

## 2018 CBOP&HB Report to Yellowstone Annual Conference

Greetings from the Yellowstone Conference Board of Pensions and Health Benefits.

Here are some highlights we want to share:

### Health Insurance:

- \* Both Preferred Provider (PPO) and Consumer Driver Health Plan (CDHP) HealthFlex premiums will increase by approximately 3% in 2019. PPO premiums increased by approximately 3% in 2017 as well. As in 2018, the Conference Board of Pensions will cover the 2019 increase in HealthFlex premiums (rather than passing it to the churches). This will be funded with funds at Wespath. *Of note: If all PPO participants would have elected CDHP, there would not have been a premium increase in 2018 or 2019.*
- \* The Board voted to make the CDHP plan the default plan effective 1/1/2019. This change will require participants to actively choose the PPO if they want it.
- \* The Board has discussed a move to the HealthFlex Exchange in 2020, but will delay any decision until after the Mountain Sky vote.
- \* As in 2017, the Board offered a pilot program to applicable churches to opt out of family coverage in HealthFlex (single coverage of the clergy person is still mandatory). This gives eligibility to the clergy person for premium tax credits with the federal healthcare exchange. This has been a success! Depending on the Mountain Sky decision, we will again ask churches if they wish to renew this option for 2019. Four churches are currently in the program. The pilot program moves with the pastor.
- \* As stated last year, Wespath has determined that Blue Cross Blue Shield will remain the HealthFlex vendor for Yellowstone Conference regardless of the Mountain Sky vote.

### Retiree Health Care:

- \* As in 2017, the Board of Pensions is funding 50% of the retiree stipend in the 2018 YAC budget. That amount is \$53,450.
- \* The Board contracted with Willis Towers Watson to do a valuation of our Retiree Medical Program. They determined that our obligation decreased, which means our funded level increased by \$36,158 (from \$2,249,531 to \$2,213,373). Our Retiree Health Care Fund is currently funded at 129%.
- \* As of May 2018, our pre-82 retirement account is funded at 134%.

### Other Benefits:

- \* The Board voted to cover CPP for ¾ time Local Pastors in 2019. This will increase the CPP billing by 3%.
- \* The Board voted to have the staff look into other Third Party Administrators (TPA) for Health Savings Account administration effective 2019. Our current TPA costs \$5.50 per participant.
- \* Because you approved our 2017 petition, we have included recommended changes to the Past Service Rate and approval of the Comprehensive Benefit Funding Plan in this annual report for your consideration. We appreciate your support.

### **The Conference Board of Pensions and Health Benefits present the following recommendations for your consideration and action:**

**1. The Conference Board of Pensions and Health Benefits recommends that the Pre-82 Past Service Annuity Rate for 2019 be set at \$485 per service year (2% increase). This benefit will be paid from our Pre-82 funds at Wespath.**

**2. The Conference Board of Pensions and Health Benefits recommends approval of the 2019 Comprehensive Benefit Funding Plan. Some highlights of the plan include:**

#### **A. The Clergy Retirement Security Program (CRSP)**

- Is a 403(b) retirement program providing lifetime income and account flexibility designed for those who serve as clergy of The United Methodist Church.
- The Yellowstone Conference 2019 Defined Benefit contribution will be \$280,524. The conference anticipates that this amount will be funded by direct billing to churches.

- The estimated Yellowstone Conference 2019 contribution for CRSP-Defined Contribution (DC) will be \$81,226 and will be funded by direct billing to churches.

**B. Ministerial Pension Plan (MPP)**

- Provides clergy with a pension for their years of ministry with The United Methodist Church from 1982-2006.
- The Ministerial Pension Plan is currently fully funded.

**C. Pre-1982 Plan**

- 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
- 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.
- As stated previously, the 2019 Past Service Rate (PSR) recommendation is \$485.
- The contingent annuitant percentage will remain at the 70% level.
- Our Pre-1982 Plan is fully funded.

**D. Active Health Benefit Program**

- The conference offers the HealthFlex program to active participants who are appointed full time.
- In 2019, the total cost for the program is estimated to be \$578,910 and will be funded by direct billing to churches.

**E. Post-Retirement Medical Benefit Plan (PRM)**

- The Yellowstone Conference post-retiree medical plan currently offers a Health Reimbursement Account (HRA) to eligible clergy members, surviving spouses, and lay employees.
- The funding obligation for 2019 is estimated at \$102,475 which will be funded through Mission Shares.
- The HRA program is currently fully funded.

**F. Comprehensive Protection Plan (CPP)**

- 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.
- For 2019, the Yellowstone Conference has an expected required contribution to the Comprehensive Protection Plan of \$80,900, which will be funded by direct billing to churches.

**G. United Methodist Personal Investment Plan (UMPIP) for Lay and Clergy**

- The United Methodist Personal Investment Plan (UMPIP) is a 403(b) defined contribution retirement savings plan for clergy and lay employees of The United Methodist Church.
- Participants may make before-tax and / or after-tax contributions through payroll deductions.
- Plan sponsors may make contributions on the participant's behalf.
- Yellowstone Conference sponsors UMPIP for clergy serving half-time. The pension contribution provided by their church is 15% of plan compensation. The 2019 estimated contribution for the Conference is anticipated to be \$84,830 and will be funded by direct billing to churches.

**ADDENDUM**

**Resolutions Relating to Rental/Housing Allowances for Retired, Disabled or Former Clergypersons of the Yellowstone Annual Conference**

The Yellowstone Annual Conference (the "Conference") adopts the following resolutions relating to rental/housing allowances for active, retired, terminated, or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the "Church"), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church ("Clergypersons"); and

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation; and

WHEREAS, pensions or other amounts paid to active, retired, terminated, and disabled Clergypersons are considered to be deferred compensation and are paid to active, retired, terminated, and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as an appropriate organization to designate a rental/housing allowance for Clergypersons who are or were members of this Conference and are eligible to receive such deferred compensation;

NOW, THEREFORE, BE IT RESOLVED:

THAT an amount equal to 100% of the pension, severance, or disability payments received from plans authorized under *The Book of Discipline of The United Methodist Church* (the “*Discipline*”), which includes all such payments from the General Board of Pension and Health Benefits (“GBOPHB”), during the period January 1, 2019 through December 31, 2019, by each active, retired, terminated, or disabled Clergy person who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergy person; and

THAT the pension, severance, or disability payments to which this rental/housing allowance designation applies will be any pension, severance, or disability payments from plans, annuities, or funds authorized under the *Discipline*, including such payments from the GBOPHB and from a commercial annuity company that provides an annuity arising from benefits accrued under a GBOPHB plan, annuity, or fund authorized under the *Discipline*, that result from any service a Clergy person rendered to this Conference or that an active, a retired, a terminated, or a disabled Clergy person of this Conference rendered to any local church, annual conference of the Church, general agency of the Church, other institution of the Church, former denomination that is now a part of the Church, or any other employer that employed the Clergy person to perform services related to the ministry of the Church, or its predecessors, and that elected to make contributions to, or accrue a benefit under, such a plan, annuity, or fund for such an active, a retired, a terminated, or a disabled Clergy person’s pension, severance, or disability plan benefit as part of his or her gross compensation.

NOTE: The rental/housing allowance that may be excluded from a Clergy person’s gross income in any year for federal (and, in most cases, state) income tax purposes is limited under Internal Revenue Code section 107(2), and regulations thereunder, to the least of: (a) the amount of the rental/housing allowance designated by the Clergy person’s employer or other appropriate body of the Church (such as this Conference in the foregoing resolutions) for such year; (b) the amount actually expended by the Clergy person to rent or provide a home in such year; or (c) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year. Each clergy person or former clergy person is urged to consult with his or her own tax advisor to determine what deferred compensation is eligible to be claimed as housing allowance exclusion.

Respectfully,

***Pam Dandrea***

Conference Board of Pensions and Health Benefits Chair