

Rocky Mountain Annual Conference

2017 Comprehensive Benefit Funding Plan Summary

INTRODUCTION

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

CLERGY RETIREMENT SECURITY PROGRAM (CRSP)

Defined Benefit (DB) and Defined Contribution (DC)

Program 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 program is designed to provide participants with one portion of their overall retirement benefits. CRSP replaced the Ministerial Pension Plan (MPP) effective January 1, 2007, which had previously replaced the Pre-82 Plan 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 United Methodist Church, and a defined contribution (DC) plan, which provides a retirement account balance established and funded by the annual conferences.

Current funding plan information:

The Clergy Retirement Security Program (CRSP-DB) annuities total liability as of January 1, 2015 is \$1.271 billion, while total plan assets are \$1.407 billion, resulting in a current plan funded ratio of 111%. The Rocky Mountain Conference portion of the liability is 1.1066% with a 2017 contribution of \$1,050,723. The conference anticipates that the amount will be funded by direct billing each church or charge. Reserve accounts are available to supplement contributions as needed. 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 Rocky Mountain Conference has elected to cover clergy serving 75%+ under CRSP effective January 1, 2014.

Effective January 1, 2014 the CRSP-DC plan was reduced from a 3% to a 2% of plan compensation non-matching contribution. Clergy 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. The 2017 CRSP-DC contribution is anticipated to be \$232,000 and will be funded by direct billing the church or charge.

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MINISTERIAL PENSION PLAN (MPP)

Plan overview:

Supplement Three to the Clergy Retirement Security Program (CRSP), also known as the Ministerial Pension Plan (MPP), provides clergy with a pension benefit 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 the funds are to be distributed. The remainder may be rolled over to UMPIP, into an IRA or another qualified plan, or it may be paid out as a lump sum.

Current funding plan information:

The Ministerial Pension Plan (MPP) annuities' total liability as of January 1, 2015 is \$3.122 billion, while total plan assets are \$3.509 billion, resulting in a current plan funded ratio of 112% and no required contribution for 2017. The Rocky Mountain Conference's portion of the total liability is 1.0814%. Future MPP annuitants have a total account balance of \$4.145 billion and the Rocky Mountain Conference's portion of that balance is \$30,604,200 or 0.74% of the total.

PRE-1982 PLAN

Plan overview:

Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-1982 Plan, provides clergy with a pension benefit for their years of ministry with The United Methodist Church prior to 1982. The Pre-1982 Plan was replaced by MPP effective January 1, 1982. If a clergy person retires within the Conference (and does not terminate), the minimum benefit payable is based on two factors: 1) years of service with pension credit and 2) the Conference pension rate. Years of service with pension credit are approved by each Conference on the recommendation of the Conference Board of Pensions (CBOP) 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. The pension rate may change from year to year. The number of years of service with pension credit is multiplied by the pension rate, and the product is the minimum annual benefit payable to those clergy eligible for Pre-1982 Plan benefits. In certain situations, the benefit received from the Pre-1982 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 and, at that point, the clergy's benefit is the greater of the PSR or DBSM benefit. If the conference increases the PSR, the clergy's benefit is recalculated; but the DBSM based benefit does not change.

Current funding plan information:

The 2017 PSR recommended to the Rocky Mountain Conference will be \$575.00, representing a 3.05% increase from the 2016 rate. The conference expects future increases to be approximately 3%.

The contingent annuitant percentage is recommended to remain at the 70% level.

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Based on the final actuarial valuations from the General Board of Pension and Health Benefits as of January 1, 2015 for 2017, the portion of the Pre-1982 liability and assets attributable to the Rocky Mountain Conference and its related funded status are as follows:

Funding Plan Liability	\$(24,453,942)
Assets, including In-Plan and Outside	<u>34,094,868</u>
Funded Status	\$9,640,926
Funded Ratio	139.42%

ACTIVE HEALTH BENEFIT PROGRAM

Program Overview:

The Rocky Mountain Conference offers the following active health benefit to its active eligible participants: Self Funded-HealthFlex.

Current funding plan information:

The total cost of the program for 2017 is anticipated to be \$2,350,450 and will be funded by direct billing each church or charge. The Conference budget (funded from churches' connectional giving) pays premiums for Conference clergy staff, Conference lay staff, clergy on disability, and subsidizes health care for retired clergy who are not Medicare-eligible. The 2016 benefit cost includes \$26,000 to provide a Health Reimbursement Account (HRA) for each person (clergy plus eligible spouse) that completed the Blueprint for Wellness in 2015. The 2017 benefit cost includes \$36,000 as an estimated cost for this HRA benefit. These HRAs are funded from the Health Performance Dividends that have been received by the Conference from HealthFlex. It is anticipated that Active Health Benefit Program increases in future years will average 5%, due to increasing health care costs.

- ***Additional Conference Sponsored Coverage***

The Rocky Mountain Conference has elected to provide health benefits coverage to the following groups during periods where, without conference funded premiums; the participants would not be provided coverage or benefits (all figures as of 12/31/2015):

Category	Number of Participants	Estimated Cost
1. Clergy participants on disability	1	\$14,760
2. Clergy retired not yet Medicare-eligible	3	\$34,344

The total estimated cost of conference sponsored coverage as of 12/31/2015 is \$49,104.

POST-RETIREMENT MEDICAL BENEFIT PROGRAM (PRM)

Program Overview:

The Rocky Mountain Conference post-retirement medical program currently offers OneExchange.

Current funding plan information:

The conference's expectation for 2017 is that this benefit will remain unchanged. The funding obligation for 2017 is

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anticipated to be \$390,000 which will be funded from the Conference annual budget. On a longer term basis, the Conference intends to ensure funding by using assets from the Retiree Healthcare Account at Wespath. A portion of the Health Performance Dividends the Conference receives are invested to build this Account, with the intention that in the future it will cover the majority of the PRM commitment and reduce the amount needed from the annual budget.

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

1. Expected Post Retirement Obligation (EPBO) or net conference cost	\$11,496,648
2. Accumulated Post Retirement Obligation (APBO) or net conference cost	\$9,405,044
3. Assets designated for PRM	\$2,826,757
4. Service Cost (SC) or net conference cost	\$240,095

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

5. Funded Status, [3. – 2.]	\$(6,578,287)
6. Number of Annual Payments	20
7. Portion of Funded Status Payable [5. / 6., but zero if 5. is positive]	\$328,914
8. PRM Funding Contribution, Informational purposes only [4. + 7.]	\$569,009

These values are based on a 4.0% long term discount rate, a 7.0% long-term expected rate of return on assets, and a current medical trend rate of 6.50% with an ultimate medical trend rate of 5.0%, beginning in 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. It is an Internal Revenue Code 414(e) "church plan" funded by plan sponsor insurance premiums. Generally, clergy are eligible to participate in CPP if the conference or salary-paying unit sponsors the plan and they are able to satisfy the eligibility requirements which include full-time appointment with plan compensation equal to or greater than 60% of the Denominational Average Compensation (DAC) or the Conference Average Compensation (CAC), whichever is less.

Current funding plan information:

The Rocky Mountain Conference has made the following elections: clergy appointed 75% have mandatory participation under special arrangements.

For 2017, the Rocky Mountain Conference has an expected required contribution to the Comprehensive Protection Plan of \$340,100, which is anticipated to be funded by direct billing the church or charge. The anticipated average increase in future years is expected to be 2% per year due to expected increases in plan compensation.

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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, Roth and/or after-tax contributions through payroll deductions. Participant contributions, various optional plan sponsor contributions and investment earnings comprise the individual's retirement account balance.

Current funding plan information:

Conference office lay employees working an average of 20 or more hours per week are eligible after three months for a plan sponsor funded pension contribution of 11% of salary. Lay employees are encouraged to make contributions toward their retirement through payroll deductions to the UMPIP. The estimated 2017 contribution for the Rocky Mountain Conference is \$73,000 and will be funded via annual operating budget.

The Rocky Mountain Conference, as of January 1, 2014 sponsors the UMPIP for eligible clergy serving half-time. The pension contribution is 13.5% of plan compensation. The estimated 2017 contribution for the Conference is \$107,000 and will be funded through direct billing the church or charge.

OTHER CONFERENCE BENEFIT OBLIGATIONS: DEFINED CONTRIBUTION (DC) TYPE

Plan Overview: The Rocky Mountain Conference currently offers the following DC benefit: UNUM Life Insurance benefit 40% premium subsidy for older retired clergy. We no longer offer this benefit to retirees; this group is grandfathered in. The funding obligation for 2017 is anticipated to be \$3,000 and the funding source is the annual operating budget. We could also access reserve funds invested at Wespath to subsidize this benefit. The anticipated average increase in future years is expected to be -10% per year because the premium increases slightly as participants get older, and decreases as there are less covered clergy.

Plan Overview: The Rocky Mountain Conference currently offers the following DC benefit: UNUM Life Insurance benefit for active and retired Conference lay staff, which is paid in full by the Conference. The funding obligation for 2017 is anticipated to be \$7,800 and the funding source is the annual operating budget. The anticipated average increase in future years is expected to be 5% per year because the premium increases as participants get older, and fluctuates with the number of Conference staff.

Plan Overview: The Rocky Mountain Conference currently offers the following DC benefit: Accidental Death & Dismemberment for active Conference clergy and lay staff. The funding obligation for 2017 is anticipated to be \$520 and the funding source is the annual operating budget. The anticipated average increase in future years is expected to be 1% per year because the premium amount is small and fluctuates with the number of employees.

Plan Overview: The Rocky Mountain Conference currently offers the following DC benefit: Move for clergy after retirement. The funding obligation for 2017 is anticipated to be \$25,000 and the funding source is the Conference annual operating budget. The anticipated average increase in future years is expected to be 1% per year, based on the number of retirees and increases in moving costs.

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CONCLUSION

The 2017 Comprehensive Benefit Funding Plan and the above Summary document incorporate, to the best of our understanding, the Rocky Mountain Conference's obligations and funding requirements of the benefits provided to the clergy and laity of the Rocky Mountain Conference.

Signed by:

Kimal James – Chairperson, Conference Board of Pension and Health Benefits

Kirsten Barlow – President, Conference Council on Finance and Administration

Noreen Keleshian – Conference Treasurer and Benefits Officer

The Rocky Mountain Conference 2017 Comprehensive Benefit Funding Plan received a favorable written opinion from the General Board of Pension and Health Benefits of The United Methodist Church.