations. The funding plan shall be submitted annually to Wespath Benefits and
44 Investments (Wespath) for review and be approved annually by the annual conference,
45 following the receipt and inclusion of a favorable written opinion from Wespath. This

46 document is only a summary of the information contained in the actual signed funding
47 plan and does not contain all the information required for a comprehensive view of the
48 conference's benefit obligations. You may request the full contents of the 2017
49 comprehensive benefit funding plan from your conference benefit office.

50

51 **CLERGY RETIREMENT SECURITY PROGRAM (CRSP)**

52 **Defined Benefit (DB) and Defined Contribution (DC)**

53

54 **Program overview:**

55 The Clergy Retirement Security Program (CRSP) is an Internal Revenue Code section
56 403(b) retirement program providing lifetime income and account flexibility designed for
57 those who serve as clergy of The United Methodist Church. The program is designed to
58 provide participants with one portion of their overall retirement benefits. CRSP replaced
59 the Ministerial Pension Plan (MPP) effective January 1, 2007, which had previously
60 replaced the Pre-82 Plan for service rendered before January 1, 1982. CRSP consists
61 of both a defined benefit (DB) plan, which provides a monthly benefit at retirement
62 based on years of credited service to The United Methodist Church and a defined
63 contribution (DC) plan, which provides a retirement account balance established and
64 funded by the annual conferences.

65

66 **Current funding plan information:**

67 The Clergy Retirement Security Program (CRSP-DB) annuities' total liability as of
68 January 1, 2015 is \$1.271 billion, while total plan assets are \$1.407 billion, resulting in a
69 current plan funded ratio of 111%. The Eastern Pennsylvania Conference portion of the
70 liability is 1.6014% with a 2017 contribution of \$1,530,733. The conference anticipates
71 that the amount will be funded by Direct Billing - representing year over year in how
72 contributions are to be funded. Additionally, General Conference 2012 approved a
73 change to CRSP that provides each annual conference the discretion to determine
74 whether to cover three-quarter and half-time clergy. The Eastern Pennsylvania
75 Conference has elected to cover clergy serving 50%+ under CRSP effective January 1,
76 2017.

77

78 Effective January 1, 2014, the CRSP-DC plan was reduced from a 3% to a 2% of plan
79 compensation non-matching contribution. Clergy have the opportunity to earn up to an
80 additional 1% CRSP-DC contribution by contributing at least 1% of their plan
81 compensation to UMPIP; therefore, if a participant contributes at least 1% of plan
82 compensation to UMPIP, the individual will receive a contribution of 3%, which is
83 unchanged from 2013. The 2017 CRSP-DC contribution is anticipated to be \$370,000
84 and will be funded by this will be billed to local churches – representing year over year
85 in how contributions are to be funded.

86

87 **MINISTERIAL PENSION PLAN (MPP)**

88

89 **Plan overview:**

90 Supplement Three to the Clergy Retirement Security Program (CRSP), also known as
91 the Ministerial Pension Plan (MPP), provides clergy with a pension benefit for their

92 years of ministry with The United Methodist Church from 1982 through 2006. MPP is an
93 Internal Revenue Code section 403(b) retirement plan. Effective January 1, 2014,
94 exactly 65% of the account balance must be annuitized when the funds are to be
95 distributed. The remainder may be rolled over to UMPIP, into an IRA or another
96 qualified plan, or it may be paid out as a lump sum.

97

98 **Current funding plan information:**

99 The Ministerial Pension Plan (MPP) annuities' total liability as of January 1, 2015, is
100 \$3.122 billion, while total plan assets are \$3.509 billion, resulting in a current plan
101 funded ratio of 112% and no required contribution for 2017. The Eastern Pennsylvania
102 Conference's portion of the total liability is 1.6606%. Future MPP annuitants have a total
103 account balance of \$4.145 billion, and the Eastern Pennsylvania Conference's portion
104 of that balance is \$69,391,467 or 1.67% of the total.

105

106 **PRE-1982 PLAN**

107 **Plan overview:**

108 Supplement One to the Clergy Retirement Security Program (CRSP), also known as the
109 Pre-1982 Plan, provides clergy with a pension benefit for their years of ministry with The
110 United Methodist Church before 1982. The Pre-1982 Plan was replaced by MPP
111 effective January 1, 1982. If a clergy person retires within the Conference (and does not
112 terminate), the minimum benefit payable is based on two factors: 1) years of service
113 with pension credit and 2) the Conference pension rate. Years of service with pension
114 credit are approved by each Conference on the recommendation of the Conference
115 Board of Pensions (CBOP) in accordance with plan provisions and the *Book of*
116 *Discipline*. The pension rate also called the Past Service Rate (PSR), is the dollar
117 amount chosen by the Conference as the amount payable for each approved year of
118 service with pension credit. The pension rate may change from year to year. The
119 number of years of service with pension credit is multiplied by the pension rate, and the
120 product is the minimum annual benefit payable to those clergy eligible for Pre-1982 Plan
121 benefits. In certain situations, the benefit received from the Pre-1982 plan may vary
122 based on the applicability of what is referred to as Defined Benefit Service Money
123 (DBSM), which is the defined contribution feature of the Pre-1982 Plan. At the time that
124 a participant retires, the DBSM account is converted to a life-based benefit and, at that
125 point, the clergy's benefit is the greater of the PSR or DBSM benefit. If the conference
126 increases the PSR, the clergy's benefit is recalculated; but the DBSM based benefit
127 does not change.

128

129 **Current funding plan information:**

130 The 2017 PSR recommended to the Eastern Pennsylvania Conference will be \$502.00,
131 representing a 0% increase from the 2016 rate. The conference expects future
132 increases to be approximately 0%, which is based on the following rationale: The
133 conference is investigating the use of a grant system rather than increasing the PSR.
134 The contingent annuitant percentage is recommended to remain at the 70% level.
135 Based on the final actuarial valuations from Wespas as of January 1, 2015 for 2017,
136 the portion of the Pre-1982 liability and assets attributable to the Eastern Pennsylvania
137 Conference and its related funded status are as follows:

Funding Plan Liability	\$(24,936,228)
Assets, including In-Plan and Outside	<u>24,403,900</u>
Funded Status	\$(532,328)
Funded Ratio	97.87%

138 **ACTIVE HEALTH BENEFIT PROGRAM**

139 **Program Overview:**

140 The Eastern Pennsylvania Conference offers the following active health benefit to its
 141 eligible active participants: Insured.

142

143 **Current funding plan information:**

144 The total cost of the program for 2017 is anticipated to be \$4,376,032 and will be funded
 145 by Composite rate billed to local churches. It is anticipated that increases for future
 146 years will average 5.0% based on the following rationale: We changed the process for
 147 the collection of premiums in 2016. The local church now pays a lesser composite rate,
 148 and the participant pays the remainder due for coverage.

149 • ***Additional Conference Sponsored Coverage***

150 The Eastern Pennsylvania Conference has elected to provide health benefits
 151 coverage to the following groups during periods where without conference
 152 funded premiums the participants would not be provided coverage or benefits (all
 153 figures as of 12/31/2015):

Category	Number of Participants	Estimated Cost
1. Clergy and/or lay participants on disability	9	\$281,880
2. Surviving spouses and children of deceased clergy and lay participants	2	\$13,409
3. Clergy in the Voluntary Transition Program	1	\$6,498

154 The total estimated cost of conference sponsored coverage as of 12/31/2015 is
 155 \$301,787.

156

157 **POST-RETIREMENT MEDICAL BENEFIT PROGRAM (PRM)**

158 **Program Overview:**

159 The Eastern Pennsylvania Conference post-retirement medical program currently offers
 160 a Stipend.

161

162 **Current funding plan information:**

163 The conference's expectation for 2017 is to offer the following benefits: Retiree health
 164 is outsourced and a stipend, based on retirement date and years of service has been
 165 put in place as of 1/1/15.

166
167 The funding obligation for 2017 is anticipated to be \$891,651 with the following funding
168 sources: Account assets and new incoming askings. On a longer term basis, the
169 conference intends to ensure funding by a combination of apportioned, pre-funded and
170 clergy contribution.

171
172 Based on the most recent PRM valuation dated 12/31/2015, the following is the funded
173 position of the post-retirement medical benefits:

1. Expected Post Retirement Obligation (EPBO) or net conference cost	Not available
2. Accumulated Post Retirement Obligation (APBO) or net conference cost	\$13,014,983
3. Assets designated for PRM	\$994,028
4. Service Cost (SC) or net conference cost	\$18,933

174 As a preview of the 2018 CBFP requirement, a new PRM Funding Contribution
175 requirement will be mandatory for conferences requesting a full favorable CBFP
176 opinion. This year the calculation for informational purposes only is as follows:

5. Funded Status [3. – 2.]	\$(12,020,955)
6. Number of Annual Payments	20
7. Portion of Funded Status Payable [5. / 6., but zero if 5. is positive]	\$601,048
8. PRM Funding Contribution, Informational purposes only [4. + 7.]	\$619,981

177 These values are based on a 4.0% long-term discount rate and a 0% long-term
178 expected rate of return on assets.

179
180 **COMPREHENSIVE PROTECTION PLAN (CPP)**

181
182 **Plan Overview:**

183 The Comprehensive Protection Plan (CPP) provides death, long-term disability and
184 other welfare benefits for eligible clergy of The United Methodist Church and their
185 families. It is an Internal Revenue Code 414(e) "church plan" funded by plan sponsor
186 insurance premiums. Generally, clergy are eligible to participate in CPP if the
187 conference or salary-paying unit sponsors the plan, and they can satisfy the eligibility
188 requirements which include full-time appointment with plan compensation equal to or
189 greater than 60% of the Denominational Average Compensation (DAC) or the
190 Conference Average Compensation (CAC), whichever is less.

191
192 **Current funding plan information:**

193 For 2017, the Eastern Pennsylvania Conference has an expected required contribution
194 to the Comprehensive Protection Plan of \$500,000, which is anticipated to be funded by
195 Apportionments. The anticipated average increase in future years is expected to be 0%

196 per year as a result of a trend down in FTE appointments.

197

198 **UNITED METHODIST PERSONAL INVESTMENT PLAN (UMPIP) FOR LAY AND**
199 **CLERGY**

200

201 **Plan Overview:**

202 The United Methodist Personal Investment Plan (UMPIP) is an Internal Revenue Code
203 section 403(b) defined contribution retirement savings plan for clergy and lay employees
204 of The United Methodist Church and affiliated organizations. Participants may make
205 before-tax, Roth, and after-tax contributions through payroll deductions. Participant
206 contributions, various optional plan sponsor contributions and investment earnings
207 comprise the individual's retirement account balance.

208

209 **Current funding plan information:**

210 Conference office lay employees working an average of 21 hours per week or more are
211 eligible for a plan sponsor funded pension contribution of 11% of salary matching the
212 participant contribution of 3%. Lay employees are encouraged to make contributions
213 toward their retirement through payroll deductions to the UMPIP. The estimated
214 contribution for the Eastern Pennsylvania Conference is anticipated to be \$181,600 and
215 will be funded via apportionments to local churches.

216

217 **OTHER CONFERENCE BENEFIT OBLIGATIONS: DEFINED CONTRIBUTION (DC)**
218 **TYPE**

219

220 **Plan Overview:** The Eastern Pennsylvania Conference currently offers the following
221 DC benefit(s): Basic Life \$10,000. The funding obligation for 2017 is anticipated to be
222 \$14,676 with the funding sources to be paid through apportionment to local churches.
223 The anticipated average increase in future years is expected to be 0% per year due to
224 the closure of our account with The Standard and move of our book of business to
225 Hartford with a huge decrease in premium.

226

227 **CONCLUSION**

228 The 2017 Comprehensive Benefit Funding Plan and the above Summary document
229 incorporates, to the best of our understanding, the Eastern Pennsylvania Conference's
230 obligations and funding requirements of the benefits provided to the clergy and laity of
231 the Eastern Pennsylvania Conference.

Eastern Pennsylvania Annual Conference

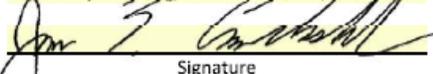
This funding plan incorporates, to the best of our understanding, the conference's obligations and funding of the benefits provided to clergy and laity, as noted below.

It is understood by the signees that defined benefit plan liabilities (Pre-82, MPP and CRSP-DB) continue until the last benefit is paid to participants and their surviving spouses irrespective of the funding level of the plan. That is, even if the assets in the plan are larger than the liabilities in the plan, the conference still has a liability (obligation) and potential future contribution due to the plan.

<input checked="" type="checkbox"/> CRSP DB and DC	<input checked="" type="checkbox"/> OTHER DC: Basic Life \$10,	<input type="checkbox"/> Other DB Obligation - A
<input checked="" type="checkbox"/> MPP	<input type="checkbox"/> Other DC Obligation - B	<input type="checkbox"/> Other DB Obligation - B
<input checked="" type="checkbox"/> Pre-1982	<input type="checkbox"/> Other DC Obligation - C	<input type="checkbox"/> Other DB Obligation - C
<input checked="" type="checkbox"/> PRM	<input type="checkbox"/> Other DC Obligation - D	<input type="checkbox"/> Other DB Obligation - D
<input checked="" type="checkbox"/> Active Health	<input type="checkbox"/> Other DC Obligation - E	<input type="checkbox"/> Other DB Obligation - E
<input checked="" type="checkbox"/> CPP		
<input type="checkbox"/> UMPIP Clergy		
<input checked="" type="checkbox"/> UMPIP Lay		


Signature

Nancylo Fielding, Executive Director, 6.29.16


Signature

James Cruickshank, Treasurer, 6.29.16


Signature

Barry Rose, President EPABOPHB, 6.29.16


Signature

Kip Craven, Chair EPA CFA, 6.29.16

Signatures are required from the Conference Benefit Officer (or equivalent), Conference Board of Pension Chair and Conference Treasurer. Signatures are recommended from Council on Finance and Administration Chair and/or other conference leaders as deemed appropriate.



Opinion on Eastern Pennsylvania 2017 Comprehensive Benefit Funding Plan

This Funding Plan meets the standards for a Pre-82 funding plan as established by Wespath, and the requirements for a favorable opinion of a Funding Plan.

Note: The statement above and any written opinion provided by Wespath do not imply any representation as to the ability or probability of the applicable Conference to fulfill the obligations included in the Funding Plan.

Wespath Benefits and Investments

Wespath Benefits and Investments

Glenview, Illinois
August 19, 2016