

Rocky Mountain Conference

2018 Comprehensive Benefit Funding Plan Summary

INTRODUCTION

The 2016 *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 Wespath Benefits and Investments (Wespath) for review and be approved annually by the annual conference, following the receipt and inclusion of a favorable written opinion from Wespath. 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 2018 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, 2016, is \$(1,422,046,473), while total plan assets are \$1,530,170,830, resulting in a current plan funded ratio of 108%. The Rocky Mountain Conference portion of the liability is 1.0929% and the 2018 contribution is \$1,006,917. 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 Rocky Mountain Conference 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 can 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% to CRSP DC. The 2018 CRSP DC contribution is anticipated to be \$354,058 and will be funded by direct billing.

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. MPP requires that exactly 65% of the account balance must be annuitized when the funds are to be distributed. The remainder may be rolled over to UMPIP, another qualified plan or an IRA, or it may be paid in a lump sum.

Current funding plan information:

The Ministerial Pension Plan (MPP) annuities' total liability as of January 1, 2016 is \$(3,422,875,264), while total plan assets are \$3,600,174,516, resulting in a current plan funded ratio of 105%. The required contribution for 2018 is \$0. The Rocky Mountain Conference's percentage of the total liability is 1.0580%. Future MPP annuitants have a total account balance of \$3,787,199,647 and the Rocky Mountain Conference's portion of that balance is \$28,336,190 or 0.75% of the total.

PRE-82 PLAN

Plan overview:

Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-82 Plan, provides clergy with a pension benefit 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. If a clergyperson retires within the Conference (and does not terminate), the minimum benefit payable is based on two factors:

- 1) Years of service with pension credit - approved by each conference on the recommendation of the Conference Board of Pensions (CBOP) in accordance with plan provisions and *The Book of Discipline*.
- 2) The conference pension rate (past service rate) - the dollar amount chosen by the conference as the amount payable for each approved year of service with pension credit (may change from year to year).

The number of years of service with pension credit is multiplied by the pension rate (PSR), and the product is the minimum annual benefit payable to those clergy 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-82 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 2018 PSR recommended to the Rocky Mountain Annual Conference will be \$593, representing a 3% increase from the 2017 rate. The conference expects future annual increases to be approximately 3.00%.

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

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 2018 is anticipated to be \$2,349,430 and will be funded by direct billing. It is anticipated that increases for future years will average 5.00%.

The projected annual plan benefit cost for 2018 is based on the actual three percent increase in insurance premiums. The Conference creates a blended rate based on the current percentage of participants in the PPO and CDHP plans.

The Rocky Mountain Conference has elected to provide health benefits coverage to the following groups during periods where--without plan sponsor-funded premiums--the participants would not be provided coverage or benefits (all figures as of 12/31/2016):

1. Clergy On Disability (Including Pending Disability): 0 participants at an estimated cost of \$0.
2. Any Other Leave / Arrangements That Provide Additional Coverage (Participants retired not yet Medicare-eligible): 2 participants at an estimated cost of \$18,432. The projected annual cost as of 12/31/2018 for additional plan sponsor funded coverage is \$6,774.

POST-RETIREMENT MEDICAL BENEFIT PROGRAM (PRM)

Program Overview:

The Rocky Mountain Conference currently offers OneExchange for Post-Retirement Medical coverage.

Current funding plan information:

The plan sponsor’s intention for 2018 is to retain the current plan benefit. PRM benefits provided are as follows: The Rocky Mountain Conference provides an HRA for eligible retirees, spouses and surviving spouses. The HRA amount is \$1,800 per year for retirees with 20 or more years of Pre-82 service, and \$1,200 per year for retirees with less than 20 years of Pre-82 service. The stipend amount for an eligible spouse is the same as the stipend amount for the retiree.

Based on the most recent PRM valuation dated 12/31/2016, the following is the funded position of the PRM benefits:

1. Expected Post-Retirement Obligation (EPBO) net plan sponsor cost	\$9,774,102
2. Accumulated Post-Retirement Obligation (APBO) net plan sponsor cost	\$8,143,183
3. Assets (in-plan and outside) designated for PRM	\$3,767,431
4. Service cost (SC) net plan sponsor cost	\$256,632
5. Unfunded APBO, [3. - 2.]	\$(4,375,752)
6. Number of annual payments	20
7. Portion of unfunded APBO, [5. / 6.]	\$218,788
8. Ongoing funding contribution, [4. + 7.]	\$475,420

Future increases/decreases to the assets or APBO will be funded over the duration of the program as calculated in the PRM valuation report, or five years if not available.

These values are based on a 3.90% long-term discount rate, a 7.00% long-term expected rate of return on assets, and a valuation year medical trend (inflation rate) of 6.50% with an ultimate medical trend (inflation rate) of 5.00%, beginning in 2023.

In addition to the PRM funding contribution listed above, the projected annual plan benefit cost for 2018 (subsidies, HRAs, claims or premiums) is \$348,600.

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 they satisfy the eligibility requirements, including full-time appointment with plan compensation of at least 25% of the Denominational Average Compensation (DAC). Plan sponsors may elect to cover participants with three-quarter time appointments and/or to continue to cover clergy who, due to certain leaves or appointments, are not otherwise eligible to continue coverage.

The CPP adoption agreement executed by the Rocky Mountain Conference contains its elections to cover or not to cover categories mentioned above.

Current funding plan information:

For 2018, the Rocky Mountain Conference has an expected required contribution to the Comprehensive Protection Plan of \$0. The change to \$0 reflects the 2018 CPP premium redirection from Wespath. CPP will continue to be direct-billed to the salary-paying unit in 2018 to fund the MPP reserve for anticipated Conference contributions that will be required for MPP in the future.

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 scheduled to work 20 hours or more per week are eligible after 3 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 conference's estimated contribution for 2018 is \$78,756 and will be funded via annual operating budget.

The Rocky Mountain Conference, effective January 1, 2014 sponsors the UMPIP for eligible clergy serving half-time. The pension contribution for 2018 is proposed to be 13.5% of plan compensation. The conference's estimated contribution for 2018 is \$82,315 and will be funded via direct billing.

OTHER DEFINED CONTRIBUTION (DC) OBLIGATIONS

Plan Overview:

The Rocky Mountain Conference currently offers the following DC benefit(s): Accidental Death & Dismemberment for active Conference clergy and lay staff. The estimated contribution for 2018 is \$525 with the funding source to be the annual operating budget. The anticipated average increase in future years is expected to be 1.00% per year.

Plan Overview:

The Rocky Mountain Conference currently offers the following DC benefit(s): UNUM Life Insurance benefit for active and retired Conference lay staff. The estimated contribution for 2018 is \$7,500 with the funding source to be the annual operating budget. The anticipated average increase in future years is expected to be 5.00% per year. The estimated contribution for 2018 is based on the actual contribution for 2017.

Plan Overview:

The Rocky Mountain Conference currently offers the following DC benefit(s): Move for clergy after retirement. The estimated contribution for 2018 is \$15,000 with the funding source to be the annual operating budget. The anticipated average increase in future years is expected to be 1.00% per year. The number of retirees who move each year fluctuates. The estimated contribution for 2018 is based on the average cost for the past five years.

Plan Overview:

The Rocky Mountain Conference currently offers the following DC benefit(s): HRA for active HealthFlex participants. The estimated contribution for 2018 is \$36,000 with the funding source to be the Active Healthcare account at Wespath. The anticipated average increase in future years is expected to be 2.00% per year.

Plan Overview:

The Rocky Mountain Conference currently offers the following DC benefit(s): UNUM Life Insurance benefit 40% premium subsidy for older retired clergy. The estimated contribution for 2018 is \$2,400 with the funding source to be the annual operating budget. The anticipated average increase in future years is expected to be (10.00)% per year due to the decreasing population of clergy receiving the benefit. The estimated contribution for 2018 is based on the actual contribution for 2017.

CONCLUSION

The 2018 Comprehensive Benefit Funding Plan and this 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