

# FULFILLING OUR COVENANT

Promises of Our Past ~ Foundation for Our Future  
Eastern Pennsylvania Conference United Methodist Church

## Questions & Answers

### A History of the Pre-'82 Pension Liability

#### **What is the *Fulfilling Our Covenant* campaign?**

*Fulfilling Our Covenant* is a stewardship and financial campaign which hopes to raise a minimum of \$3,000,000 in gifts and pledges. The campaign is one tier of a three tier, \$12 million Annual Conference Resolution (Resolution 2012-21) to address the Pre '82 Pension liability obligation for our retired clergy. The goal of the campaign is to present the information to clergy and laity in every congregation and request their financial support, in the form of three-year pledges.

#### **Why now? Did the idea of a campaign just recently arise?**

In recent years, the EPA Board of Pension and Health Benefits and the EPA Conference churches have equally shared the cost of the annual Pre-82 pension obligation. The annual payment for this pension liability will continue until 2021 unless funds can be raised to fully fund the account sooner. Because of the market crash of 2008, the value of the assets used to fund the Board's 50% share was negatively impacted. The result was that in 2012 and 2013, the Board's share was reduced to 25% as of 2014. The Conference churches will be responsible for 100% of this cost, unless the *Fulfilling Our Covenant* campaign funds are raised to offset the additional 25%.

Resolution 2012-21, passed in November 2012 Fall Session, outlines a Conference-wide agreement to work to pay down the \$12 million unfunded liability through a three tier strategy that will fulfill the promises to the clergy of our past, and future conference and congregational funds can be directed toward local and conference-wide ministries.

#### **What would happen if the Conference does not pay the Pre-1982 unfunded liability?**

Current participants would not receive full pension credit for their service that year. Further, because the Conference is the plan sponsor and responsible for the payment, all clergy in the conference would be affected, not just the local churches that do not pay. The current United Methodist Pension Plan consists of three components, Pre-1982 for all service prior to 1982, the Ministerial Pension Plan (MPP) for service from 1982 to 2007, and the Clergy Retirement Security Program (CRSP) for service since 2007. If the Eastern Pennsylvania Conference does not pay the full amount of the pension liability for a given year, then whatever funds are paid will be applied to the Pre-1982 liability, then to the MPP, then to the CRSP liability; in that order. If the payment is not sufficient to cover the entire amount, then, in accordance with the General Conference Plan, less than full pension credit will be given to those who are currently serving.

**Why does the Conference owe \$12 million to the Pre-'82 Pension service?**

Prior to 1982, the Eastern Pennsylvania Conference did not fully fund the pension for its clergy, thus creating the unfunded liability. When General Conference reorganized and consolidated the pension plans in 1982, an amortization schedule was established by the General Board of Pension and Health Benefits that would pay off the unfunded liability by 2021 (a date established by General Conference). The Eastern Pennsylvania Conference has made all payments specified under the amortization plan and in some cases has paid more than the minimum required. In 1982, the unfunded liability was \$26 million. In 2012, it was \$14 Million. In March of 2013, it is \$12 million.

**Can the Conference just end the Pre-1982 pension as many private companies do?**

The Eastern Pennsylvania Conference cannot make changes to the United Methodist Pension Plan on its own. The Conference participates with all the other US conferences in the United Methodist Pension Plan managed and administered by the General Board of Pension and Health Benefits. General Conference establishes all policies and provisions of the plan. If the General Conference were to end the Pre-1982 component of the pension plan, the entire unfunded liability would need to be paid when the plan was eliminated.

**Can the Conference extend (or re-amortize) the liability to 2031?**

No, General Conference established the date. The Eastern Pennsylvania Conference cannot make such a change on its own.

**Why does the Conference need to fund the pension at 100% when most private pensions are funded at a lower percentage?**

It is a policy choice made by the General Board of Pension and Health Benefits.

**Will the local churches be billed for "Retired Clergy Pension and Health Benefits" once the Pre-'82 Pension is funded 100%?**

Yes, in addition to the Pre-82 Pension Plan obligation, Retired Clergy Health Benefits are also comprised of the Conference's portion of Retiree Medical Insurance (\$600,000) and Administrative Expenses of the EPA Board of Pension and Health Benefits (\$300,000).

**How will the proceeds of the campaign be used?**

The Conference Board of Pension and Health Benefits will use the proceeds of the campaign to pay for the expenses of the campaign and to fund the Pre-82 pension liability.

**If we generate enough to pay off the Pre-82 pension liability early, will we do so?**

No, the General Board of Pension and Health Benefits has advised conferences that have a Pre-'82 pension liability and the funds necessary to pay off that liability to retain the assets locally and use those assets to generate income and pay the amount required each year under the amortization schedule. It would provide greater flexibility to conferences.

## **What is Resolution 2012-21? When was it adopted?**

Resolution 2012-21, passed in November 2012 Fall Session, outlines a Conference-wide agreement to work to pay down the \$12 million unfunded liability through a three-part strategy that will fulfill the current need so future funding can be directed toward local and conference wide ministries.

### Expense Reductions to the Conference Budget and Connectional Ministries

- The 2012 conference budget produced a surplus of \$494,744.
- \$202,083 was applied to the Pre-82 Pension and \$292,661 to Conference Reserves
- Beginning in 2013, 100% of a surplus will be directed only to the Pre-82 Pension Liability as the conference reserve requirement has been met.
- Projections show that approximately \$3 million can be raised during the six year initiative

### Proceeds from the sale of churches outside an urban area as described in ¶2548.7 of the *Book of Discipline*

- 25% of the proceeds will replenish the Conference Board of Trustees Reserve Balance until such time it is fully funded. The 25% will then be used for ministry in the area where the church was located at the discretion of the cabinet
- 25% of the proceeds will be directed to New Church development and the Redevelopment of older churches for strengthening our presence in Eastern Pennsylvania Conference
- 50% of the proceeds will go to paying the Pre-82 Pension Plan
- The 50% allocated to the Pre-82 Pension Plan is forecasted to equal \$6 million over six years
- During 2012, four sales generated net proceeds of \$367,974: 50%, or \$183,987, was directed to pre-82 pension; 25%, or \$91,994, was directed to new church development and re-development of older churches, and 25%, or \$ 91,994, was directed to conference trustees reserves.

### A Conference-wide Financial and Stewardship Campaign

- CCS, a firm with a 70-year history of partnering with church bodies to meet their current and long-term needs, has been retained to assist in the planning of our effort.

## **Preparations for a \$3 million Capital Campaign**

### **How did we prepare for a fundraising campaign?**

The comprehensive feasibility study was conducted in the fall of 2012 and included personal discussions with clergy (retired and active) and lay leaders from across the conference. The survey was available on the EPAUMC website and available for anyone to complete. In total, nearly 1,000 study surveys were completed. The survey asked respondents to react to the need to fund the Pre '82 Pension Liability, provide feedback regarding how, when or if a campaign should be conducted, indicate a willingness to participate as a volunteer and/or donor, and generally offer feedback to aid in the decision to move forward with a campaign.

More than 75% of respondents indicated support for a \$3 million campaign to fund the Pre '82 liability. In addition, 81% of respondents indicated they would be willing to make a financial contribution to the campaign. Following the Feasibility Study, it was determined that the results were favorable enough to continue to explore the possibility of a \$3 million campaign.

However, learning from the feedback from the study respondents, the Conference decided to move forward with a planning phase first.

The Feasibility Study feedback clearly indicated the following: churches would like to use this opportunity to also raise funds for local needs; church leaders welcome the opportunity to work with fundraising counsel; churches would like several options for manner in which they participate in the campaign; and the plan should involve an opportunity to conduct the campaign at different times of the year to not conflict with local events.

During the three-month planning phase (January and April 2013), Bishop Peggy Johnson, counsel (CCS), and a group of dedicated clergy and lay leaders, called the Advisory Board, have worked to create a campaign that reflects the improvements suggested during the Feasibility Study. The work of this committee has created four options for church participation, drafted the campaign materials, and created a phased approach to implementing the campaign.

**Why conduct the *Fulfilling Our Covenant* campaign now? What are the advantages to receiving the funds within the next three years versus simply increasing the annual payment from churches from 75% to 100% for the next 8 years?**

An every member campaign in 2013 can benefit the Conference, Pre-'82 Pension liability, and local churches in several ways:

1. The alternative to the \$3 million campaign identified in Resolution 2012-21 is 100% of the liability being passed to churches for the next 8 years (2014 – 2021). When the liability is passed along to churches, it impacts the local church budget by allocating dollars that could be used to support local needs. *Fulfilling Our Covenant* will invite every member of a congregation to learn, understand and financially support the campaign. The individual donors will consider support over and above regular church giving. If the generosity of individual members is enough to meet or exceed the \$3 million campaign target, then their commitments will provide savings for the local churches in two ways: first, the churches will only be billed for the current rate of the Pre-'82 Pension liability (75% versus 100% without the campaign); and second, the gifts of the campaign reduce the amount needed to fully fund the Pre-'82 Pension by \$3 million so that 75% share paid by churches in subsequent years is a gradually smaller amount.
2. The \$3 million pledge to be paid over the next three years enables investment income on these funds to further reduce the amount of the liability. The 75% share billed to churches each year will be 75% of a smaller initial figure and therefore a smaller annual payment as a result of the campaign.
3. Lastly, success in all three aspects of Resolution 2012-21 has the opportunity to meet the \$12 million obligation years in advance of 2021. As an example, if budget reductions continue to provide \$494,000 (as they did in 2012) for the next five years, then the \$3 million to be achieved from budget reductions will be met in 2017 allowing nearly \$500,000 a year to be passed along to congregations in the form of lower apportionments and ministry support.

### **How is *Fulfilling Our Covenant* connectional?**

It has been more nearly 40 years since the previous conference-wide campaign. *Fulfilling Our Covenant* will attempt to invite every member of every church to consider the impact of clergy in their lives. For the first time in a generation, members will have the opportunity to join with their sisters and brothers across more than 400 congregations to address an obligation to our past that will help to shape our future. The *Fulfilling Our Covenant* campaign is a unique, connectional opportunity to combine the gifts of our entire United Methodist Conference, both clergy and laity, to meet the challenges of today together rather than individually.

### **What is the role of the Mid-Atlantic UMC Foundation?**

#### **What is the Mid-Atlantic UMC Foundation?**

The Mid-Atlantic UMC Foundation is a separate 501(c) (3) from the EPAUMC established to develop the financial resources necessary to support the activities and mission of the United Methodist Church. The Mid-Atlantic UMC Foundation manages and safeguards donations of funds and other property from local churches, individuals and organizations.

While the Mid-Atlantic UMC Foundation is legally distinct from the EPAUMC, both are of like mind and spirit in advancing the mission of the United Methodist Church. The Mid-Atlantic UMC Foundation also assists donors in achieving broader charitable goals, by allowing donors to direct their gifts through The Mid-Atlantic UMC Foundation to worthy organizations consistent with our mission.

#### **How is the Mid-Atlantic UMC Foundation Partnered with *Fulfilling Our Covenant*?**

The Mid-Atlantic UMC Foundation is proud to establish *Fulfilling Our Covenant* campaign, which will be used to house, invest, dispense (shared funds to local churches) and redeem the pledges of the campaign. The EPAUMC and the Mid-Atlantic UMC Foundation have enjoyed a long-standing and successful relationship. Over the years, donors and churches have entrusted funds to the Mid-Atlantic UMC Foundation for investment and responsible charitable giving purposes.

As a tax-exempt organization recognized by the Internal Revenue Service under Section 501(c) (3) of the Internal Revenue Code, we are required by law to inform you that all campaign contributions are the property of the Mid-Atlantic UMC Foundation, which will allocate the funds to the conference and local churches as pledges are fulfilled.

For more information about The Mid-Atlantic UMC Foundation, please visit the website at [www.midatlanticfoundation.org](http://www.midatlanticfoundation.org) or call 1.800.828.9093 ext. 7012.

## **When and How will Churches Participate in the Campaign?**

### **When will churches participate in the campaign? When will they be informed?**

All churches will be invited to conduct their campaigns as part of a phase, or “Bloc” of churches between August 2013 and May 2014. *Fulfilling Our Covenant* will have a booth at Annual Conference to discuss the diverse participation plans created to meet the unique needs of the churches of the Eastern Pennsylvania Conference. In the future, every church will be contacted by counsel to converse regarding the best Bloc and plan for participation.

The first congregational Bloc of activity will be the Pilot Phase. The Pilot Phase will be approximately twenty churches representative of the Conference and the four campaign plans for participation. The Pilot Phase will take place starting in August 2013. It will demonstrate that church membership will support the campaign, the targets are attainable, the plans are enjoyable and effective, and every church can be successful.

### **How were church targets set?**

Targets are based on the four-year average church giving (rounded to the nearest \$1,000) for the years 2008 – 2011 of: received pledges; identified givers; and unidentified givers. The fair share targets will be reflective of recent generosity for each church and are targets not assessments. Based on the campaign plan a church elects to implement, the target will be 10%, 7% or 5% of the four year average of church giving.

### **Who will be asked to support the campaign?**

While church participation is not mandatory as stated in Resolution 2012-21, each church will be asked to identify one of the four campaign plan options to offer membership in the Eastern Pennsylvania Conference for its prayerful consideration of a gift to *Fulfilling Our Covenant*.

### **Will *Fulfilling Our Covenant* affect regular church giving?**

Every request will include language that specifies families to consider their support of *Fulfilling Our Covenant* over and above their regular giving. It is a one-time effort.

### **How are churches asked to participate?**

Churches are asked to conduct their own *Fulfilling Our Covenant* campaigns. Churches will be asked to one of the following campaign plans reflective of the edicts of Christian stewardship:

- Option One – is a campaign that combines *Fulfilling Our Covenant* with a significant local project, includes a twelve week timetable, significant support from counsel, and a personal local approach to giving.
- Option Two – is a campaign that combines *Fulfilling Our Covenant* with a modest sized local need, includes a six week timetable, support from counsel, and a group gathering, mailing and Worship Services approach to giving.
- Option Three – a membership invitation to participate in *Fulfilling Our Covenant* only (forgoing a parish share). It employs the same timetable as option two.
- Option Four – a congregational pledge to pay the target out of church resources over three to five years. The option is for churches that want to contribute to the effort, but do not want to administer a campaign.

## **Questions about Giving**

### **Why emphasize pledges?**

*Fulfilling Our Covenant* campaign emphasizes pledging because it allows individuals and families the opportunity to consider larger commitments than they could usually consider in making a one-time gift. Donors who pledge are able to consider gifts four to five times larger than those who make a one-time gift.

### **Why is an initial payment requested? Is it required? To whom should an initial payment check be made payable?**

*Fulfilling Our Covenant* campaign volunteers will offer all donors the opportunity to make an initial payment on their pledge. Donors are often excited to begin fulfilling their campaign pledge and the initial payment is a strong indication of their commitment to fulfill the stated pledged amount. However, an initial payment is not a requirement. Initial payment checks should be made payable to *Fulfilling Our Covenant* or the EPAUMC capital campaign.

### **How should subsequent payments be made to fulfill a pledge?**

Donors may choose to fulfill their pledge by making monthly, quarterly, semi-annual, or annual payments. The Mid-Atlantic UMC Foundation will: process all gifts; provide donors with an acknowledgment letter, provide a record of the stated gift, articulate the identified schedule for payment reminders; and send payment reminders directly to donors according to the identified schedule. Donors who elect to pay their pledge monthly will be encouraged to pay by debit, credit or Electronic Fund Transfer to eliminate the cost of letterhead, envelopes, and postage for the thirty-six month pledge period.

If for some reason a donor has not received a gift acknowledgement in a timely manner, please contact the Mid-Atlantic UMC Foundation at 1.800.828.9093 ext 7012. Payments on *Fulfilling Our Covenant* pledges should not be made to the local church. The Mid-Atlantic UMC Foundation will facilitate this process to ensure that churches are not burdened with the additional task of auditing payments during the three-year pledge period.

### **How much will a household be asked to give to *Fulfilling Our Covenant*?**

Each household will be asked to consider a sacrificial gift to the campaign in the spirit of Christian stewardship. Gifts are payable over a three-year period through installments to allow donors to give significantly more than they might otherwise consider through a one-time gift. Members are encouraged to choose one of the available gift plans which best suits their individual circumstances.

### **Are donors able to pay pledges using a credit card, debit card, or through electronic funds transfer (EFT) from a checking/savings account?**

Yes. The donor simply identifies the manner in which he/she would like to fulfill the pledge on the pledge form. The Mid-Atlantic UMC Foundation will follow up with each donor to receive the specific card/account numbers. For donor protection, account numbers will only be exchanged between donors and The Mid-Atlantic UMC Foundation.

### **Why are donors asked to complete a pledge card?**

Pledge cards aid in appropriately recording and acknowledging commitments, and in providing donors with a reminder of subsequent payments according to the schedule they request. Donors are asked to sign the pledge card, indicating they have authorized the terms of the gift indicated on the card. *A pledge card is not a legally binding document.*

### **Can donors make gifts of stock or other non-cash gifts?**

The campaign accepts gifts of stock and other non-liquid assets, including real estate. Such a gift may offer increased tax benefits to the donor. Donors wishing to make a gift of stock should follow the stock transfer instructions included in each solicitation packet. Donors wishing to make non-cash gifts should contact Jack Brooks at The Mid-Atlantic UMC Foundation (1.800.828.9093 ext. 7008).

### **Are gifts to the campaign tax deductible?**

Gifts to the campaign are tax deductible as allowed by law. The application of such laws varies with individual financial circumstances. Members with specific questions regarding tax deductibility should contact their attorney or tax preparer.

### **Who will manage pledge fulfillment?**

Letter Concepts, Inc. will assume the responsibility of managing a comprehensive pledge fulfillment program and not burden churches with the task or cost. Donors will receive pledge reminders according to the schedule they indicate on the campaign pledge card.

### **In addition to giving, what else can people do to help the campaign?**

Get involved with the campaign when your church participates! There will be an opportunity to join with clergy and other lay leaders from your church to make the effort a success. If you are interested in helping, please call your church or the Campaign Office at 1.800.828.9393 ext. 7014.