

## **General Board of Pension and Health Benefits Report Three: Referrals from General Conference 2008**

**Petition 41033 (amending ¶1506.8 of *The Book of Discipline* 2000) directs the General Board of Pension and Health Benefits to “present a quadrennial report to General Conference concerning the long-term pension and retiree medical liability of the denomination.” The two reports, 2010 Pre-82 Funding Plan Report and Retiree Medical Benefits in The United Methodist Church, follow.**

### **2010 PRE-82 FUNDING PLAN REPORT**

#### **Executive Summary**

Annual conferences that participate in the Pre-1982 Pension Plan<sup>1</sup> are required<sup>2</sup> to complete a formal funding plan each year. The General Board of Pension and Health Benefits is required<sup>2</sup> to report related findings to each General Conference. The conferences that completed funding plans for 2010 are identified at the end of this report.

All participating conferences are ultimately responsible for all benefits due from the plan, regardless of the conference for which service was rendered. Therefore, when a conference makes a decision that affects its Pre-82 funded status, it is also changing the financial risk exposure of other conferences. A conference’s choice of Pre-82 benefit level is an example of such a decision. Funding plans provide a means for all persons and parties involved to better understand the Pre-1982 Plan’s financial situation.

**Funded status can be volatile. This is because actuarial calculations depend on many assumptions about future events, which may actually transpire differently.** It is quite possible for a conference that has achieved 100% funding (or more) to fall back into an underfunded position. Therefore, it is important to maintain a funding plan even after becoming “fully funded.”

Key findings from the 2010 funding plans are summarized below:

- To date, there are not sufficient assets to relieve conferences of the ongoing financial responsibilities associated with the Pre-82 Plan.
- The disparity in conferences’ Pre-82 benefit levels continues to grow.
- The disparity in conferences’ Pre-82 funding levels is also significant.
- More than 30 years into the funding of this plan, one-fifth of participating conferences (12) continue to work toward the 100% funded goal. Most of them also continue to increase benefits, which increases their unfunded liabilities.

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<sup>1</sup> Formally known as Supplement One to the Clergy Retirement Security Program (CRSP).

<sup>2</sup> ¶1506.8 of *The Book of Discipline* 2008.

General Conference 1980 set December 31, 2021, as the due date for fully funding the Pre-82 Plan. Since then, changing denominational economics and pressures seem to have altered the collective viewpoint on the appropriate timeframe during which the Pre-82 Plan should be funded. Some conferences with a Pre-82 unfunded liability would like to extend the 40-year funding period. At the same time, some conferences that have achieved 100% funding are concerned about the potential risk of being required to fund other conferences' Pre-82 unfunded liabilities.

Now that we are within a decade of the December 31, 2021 "full funding date," and to limit the risk of unfunded liabilities across conferences, the General Board of Pension and Health Benefits is proposing to General Conference 2012 the following changes:

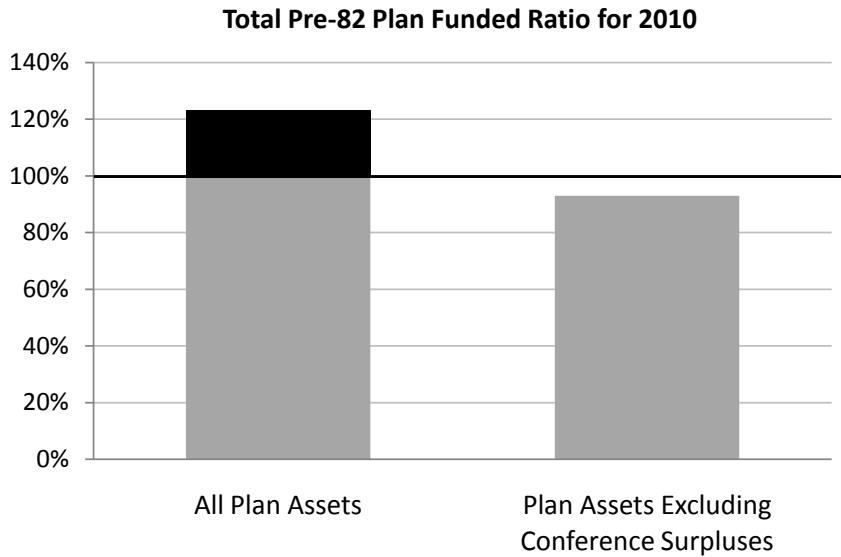
- Eliminate requirements that can force a conference to increase its Pre-82 benefit level.
- To reduce the risk exposure to all conferences of a single conference's decision, allow conferences to increase their Pre-82 benefit levels only after they have funded the associated increase in liability.
- Strengthen and broaden requirements for U.S. conferences' funding plans.

The remainder of this report explores in more detail the state of Pre-82 Plan funding.

### **Overall Pre-82 Plan Funded Status**

Because all participating conferences are ultimately financially responsible for all plan benefits, it is worthwhile to consider the funded status of the plan as a whole. The chart below shows the Pre-82 Plan's overall funded position for the 44 conferences that completed 2010 Pre-82 funding plans. The funded status shown is based on conference-specific expectations for future benefit increases as reported in their funding plans.

The graph below shows that, in total, if conferences' funding surpluses are used to satisfy other conferences' unfunded liabilities, the Pre-82 Plan is more than 100% funded. However, under the more practical scenario that individual conferences will retain any surplus they have accumulated, the plan is less than 100% funded. Please see Appendix A for the specific percentages.



Please note that funded status can be volatile. Calculating funded status involves many assumptions about future events, including investment returns, which may or may not be realized.

All funded status analyses in this report are measured assuming that conferences continue to fund the Pre-82 Plan. To transfer the financial support and its associated risk elsewhere (for example, an insurance carrier), the liabilities would be higher. Thus, the funded status would be lower.

### Conference Funding and Benefit Levels

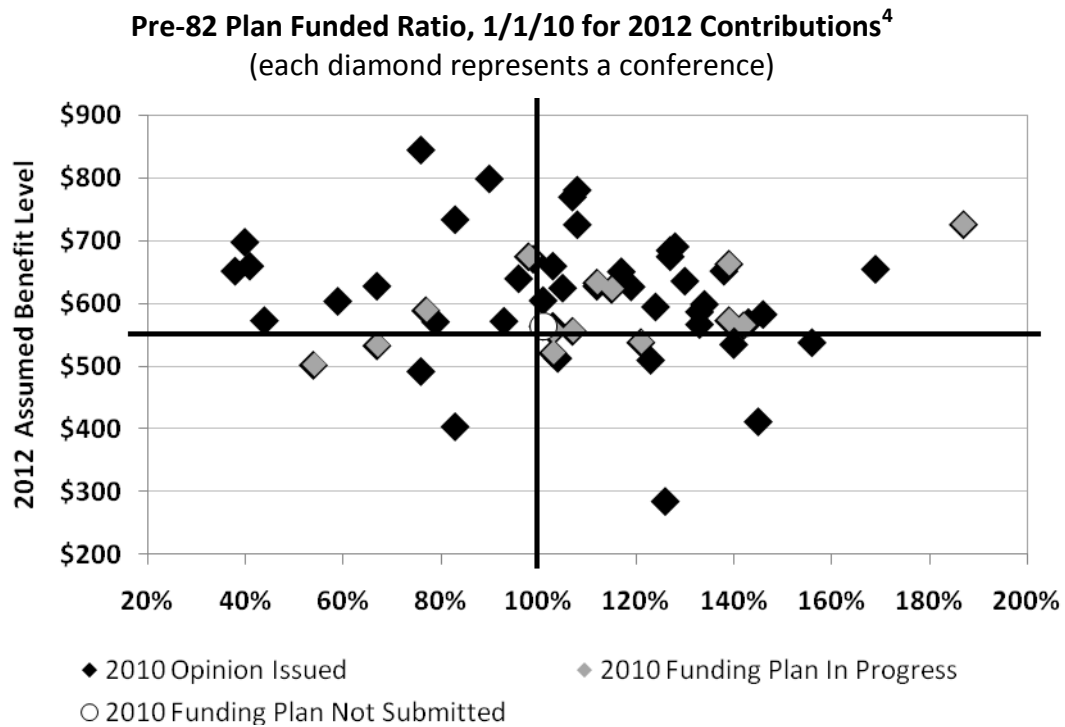
There is a wide range of funded statuses and benefit levels among conferences. The chart below reflects the most recent actuarial valuation results<sup>3</sup> and only assets held and protected by the Pre-82 Plan.

The right-hand side of the graph represents conferences that have achieved 100% funding or more. The top half of the chart represents conferences with higher benefit levels. Thus, the right-hand quadrant—the most populous—represents conferences with higher benefit levels as well as higher funding levels.

The upper left-hand quadrant is the second most populous—conferences with higher benefit levels but lower funding levels. In fact, the conference with the highest benefit level is less than 100% funded (approximately 76%).

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<sup>3</sup> Conferences have not yet had time to develop funding plans based on most recent valuation results; the most recent valuation date for which comprehensive funding plan results are available is January 1, 2008, for 2010 contributions.



We can see that conferences' funded positions vary dramatically. As of June 2011, all conferences will have contributed the minimum amount required to achieve full funding by 2022, but several have contributed no more than that.

By January 1, 2010, two-thirds of the conferences (39) had achieved 100% funding or more. Of the remaining 19 conferences below 100% funding, most continue to increase their benefit levels, which increases their unfunded liabilities.

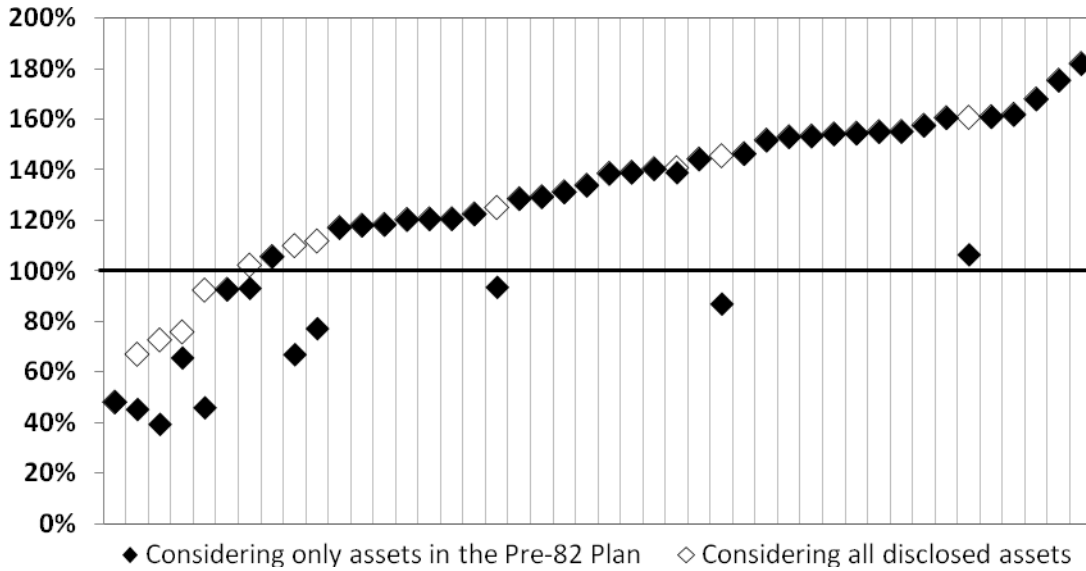
Four conferences are below 50% funded. Each of these conferences completed a 2010 funding plan, has benefits well above the minimum required benefit level, and expects to increase its benefit levels roughly 3% to 5% annually.

Before drawing conclusions about conferences' Pre-82 Plan funded status, please consider that some conferences also have set aside conference-held assets from which to contribute to the plan (reported conference assets). Such assets are disclosed in a funding plan. The next graph shows how funded positions effectively change when considering those assets. Please note that this graph is based on valuation results two years earlier—the most recent year for which comprehensive funding plan results are available. While the financial data is for a different time period, the story is the essentially same: many conferences with unfunded liabilities have enough assets held outside the plan to meet their Pre-82

<sup>4</sup> Funded ratios as of 1/1/2010 are used to determine 2012 contributions.

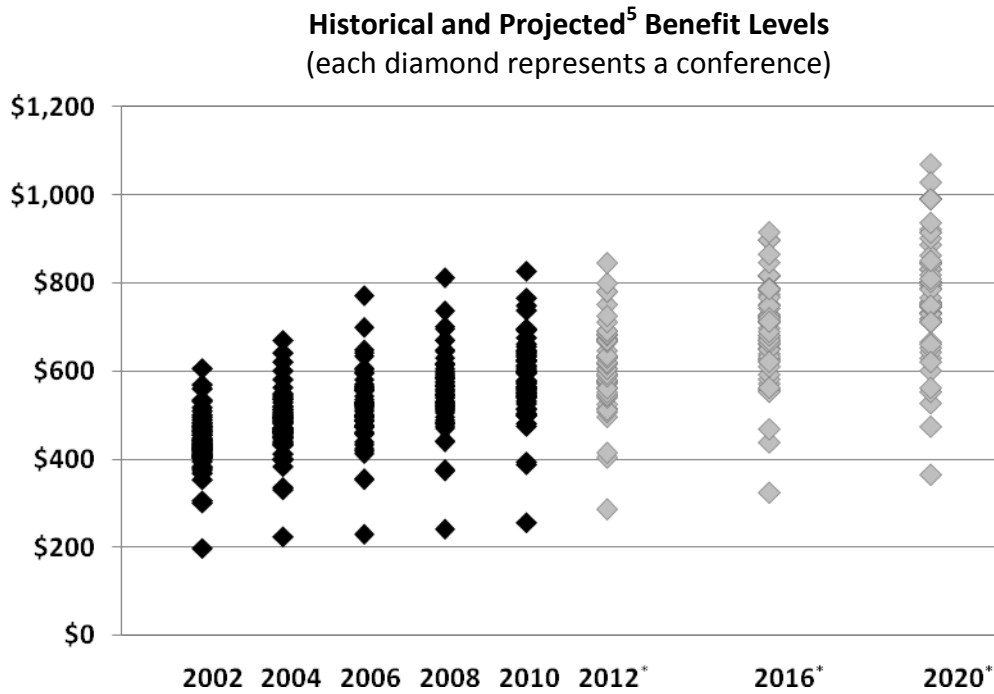
Plan obligations. However, the vast majority of these assets are available for uses other than Pre-82 funding, including potential creditors or lawsuits.

**Effective Funded Status, 1/1/2008 for 2010 Contributions**  
(each column represents a conference)



**Benefit Comparison**

Benefit levels within the Pre-82 Plan vary significantly. One can see the widening disparity from 2002 to 2010. Projected benefit levels are also shown, assuming they increase at the rates reported in conferences' funding plans.

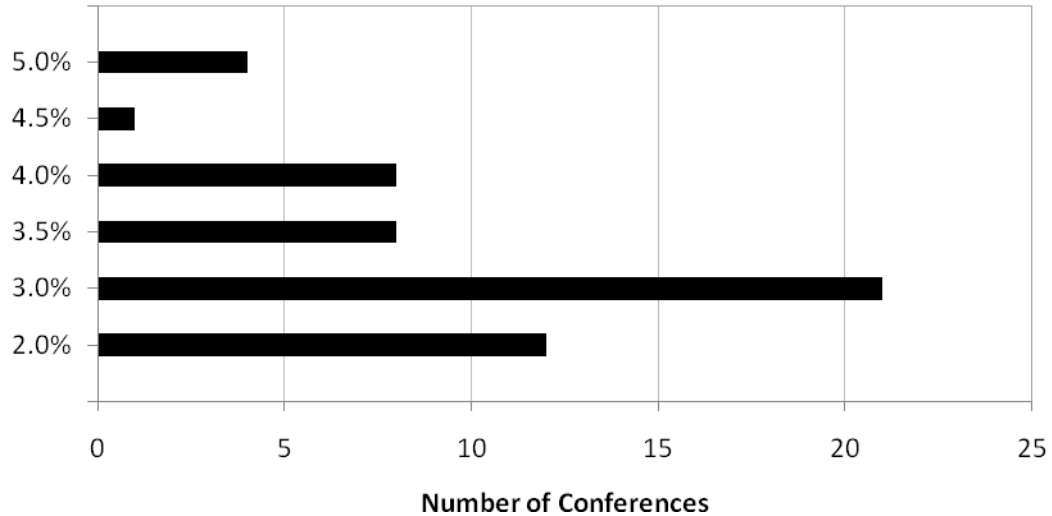


The disparity will continue to widen as conferences continue to increase benefits at different rates. The graph below shows the number of conferences reporting each projected rate of increase.

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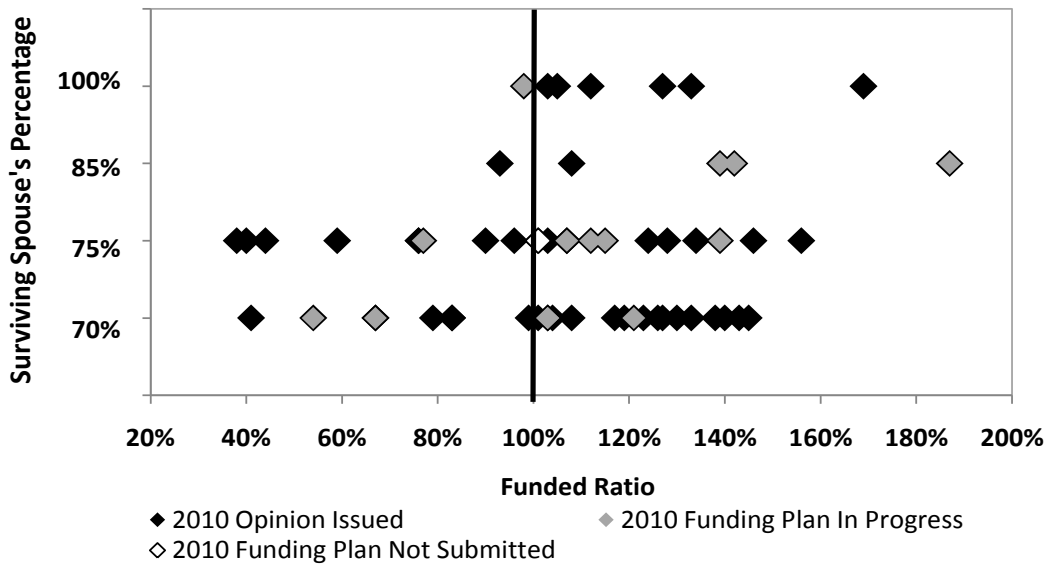
<sup>5</sup> Projected using each conference's assumption from its funding plan, or 2% for those that did not submit a funding plan.

### Projected Annual Rate of Pre-82 Benefit Increases



Also varying among conferences is the percentage of a married clergyperson's pension benefit that will continue, upon death, to his or her surviving spouse, as shown below. The graph below is based on most recent valuation results as of 1/1/10 for determining 2012 contributions, like the graph showing various benefit levels by funded status.

**Pre-82 Plan Funding<sup>6</sup>**  
(each diamond represents a conference)



<sup>6</sup> Assets in funded ratio only include those contributed to the Pre-82 Plan.



**Appendix A****2010 Pre-82 Funding Plan Summary by Conference, 1/1/2008 for 2010**

The funded status of the 58 annual conferences participating in the Pre-82 Plan follows, categorized by 2010 funding plan status. Red Bird Missionary Conference does not participate in the Pre-82 Plan.

**2010 Pre-82 Funding Plan Summary by Conference, 1/1/2008 for 2010**

Conference	2010 Past Service Rate	Assumed PSR Increases	Plan Assets Only		Reported Conference Assets*	
			Funded Ratio	Funded Status	Funded Ratio	Funded Status
<b>2010 Opinion Issued<sup>1</sup></b>						
Alabama-West Florida	644.00	2.0%	117%	6,989,703	117%	6,989,703
Alaska (AUMC)	600.00	4.0%	182%	2,300,454	182%	2,300,454
California-Nevada	828.00	2.0%	94%	(3,202,323)	125%	12,570,192
California-Pacific	602.00	3.0%	139%	25,386,411	139%	25,386,411
Central Texas	614.00	3.0%	106%	1,745,424	106%	1,745,424
Dakotas	558.00	4.0%	162%	16,199,954	162%	16,199,954
Desert Southwest	612.00	3.0%	123%	3,531,516	123%	3,531,516
East Ohio	750.00	2.0%	129%	25,168,573	129%	25,168,573
Florida	739.00	3.5%	131%	30,559,177	131%	30,559,177
Greater New Jersey	572.00	4.0%	139%	19,940,381	139%	19,940,381
Iowa	578.00	3.0%	118%	12,707,996	118%	12,707,996
Illinois Great Rivers	647.98	2.0%	120%	19,876,138	120%	19,876,138
Kansas East	575.00	3.0%	155%	13,119,265	155%	13,119,265
Kansas West	648.00	3.5%	140%	17,163,014	140%	17,163,014
Minnesota	626.00	5.0%	153%	25,127,676	153%	25,127,676
Mississippi	476.00	3.0%	66%	(15,414,135)	76%	(10,815,292)
Nebraska	565.00	3.0%	161%	20,511,702	161%	20,511,702
New Mexico	563.00	3.0%	154%	8,193,741	154%	8,193,741
North Alabama	623.00	2.0%	154%	22,083,926	154%	22,083,926
North Carolina	626.00	5.0%	39%	(31,102,773)	73%	(13,983,016)
North Georgia	677.00	2.0%	48%	(27,934,745)	48%	(27,934,745)
North Texas	694.00	4.5%	93%	(2,120,037)	102%	720,884
Northern Illinois	543.00	2.0%	118%	10,425,907	118%	10,425,907
Northwest Texas	540.00	3.0%	45%	(11,538,215)	67%	(6,937,450)
Oklahoma	580.00	4.0%	67%	(14,657,484)	110%	4,438,437
Okla. Ind. Mission.	257.00	3.0%	153%	398,893	153%	398,893
Oregon-Idaho	514.00	4.0%	152%	10,862,717	152%	10,862,717
Pacific Northwest	595.94	3.0%	146%	16,334,476	146%	16,334,476
Rio Grande	389.00	2.0%	87%	(689,675)	145%	2,415,186
Rocky Mountain	500.00	3.0%	139%	11,315,668	141%	11,833,815
South Carolina	663.00	2.0%	144%	31,251,240	144%	31,251,240
South Georgia	634.00	4.0%	46%	(20,483,857)	92%	(2,867,576)
Southwest Texas	602.00	3.0%	77%	(6,982,144)	112%	3,637,752
Susquehanna	552.00	2.0%	121%	12,458,736	121%	12,458,736

<sup>1</sup> As of May, 2011

\* Reported conference assets that may be applied to pension as well as other liabilities.

*(continued)* **2010 Pre-82 Funding Plan Summary by Conference, 1/1/2008 for 2010**

Conference	2010 Past Service Rate	Assumed PSR Increases	Plan Assets Only		Reported Conference Assets*	
			Funded Ratio	Funded Status	Funded Ratio	Funded Status
Tennessee	626.00	5.0%	134%	11,208,172	134%	11,208,172
Texas	767.00	2.0%	106%	4,378,986	161%	40,988,476
Virginia	548.00	3.0%	93%	(5,815,256)	93%	(5,815,256)
West Michigan	697.00	2.0%	160%	27,281,484	160%	27,281,484
West Ohio	544.00	3.5%	157%	55,186,839	157%	55,186,839
West Virginia	502.00	2.0%	121%	9,478,956	121%	9,478,956
Western N. Carolina	657.00	2.0%	155%	44,906,153	155%	44,906,153
Western Pennsylvania	527.00	3.5%	175%	64,050,537	175%	64,050,537
Wisconsin	641.00	3.0%	129%	16,266,388	129%	16,266,388
Yellowstone	395.00	3.0%	168%	6,395,271	168%	6,395,271
<b>Subtotal</b>			<b>123%</b>	<b>462,864,830</b>	<b>129%</b>	<b>595,362,227</b>

Conference	Past Service Rate	PSR Increases	Plan Assets Only		Plan Assets Only <sup>1</sup>	
			Funded Ratio	Funded Status	Funded Ratio	Funded Status
<b>2010 Funding Plan In Progress<sup>2</sup></b>						
Arkansas	566.00	2.0%	113%	4,293,402	113%	4,293,402
Baltimore-Washington	553.00	2.0%	160%	31,901,199	160%	31,901,199
Detroit	697.00	2.0%	256%	92,231,312	256%	92,231,312
Eastern Pennsylvania	482.00	2.0%	67%	(10,928,923)	67%	(10,928,923)
Holston	505.00	2.0%	71%	(10,433,890)	71%	(10,433,890)
Indiana	608.00	2.0%	130%	32,021,358	130%	32,021,358
Kentucky	637.00	2.0%	169%	31,786,767	169%	31,786,767
Louisiana	598.00	2.0%	133%	11,334,473	133%	11,334,473
Memphis	516.00	2.0%	141%	8,521,684	141%	8,521,684
Missouri	500.00	2.0%	122%	10,512,965	122%	10,512,965
New England	561.00	2.0%	161%	32,472,248	161%	32,472,248
New York	545.00	2.0%	136%	15,248,631	136%	15,248,631
Peninsula-Delaware	533.00	2.0%	134%	6,663,264	134%	6,663,264
<b>Subtotal</b>			<b>144%</b>	<b>255,624,490</b>	<b>144%</b>	<b>255,624,490</b>
<b>2010 Funding Plan Not Submitted<sup>3</sup></b>						
Upper New York <sup>4</sup>	552.00	2.0%	<b>118%</b>	<b>13,370,195</b>	<b>118%</b>	<b>13,370,195</b>
<b>TOTAL</b>			<b>127%</b>	<b>731,859,515</b>		Not Calculated
<b>TOTAL Excluding Conferences' Surpluses</b>			<b>93%</b>	<b>(189,154,348)</b>	<b>99%</b>	<b>(33,436,575)</b>

<sup>1</sup> Based on assets as of 1/1/2008; assets may have been adjusted to that date.

<sup>2</sup> As of June 1, 2011. Figures shown are tentative as an actuarial opinion has not yet been issued. For all of these conferences, tentative funded status is based on the liability for minimum funding requirements and assets reflect only assets contributed to the Pre-82 Plan.

<sup>3</sup> As of June 1, 2011. Figures shown are based on minimum funding requirements and may understate future PSR increases, hence overstate the conference's funded situation.

<sup>4</sup> Multiple conference merger in 2010 created exceptionally difficult circumstances for creating a funding plan.

\*Reported conference assets that may be applied to pension as well as other liabilities.

## **RETIREE MEDICAL BENEFITS IN THE UNITED METHODIST CHURCH**

General Conference 2008 established several annual conference health plan reporting requirements, including retiree medical valuations and funding plans. This report provides an overview of retiree medical liabilities across the United States annual conferences in the denomination, based on those valuations received from conferences in accordance with ¶1506.24 of *The Book of Discipline 2008* and a summary overview of conferences' approaches to funding plans in accordance with ¶1506.25.

### **1. Retiree Medical Valuation**—*a financial valuation of projected retiree medical plan liabilities*

Related text from *The Book of Discipline 2008*, ¶1506.24:

*“On or before December 31, 2008, each annual conference’s board of pensions or other agency authorized by the annual conference must submit a generally accepted financial valuation, such as in accordance with Statement of Financial Accounting Standard No. 106, as amended, of its projected medical liabilities for its population covered by its employer retiree health care plan to the General Board of Pension and Health Benefits, and must submit a similar report biannually thereafter.”*

The retiree medical valuation must comply with FAS 158 (or FAS 106) guidelines.

The conferences that responded in accordance with ¶1506.24, and their related valuation data upon which this summary is developed, can be found in Appendix B of this document.

### **2. Retiree Medical Funding Plan**—*a plan for funding retiree health coverage*

Related text from *The Book of Discipline 2008*, ¶1506.25:

*“On or before December 31, 2010, each annual conference must create a plan to address the funding requirements of its projected future medical liabilities for the population covered by its retiree health care plan.”*

The conferences that responded in accordance with ¶1506.25 can be found in Appendix B of this document.

The purpose of this report is to create greater awareness of and promote planning for the following, at the denominational level, and in some cases conference level:

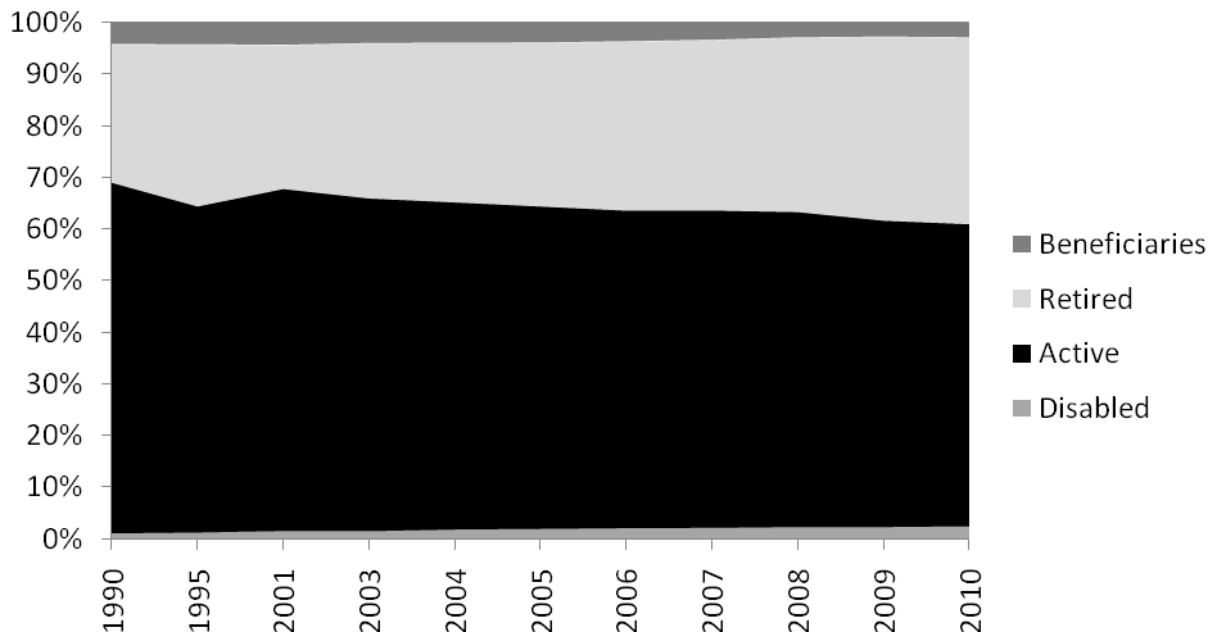
- the increasing cost of providing medical benefits to retired participants;
- the potential gaps that may exist between this cost and funding plans for those benefits; and
- the development of plans to address or close any gaps.

**I. What Is the Current State of Retiree Medical Liabilities?**

**A. Demographic Shift**

The retired clergy population has been steadily growing and will continue to do so, as the clergy population ages. The following *Exhibit A* captures this trend.

**Exhibit A**

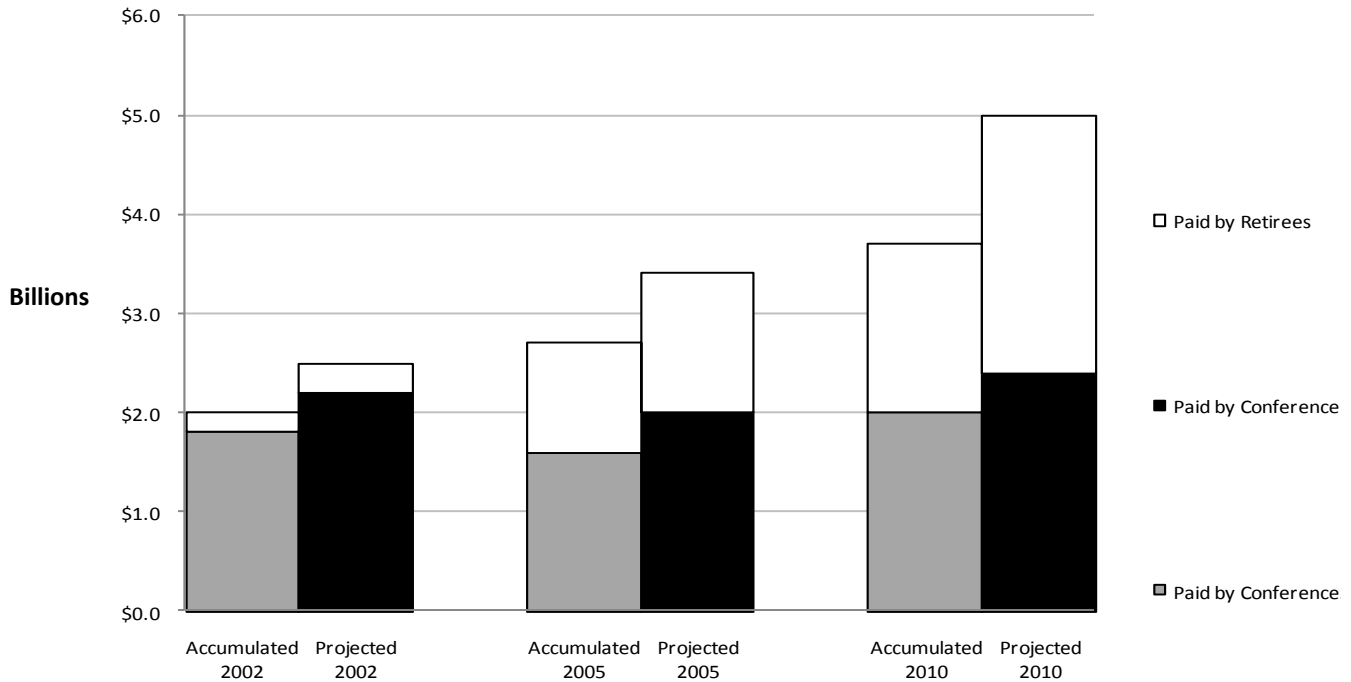


**B. Increase in Total Value of Liabilities (Benefit Obligations)**

This continued increase in retiree population has a direct and significant impact on the continuing growth in the total value of retiree medical liabilities, or benefit obligations (liabilities).

As depicted in the *Exhibit B* below, the total value of projected liabilities (or expected post-retirement benefit obligation) has doubled since 2002 from \$2.5 to \$5.0 billion, with two-thirds of that growth occurring since 2005. This recent accelerated growth is expected to continue and potentially accelerate based on the ongoing demographic shift highlighted above in *Exhibit A*.

**Exhibit B**



**C. Variation in Cost-Sharing between Conference and Retirees**

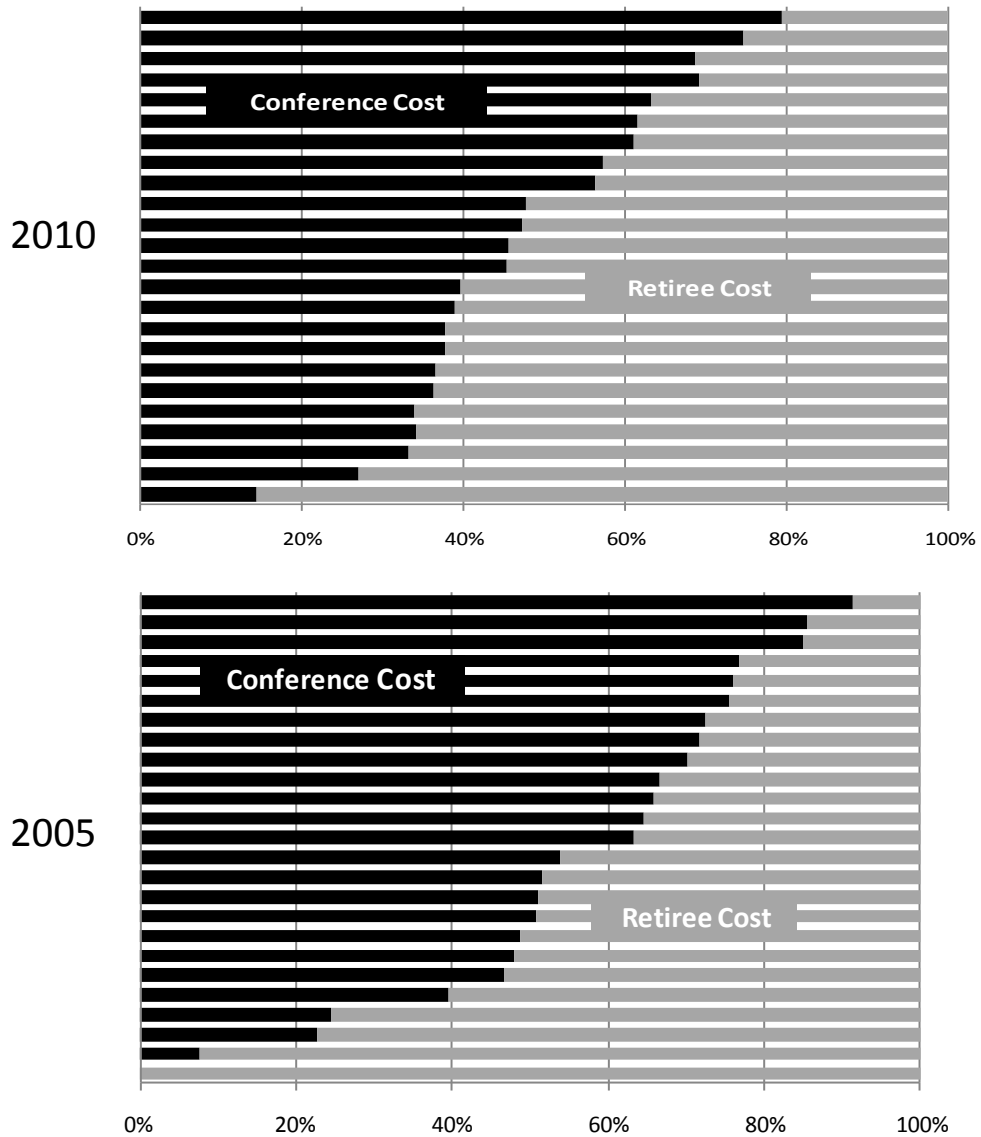
Additionally, *Exhibit B* also highlights the increase in the portion of future retiree medical benefits that will be paid by retirees rather than the conference. Although the projected liabilities have increased fairly significantly over the years, the church-paid portion of the total liability has remained fairly constant at about \$2 billion. This shift places a greater percentage of the costs on retirees. This shifting of responsibility to retirees may be necessary to some extent due to the financial stressors on the conferences. However it may also be a cause for concern due to the

increasing financial burden that retirees face. Expecting retirees to absorb this financial risk may not be sustainable.

In order to find the appropriate cost-sharing balance between conferences and retirees, conference funding plans should address potential changes in benefit levels and benefit options, and eligibility criteria, to increase sustainability of retiree medical benefits.

The following *Exhibit C* provides a different view of the range of conference-paid retiree medical benefits among reporting conferences. Each bar represents one conference, with 24 conferences represented in total. The specific elements required to create this exhibit are often not included in standard retiree medical valuations; hence it is available for only some of the reporting conferences (those that submitted a valuation highlighted in *Appendix B*).

**Exhibit C**

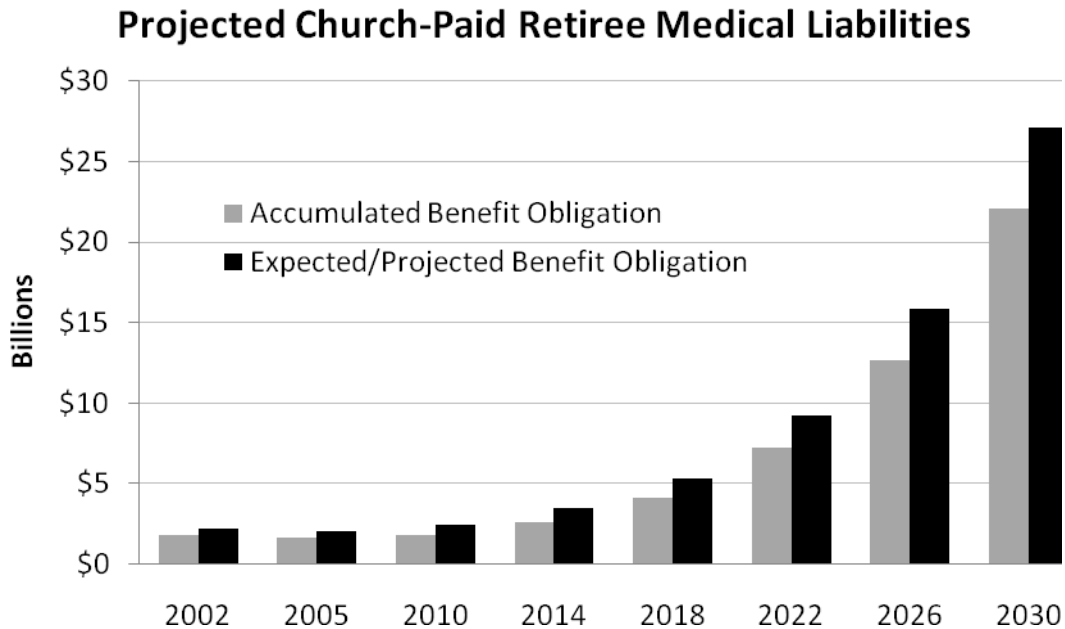


The impact of cost-sharing varies among conferences and, as the graph depicts, can vary significantly within a conference. Additionally, the continued increase of the portion of costs borne by retirees becomes fairly evident. The shift from 2005 to 2010 demonstrates that the majority of costs are now paid by retirees.

## II. What Is the Future Outlook of Retiree Medical Liabilities?

Looking forward, retiree medical liabilities are expected to continue to grow over the next several years, as *Exhibit D* shows. Costs are expected to double in less than a decade, and possibly triple within 15 years. The increasingly significant financial impact that retiree medical benefit costs will have on conference finances makes the need for a funding plan critical. Shifting more costs to retirees alone may not be a sustainable plan; retiree medical costs are expected to rise much faster than most clergypersons' retirement benefits. Certain aspects of the recently enacted federal health care reform law, such as the reduction of the coverage gap (donut hole) in Medicare Part D, and, after 2014, the increase in options for pre-Medicare retirees in the individual market, may impact how conferences plan for these liabilities.

**Exhibit D**



## III. Why the Need for a Funding Plan?

A funding plan is not a short-term solution to funding gaps that may exist, but rather more strategic and long term in nature. Because such a plan has a long-term focus, it is not expected that fully funded status will be reached in the near term. Additionally, creating and maintaining a plan does not necessarily ensure or guarantee future financial adequacy for funding of retiree medical benefits. However, the plan facilitates setting goals for annual progress and helps in determining how long it will take to become fully funded. Reviewing the plan annually allows for the tracking of progress and provides an opportunity to modify assumptions.



Funding plans in general typically reflect a desired long-term focus and may reflect certain key elements, including eligibility and benefit design, assets and liabilities, and may plan for closing the gap between assets and liabilities (if applicable). Additionally, a funding plan is independent of the accounting method under which the conference operates (i.e., cash versus accrual basis). Regardless of how the conference budgets for and funds retiree medical benefits annually, a funding plan is necessary to highlight the long-term impact of the conference's future retiree medical benefits and plan for method of funding.

The conferences that provided funding plans in accordance with ¶1506.25 can be found in *Appendix B* of this document.

#### **IV. Key Observations and Conclusions**

- Retiree medical benefits have increased significantly over the years, especially in the past five years, and are expected to continue to rise into the future at such pace as to have a profound impact on conference finances.
- While the total value of retiree medical liabilities has increased, the conference-paid portion has remained fairly constant due to conference policies that have shifted greater portions of the cost to retirees.
- While the overall portion of costs paid by retirees has increased, this shift is not recognized consistently across conferences, or consistently across groups of retirees within a conference. Most conferences have implemented a greater proportion of cost-sharing for clergy retiring in the future than for those currently retired or who will retire in the very near future.
- Based on funding plans received, most conferences are now planning for ways to fund retiree medical benefits in the future. It is imperative that conferences continue to develop, refine and adhere to funding plans, in order to continue to provide retiree health care benefits.

#### **V. Summary of Key Actuarial Assumptions**

Actuarial assumptions are expectations of future events that will affect the cost of providing benefits in the future. Because actuarial valuations project costs far into the future, the actuary must quantify expectations regarding future events that will affect the cost of providing benefits in the future. Such expectations are called actuarial assumptions. There are three main categories of actuarial assumptions: economic (financial), medical trend (overall increases in health care costs), and demographic (changes in the plan population due to retirement, death, etc.).

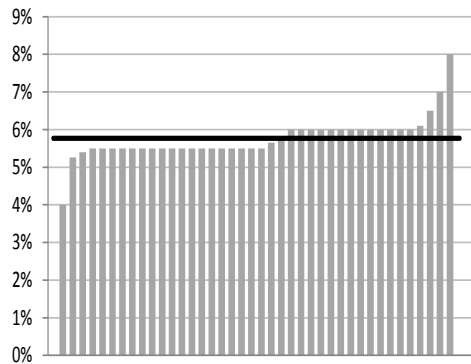
The following is a summary of the average key economic and medical trend assumptions used in reporting conferences' retiree medical actuarial valuation reports. The averages are followed by charts showing the range and frequency of individual valuations. Please note that for claims

development, each conference's actuary developed claims costs based upon applicable plan design and claims history.

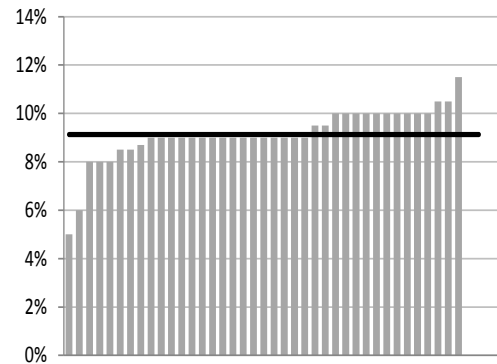
Valuation Date	January 1, 2010
Average Discount Rate	5.8%
Average Medical Trend Rate for the Valuation Year	9.1%
Average Ultimate Medical Trend Rate	5.1%
Average Ultimate Trend Rate Year	2018

### Retiree Medical Valuation Benefit Obligations

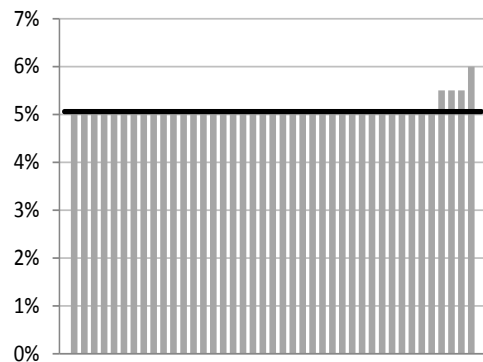
**Discount Rates**



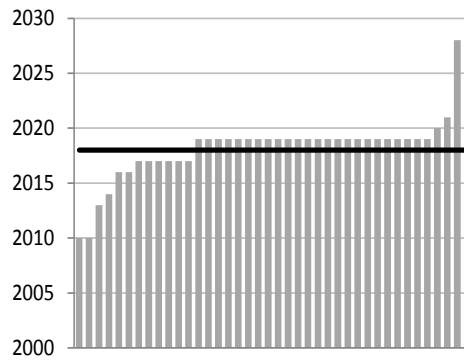
**Medical Trend Rates**



**Ultimate Medical Trend Rates**



**Ultimate Medical Trend Years**



**Appendix B—Reporting Conferences—Retiree Medical Valuations and Funding Plans**

For the 2009-2012 quadrennial, the conferences listed below satisfied requirements of ¶1506.24 and 1506.25 of *The Book of Discipline 2008*.

**Conferences' Retiree Medical Benefit Obligations as of 12-31-08 and Later**

	<u>As of Date for Evaluation</u>	<u>Expected Benefit Obligation</u>	<u>Accumulated Benefit Obligation</u>	<u>Funding Plan Received</u>
Alabama-West Florida	12/31/09	29,271,889	21,954,406	I/P
Alaska Missionary	N/A	0	0	N/A
Arkansas	I/P	--	--	I/P
Baltimore-Washington	12/31/10	37,807,279	29,645,848	Yes
California Nevada	12/31/10	72,877,000	50,311,000	--
California Pacific	12/31/09	92,080,000	58,371,000	Yes
Central Texas	12/31/10	23,158,651	17,445,678	Yes
Dakotas	12/31/10	23,265,006	18,701,432	Yes
Desert Southwest	12/31/10	19,925,935	16,638,931	Yes
Detroit	12/31/08	87,509,313	72,789,968	Yes
East Ohio	12/31/08	99,614,117	77,099,497	Yes
Eastern Pennsylvania	--	--	--	--
Florida	12/31/10	74,842,204	56,173,705	I/P
Greater New Jersey	12/31/10	88,259,401	77,583,977	Yes
Holston	--	--	--	--
Illinois Great Rivers	12/31/10	74,422,077	63,004,355	I/P
Indiana	12/31/08	20,023,400	19,960,800	--
Iowa	12/31/09	19,964,375	17,303,824	Yes
Kansas East	N/A	0	0	N/A
Kansas West	N/A	0	0	N/A
Kentucky	12/31/09	58,087,769	43,437,863	I/P
Louisiana	12/31/09	16,881,658	13,343,300	I/P
Memphis	12/31/09	28,493,230	24,094,324	I/P
Minnesota	12/31/10	8,594,289	7,490,800	--
Mississippi	12/31/09	--	15,984,045	I/P
Missouri	--	--	--	--
Nebraska	12/31/08	23,680,600	19,250,070	Yes
New England	12/31/10	44,605,930	40,521,907	I/P
New Mexico	12/31/10	24,159,123	19,806,133	Yes
New York	12/31/10	47,278,839	37,867,515	Yes
North Alabama	--	--	--	--
North Carolina	12/31/10	50,436,836	43,310,544	I/P
North Georgia	12/31/10	58,620,423	51,513,663	Yes
North Texas	12/31/08	29,595,035	22,811,925	Yes
Northern Illinois	12/31/10	23,813,037	21,127,829	Yes
Northwest Texas	12/31/08	15,359,643	12,545,861	Yes
Oklahoma	--	--	--	--
Oklahoma Ind, Missionary	--	--	--	--
Oregon-Idaho	12/31/10	11,473,412	9,474,847	Yes
Pacific Northwest	12/31/10	5,996,156	5,672,279	Yes
Peninsula-Delaware	12/31/09	14,900,000	11,932,000	--
Red Bird Missionary	N/A	0	0	N/A
Rio Grande	--	--	--	--
Rocky Mountain	12/31/08	34,555,107	28,705,036	I/P

	<u>As of Date for Evaluation</u>	<u>Expected Benefit Obligation</u>	<u>Accumulated Benefit Obligation</u>	<u>Funding Plan Received</u>
South Carolina	12/31/10	23,927,675	23,461,097	Yes
South Georgia	12/31/08	36,244,772	28,608,862	Yes
Southwest Texas	--	--	--	--
Susquehanna	I/P	--	--	--
Tennessee	N/A	0	0	N/A
Texas	7/1/10	28,199,000	27,040,000	Yes
Upper New York	12/31/10	66,946,121	50,676,123	I/P
Virginia	12/31/10	81,297,349	68,288,173	I/P
West Michigan	12/31/10	--	30,359,000	I/P
West Ohio	I/P	--	--	I/P
West Virginia	--	--	--	--
Western North Carolina	12/31/09	--	13,308,912	I/P
Western Pennsylvania	--	--	--	--
Wisconsin	12/31/10	19,315,033	16,458,074	Yes
Yellowstone	12/31/08	7,225,781	6,281,671	Yes

**Keys:**

N/A Conference does not fund retiree medical benefits.

I/P Conference is currently developing funding plan or has made plans to begin developing funding plan.

(--) Not received.

**General Conference 2008 referred Petition 81061 “Stewardship of Health” to the General Board of Pension and Health Benefits (GBPHB). Petition 81061 would have amended ¶334 of *The Book of Discipline* to require elders in full connection annually to provide evidence of self-care and health stewardship practices. GBPHB’s response to this petition follows.**

GBPHB considered Petition 81061 during its establishment of the *Center for Health*, which was authorized by ¶1504.21. The *Center for Health* supports the health as wholeness of the denomination. GBPHB does not recommend reintroducing the text of Petition 81061 at General Conference 2012. However, GBPHB affirms that it is important for elders to demonstrate on a regular basis (e.g., annually) disciplines and practices associated with health as wholeness in mission that are necessary to meet the demands of ministry, as indicated in Petition 81061.

GBPHB concurs that it is imperative for elders—and all clergy—to provide evidence of self-care and stewardship practices for multiple dimensions of health (e.g., physical, emotional, spiritual, relational) not only throughout a clergyperson’s career but beginning with candidacy. However, it should be left to each annual conference how to best ensure such practices are followed. Use of appropriate wellness or health habit assessment tools, such as those offered by GBPHB’s *Center for Health*, supports the value of clergy health across the connection.

Moreover, the Church Systems Task Force (CSTF), jointly convened by GBPHB and the General Board of Higher Education and Ministry, has recommended in its Report [found at: [http://www.gbophb.org/health\\_welfare/cstf.asp](http://www.gbophb.org/health_welfare/cstf.asp)] several proposals that support the same goals as Petition 81061. CSTF recommends redefining the role of the district superintendent under ¶419 *et seq.* to prioritize embodying and intentionally monitoring clergy health and wellness disciplines. CSTF seeks also to make the annual conference board of ordained ministry and the cabinet responsible for annual clergy evaluations that will include annual assessments of adherence to clergy health and wellness practices/disciplines.

**Petition 81311 submitted by Daniel Scott Hagan, which originally addressed “Clergy Couple Retirement,” was amended to direct the General Board of Pension and Health Benefits (GBPHB) to provide interpretive direction for the consistent handling of compensation base for clergy couples residing in UM-provided housing on or before December 31, 2008, and to study and bring a proposal to General Conference 2012 for an alternative plan to the Clergy Retirement Security Program (CRSP) for less-than-full-time clergy. GBPHB’s response to this petition follows.**

### **Clergy Couples**

In response to the first part of this petition, in 2008 GBPHB obtained input from and provided guidance to conference benefits officers in the form of a policy entitled, “Treatment of Parsonage Value,” regarding the compensation base for clergy couples residing in UM-provided housing. This policy was revised slightly in early 2009 following receipt of additional input from conference benefits officers.

The policy provides that a clergy couple serving the same church and residing in the same parsonage should each have their compensation increased by 25%. A clergy couple serving separate churches, each providing parsonages, but with the couple electing to reside in the same parsonage, should each have their compensation increased by 25%. In the case of a clergy couple serving separate churches and sharing a parsonage provided by one church with no parsonage provided by the other, only the clergyperson whose church provides a parsonage should have his or her compensation increased by 25%. Parsonage values are not included in compensation for clergy who have been provided a housing allowance in lieu of a parsonage or whose compensation is increased to account for the fact that they will not benefit from living in a parsonage. Above all, conferences should ensure that compensation is calculated and reported using the same method for all like situations within a conference. The policy includes further details.

### **Less-Than-Full-Time Clergy**

In response to the second part of this petition, GBPHB has submitted petitions to General Conference 2012 offering two alternative retirement plan designs. Both designs exclude from participation those clergy serving less than half time. This allows individual conferences and salary-paying units the flexibility of sponsoring the United Methodist Personal Investment Plan and choosing the contribution amount and type. In addition, both designs provide that clergy serving at least half time receive benefits under the mandatory plan, commensurate with the service they provide. Depending on the design, less-than-full-time clergy receive benefits prorated based on appointment percentage, or contributions based on compensation, which should take into account a participant’s part-time service.

**Petition 81570 (ADCA p. 640) “General Church Budget” directed the General Board of Pension and Health Benefits (GBPHB) and the General Council on Finance and Administration (GCFA) to jointly continue to study the pension and health benefits for bishops to explore all options for future plan savings, and to report their findings and recommendations to General Conference 2012. In response, GBPHB and GCFA worked together to study bishops’ benefits and their report follows.**

### **Pension Benefits**

Central conference bishops receive pensions from the separate Global Episcopal Pension Program (GEPP) implemented at General Conference 2008. This program was funded by a combination of surplus money in the jurisdictional bishops’ Pre-82 Pension Plan and monies that had previously been set aside for benefits of the central conference bishops. GEPP is not expected to require contributions for the next few quadrennia or more under normal economic conditions. However, an increase in the number of central conference episcopal areas would require contributions sooner.

Jurisdictional bishops currently participate in the Clergy Retirement Security Program (CRSP) along with most other clergy. CRSP provides both defined contribution (DC) and defined benefit (DB) components. In CRSP DC, the contribution formula and the compensation base are identical for bishops and other clergy. In CRSP DB, bishops’ pensions are based on the same formula as are pensions for other clergy. However, the compensation used in the formula is final compensation for years of service as a bishop, while it is Denominational Average Compensation (DAC) for years of service as clergy other than as a bishop. These two components are added together for bishops, resulting in a higher total pension for bishops. This recognizes the added pressures placed on bishops and carries on the tradition from the prior Ministerial Pension Plan, where most clergy received contributions based on DAC, but bishops received contributions based on their individual compensation. There are no opportunities for future plan savings without cutting bishops’ benefits.

To the extent that CRSP continues, no change is recommended to the compensation base for years of service as a bishop. As a result of the economic recession’s impact on annual conferences, GBPHB has submitted to General Conference 2012 two petitions that would change clergy retirement benefits. One petition is for a plan similar to CRSP, but with a reduced DB formula using different compensation bases for bishops and other clergy as before. The other petition is for a DC plan that uses the same contribution base for both bishops and other clergy. The contribution base would be the greater of DAC or actual compensation. Under either proposed plan, the cost for bishops is expected to be less than under CRSP today.

### **Health Benefits**

Both jurisdictional and central conference bishops currently participate in the same health plans as staff of the general agencies receiving general Church funds. These health plans provide benefits comparable to those provided by other large employers. The bishops by themselves are a small group of greater-than-average age, which means a separate plan covering only the bishops would be more expensive than

the current approach of including them in the general agencies' health plans. When combined with general agency staff, the overall pool is closer to a normal profile for cost effective health plans. It is not practical to have bishops participate in the plans of individual conferences, since some bishops preside over more than one conference and the conferences may have different health plans. It is desirable to have uniform health benefits for bishops, something which participation in conference plans would preclude. Further, some conferences' retiree medical plans include residency requirements.

The annual premium for jurisdictional bishops in 2011 is \$13,290, with bishops paying 22% of that amount for coverage. For central conference bishops, the 2011 annual premium is \$13,196, with bishops paying 16% of the premium. For retired jurisdictional bishops, the 2011 annual premium is \$8,519, with bishops paying 15% of the premium. For retired central conference bishops, the 2011 annual premium is \$16,719, with bishops paying 17% of the premium. Not all of the central conference bishops, either active or retired, participate in the health benefit plans offered by GCFA.

### **Recommendations**

If the proposed CRSP changes are approved by General Conference 2012, there will be reductions in retirement benefits and costs for bishops. However, no other changes in that pension plan are recommended specifically related to the bishops. No changes to the bishops' health benefits are recommended. There are no significant opportunities for future plan savings in either pension or health benefit costs without further cutting bishops' benefits.