

# Susquehanna Annual Conference

## 2015 COMPREHENSIVE BENEFIT FUNDING PLAN

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. 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 other conference leaders as appropriate.

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 with the plan.

- CRSP DB and DC
- MPP
- Pre-1982
- PRM
- Active Health
- CPP
- UMPIP Clergy
- UMPIP Lay

- OTHER DC: UNUM life and d
- Other DC Obligation - B
- Other DC Obligation - C
- Other DC Obligation - D
- Other DC Obligation - E

- OTHER DB: Special Grants
- Other DB Obligation - B
- Other DB Obligation - C
- Other DB Obligation - D
- Other DB Obligation - E

*Gary A. Smith*

Signature

Gary Smith Conference Treasurer 4/2/14

*William Spencer*

Signature

William Spencer, Board of Pension Chair 4/29/14

*Andra Haverstock*

Signature

Andra Haverstock, Conference Benefits Officer 4/29/14

Insert Signature Here

Signature

Print Name, Conference Title, Date



General Board

**Pension and Health Benefits**

*Caring For Those Who Serve*

### Opinion on Susquehanna 2015 Comprehensive Benefit Funding Plan

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

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

**General Board of Pension and Health Benefits**

*General Board of Pension and Health Benefits*

Glenview, Illinois  
May 16, 2014

## Susquehanna Annual Conference

### 2015 Comprehensive Benefit Funding Plan Summary

The 2012 *Book of Discipline* ¶ 1506.6 requires that each annual conference develop, adopt and implement a formal comprehensive funding plan for funding all of its benefit obligations. The funding plan shall be submitted annually to the General Board of Pension and Health benefits for review and be approved annually by the annual conference, following the receipt and inclusion of a favorable written opinion from the General Board of Pension and Health Benefits (GBOPHB). This summary document is only a portion of the information contained in the actual signed funding plan. As such, it might not contain all the information required for a comprehensive view of the benefit obligations of the conference. You may request the full contents of the 2015 comprehensive benefit funding plan from your conference benefit office.

Following is the summary of the Comprehensive Benefit Funding Plan (CBFP) that received a favorable written opinion from GBOPHB for the 2015 conference benefit obligations:

#### **Clergy Retirement Security Program (CRSP) Defined Benefit (DB) and Defined Benefit Contribution (DC)**

**Plan Overview:** The Clergy Retirement Security Program (CRSP) is an Internal Revenue Code section 403(b) retirement program providing lifetime income and account flexibility designed for those who serve as clergy of The United Methodist Church. The plan is designed to provide participants with one portion of their overall retirement portfolio. CRSP replaced the Ministerial Pension Plan (MPP) effective January 1, 2007, which replaced the Pre-82 for service rendered prior to January 1, 1982

CRSP consists of both a defined benefit (DB) plan, which provides a monthly benefit at retirement based upon years of credited service to the Church, and a defined contribution (DC) plan, which provides a retirement account balance established and funded by annual conferences. The Clergy Retirement Security Program (CRSP-DB) annuities total liability as of January 1, 2013 is \$923.7 million, while total plan assets are \$978.5 million resulting in a current plan funded ratio of 106%. The Susquehanna Conference portion of the liability is 2.33% and the 2015 contribution is \$2,395,215. The conference anticipates that the amount will be funded by: Direct Billing. Additionally, General Conference 2012 approved a change to CRSP that provides each annual conference the discretion to determine whether to cover three-quarter and/or half-time clergy. The Susquehanna Annual Conference has elected to cover clergy serving 50%+ under CRSP effective January 1, 2015.

Effective January 1, 2014 CRSP-DC plan was reduced from a 3% to a 2% of plan compensation non-matching contribution. Clergy will have the opportunity to earn up to an additional 1% CRSP DC contribution by contributing at least 1% of their plan compensation to UMPIP, therefore if a participant contributes at least 1% of plan compensation to UMPIP, the individual will receive a contribution of 3%, which is unchanged from 2013 and prior. The 2013 CRSP-DC contribution was \$818,600 and was funded by: direct billed. It is anticipated that increases for future years will average 2.00%, due to the history of our salary increase average.

## Susquehanna Annual Conference

### 2015 Comprehensive Benefit Funding Plan Summary

#### Ministerial Pension Plan (MPP)

**Plan Overview:** The Ministerial Pension Plan (MPP) provides clergy with a pension for their years of ministry with The United Methodist Church from 1982 through 2006. MPP is an Internal Revenue Code section 403(b) retirement plan. Effective January 1, 2014, exactly 65% of the account balance must be annuitized when it is to be distributed. The remainder may be rolled over to UMPIP, another qualified plan or IRA, or paid in a lump sum.

The Ministerial Pension Plan (MPP) annuities total liability as of January 1, 2013 is \$2.7 billion, while total plan assets are \$3.0 billion resulting in a current plan funded ratio of 109% and no required contribution for 2015. The Susquehanna Conference's portion of the total liability is 2.26%. Future MPP annuitants have a total account balance of \$4.4 billion and the Susquehanna Conference's portion of that balance is \$90.50 million or 2.07% of the total.

#### Pre-1982 Plan

**Plan Overview:** Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-82 Plan, provides clergy with a pension for their years of ministry with The United Methodist Church prior to 1982. The Pre-82 Plan was replaced by MPP effective January 1, 1982. When participants enter a Retired relationship with your Conference, and does not terminate, the minimum benefit payable to them is based on two factors: 1) years of Service with pension credit and 2) Conference pension rate. Years of Service with pension credit are approved by each Conference on the recommendation of the Conference Board of Pensions in accordance with plan provisions and *The Book of Discipline*. The pension rate, also called the past service rate (PSR), is the dollar amount chosen by the Conference as the amount payable for each approved year of Service with pension credit. Typically, the pension rate changes from year to year. The number of years of Service with pension credit is multiplied by the PSR, and the product is the minimum annual benefit payable to those eligible for Pre-82 Plan benefits. In certain situations the benefit received from the Pre-82 plan, may vary based on the applicability of what is referred to as Defined Benefit Service Money (DBSM), which is the defined contribution feature of the Pre-1982 Plan. At the time that a participant retires, the DBSM account is converted to a life based benefit. At that point the participants benefit is the greater of the PSR benefit or DBSM benefit. As the conference increases the PSR, the participants benefit is recalculated; however the DBSM based benefit does not change.

The 2015 Past Service Rate (PSR) recommended to the Susquehanna Annual Conference will be \$600.00 representing a 2.04% increase from the 2014 rate. The conference expects future increases to be approximately 1.00%, which is based on: We want to remain fully funded in the long run.

The contingent annuitant percentage is recommended to remain at the 75% level.

## Susquehanna Annual Conference

### 2015 Comprehensive Benefit Funding Plan Summary

Based on the final actuarial valuations from the General Board of Pensions and Health Benefits as of January 1, 2013 for 2015, the portion of the Pre-82 liability attributable to the Susquehanna Conference and funded status is, as of 1/1/2013, as follows:

Funding Plan Liability	\$54,057,643	
Assets in the Plan	<u>\$57,299,515</u>	
Funded status	\$3,241,872	represented by a 106% funded ratio

The funded ratio is recalculated each year based on economic and demographic changes. This changes create the possibility that Pre-82 contributions may be required at a future date (even after 2021).

In addition to the assets in the Plan it is anticipated that amount will be funded through the following funding sources:

Non plan assets designated for retiring Pre-82 obligations	\$13,407,042
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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) with the plan.

#### Active Health Benefit Program

**Plan Overview:** The Susquehanna Conference offers a Hospitalization and Medical Expense program to the active participants.

During the 2013 year, the total cost of the program was \$6,612,805 and was funded by billed to the local churches. The projected average increase for future years is expected to be 4%, due to current market conditions.

#### Post-Retirement Medical Benefit Program (PRM)

**Plan Overview:** The Susquehanna Conference post-retiree medical plan currently offered is an Insurance plan made available to retirees who were covered by our health plan for the 5 years preceding retirement. Beginning 1/1/15 we will offer our retirees a Medicare Companion Plan through United American that includes prescription coverage through Express Scripts. Additionally, vision and wellness components are also covered. The cost of the plan is funded through a combination of apportionments and direct billing of participants based on the participant's years of service.

The current annual cost is anticipated to be \$2,537,595 with the funding sources to be a combination of apportioned money and personal contributions. On a longer term basis the Susquehanna Conference intends to continue discussion around this issue in order to maximize benefits while controlling costs of such coverage.

## Susquehanna Annual Conference

### 2015 Comprehensive Benefit Funding Plan Summary

Based on the most recent PRM valuation dated 12/31/2012, following is the funded position of the post-retiree medical benefits:

Accumulated Post Retirement Obligation (APBO) or net conference cost	\$70,405,647
Expected Post Retirement Obligation (EPBO) or net conference cost	\$90,066,753
Service Cost (SC) or net conference cost	\$ 2,141,394
Assets designated for PRM	\$ 0

These values are based on 3.75% long term discount rate and a current increase trend of 8.00% decreasing to 5.00% by 2019.

#### Comprehensive Protection Plan (CPP)

**Plan Overview:** The Comprehensive Protection Plan (CPP) provides death, long-term disability and other welfare benefits for eligible clergy of The United Methodist Church and their families and is an Internal Revenue Code 414(e) "church plan" funded by plan sponsor insurance premiums. Generally, you are eligible to participate in CPP if your conference or salary-paying unit sponsors the plan and you satisfy the eligibility requirements which include full-time episcopal appointment and plan compensation equal to or greater than 60% of the Denominational Average Compensation or the Conference Average Compensation whichever is less. The Susquehanna Annual Conference has elected to make CPP-eligible clergy, who are appointed at least 100%, have mandatory participation, while 75% appointed clergy have optional participation under special arrangements.

Currently (for 2013) the Susquehanna Conference has a required contribution to the Comprehensive Protection Plan of \$727,299, which is anticipated to be funded by apportioned. The anticipated average increase in future years is expected to be 2.00% per year due to the historical average salary increases.

#### United Methodist Personal Investment Plan (UMPIP) for Lay and Clergy

**Plan Overview:** The United Methodist Personal Investment Plan (UMPIP) is an Internal Revenue Code section 403(b) defined contribution retirement savings plan for clergy and lay employees of The United Methodist Church and affiliated organizations. Participants may make before-tax and/or after-tax contributions through payroll deductions. Participant contributions, contributions your plan sponsor may make on the participants behalf and investment earnings comprise the individual's retirement account balance.

Conference office lay employees working an average of 20 hours per week or more are eligible after 12 months for a pension contribution of 9% of salary. Lay employees are encouraged to contribute personal funds toward their retirement through payroll deductions to the UMPIP. The estimated contribution for the Susquehanna Conference is anticipated to be \$56,000 and funded through apportionment.

#### Other Conference Defined Contribution Type Obligations

**Plan Overview:** The Susquehanna Conference currently offers a UNUM life and disability plan made available to lay employees working an average of 30 hours per week or more. The contribution for 2013 was \$6,120 with the funding sources to be: apportioned. The anticipated average increase in future years is expected to be 2.00% per year due to historical average salary increases.

**Susquehanna Annual Conference**  
**2015 Comprehensive Benefit Funding Plan Summary**

**Other Conference Defined Benefit Type Obligations**

**Plan Overview:** The Susquehanna Conference currently offers a planSpecial Grants made available to former Methodist clergy who had not previously received credit for years of seminary. The current liability is anticipated to be \$119,401 with the funding sources to be apportioned. The contribution for 2014 is anticipated to be \$17,000. The anticipated average increase in future years is expected to be .00% per year because, while this benefit increases annually, the number of recipients is decreasing.

**Conclusion:**

The 2015 Comprehensive Benefit Funding Plan and the above outlined Summary document incorporates to the best of our understanding, the Susquehanna Conference's obligations and funding requirements of the benefits provided to the Clergy and Laity of the Susquehanna Conference.