

Comprehensive Benefit Funding Plan, 2016

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 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 2016 comprehensive benefit funding plan from your conference benefit office.

BE IT RESOLVED that the Greater New Jersey Annual Conference adopts the 2016 comprehensive funding plan below: (Note: The funding plan was submitted to the General Board of Pension and Health Benefits (GBOPHB) on February 24, 2015 to fulfill Disciplinary requirements listed in ¶1506.6. It received a favorable opinion on February 26, 2015.

Following is the summary of the Comprehensive Benefit Funding Plan (CBFP) that received a favorable written opinion from GBPHB for the 2016 conference benefit obligations:

Clergy Retirement Security Program (CRSP) Defined Benefit (DB) and Defined 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 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 annual conferences. The Clergy Retirement Security Program (CRSP-DB) annuities total liability as of January 1, 2014 is \$1.105 billion, while total plan assets are \$1.274 billion resulting in a current plan funded ratio of 115%. The Greater New Jersey Conference portion of the liability is 1.9552% and the 2016 contribution is \$1,942,051. The conference anticipates that the amount will be funded by CRSP Billings to Local Churches. 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 Greater New Jersey Conference has elected to cover clergy serving 50%+ under CRSP effective January 1, 2016.

Effective January 1, 2014 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 and prior. The 2016 CRSP-DC contribution is anticipated to be \$448,933 and will be funded by CRSP Billings to Local Churches.

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 it is to be distributed. The remainder may be rolled over to UMPIP, another qualified plan, an IRA, or paid in a lump sum.

The Ministerial Pension Plan (MPP) annuities total liability as of January 1, 2014 is \$3.018 billion, while total plan assets are \$3.345 billion, resulting in a current plan funded ratio of 111% and no required contribution for 2016. The Greater New Jersey Conference's % of the total liability is 1.9056%. Future MPP annuitants have a total account balance of \$4.332 billion and the Greater New Jersey Conference's portion of that balance is \$80,851,687 or 1.87% 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 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 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) 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, 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-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 clergy's benefit is the greater of the PSR benefit or DBSM benefit. If the conference increases the PSR, the clergy's benefit is recalculated; however the DBSM based benefit does not change.

The 2016 Past Service Rate (PSR) recommended to the Greater New Jersey Conference will be \$645.00 representing a 2.06% increase from the 2015 rate. The conference expects future increases to be approximately 2.00%, which is based on: Be consistent with Annual cost of living increases.

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

Based on the final actuarial valuations from the General Board of Pensions and Health Benefits as of January 1, 2014 for 2016, the portion of the Pre-82 liability attributable to the Greater New Jersey Conference and funded status is, as of 1/1/2014, as follows:

Funding Plan Liability	\$44,778,231
Assets in the Plan	\$51,562,945

Funded status \$6,784,714 represented by a 115.15% funded ratio

As outlined above, given the overfunded status of the Pre-82 Plan for the Greater New Jersey Conference, the CBOP intends to redirect Pre-82 assets in the amount of \$2,018,996 on 12/31/15 to meet 2015 required contributions to the CRSP DB Plan. The conference is using Pre-82 surplus to help fund post retiree healthcare consistent with the Book of Discipline paragraph 1506.6. The CBOP also recognizes that the use of redirection increases the possibility of future required Pre-82 contributions.

Active Health Benefit Program

Plan Overview: The Greater New Jersey Conference offers the Self Funded-HealthFlex program which is best described as a Self Funded-HealthFlex program to its active eligible participants.

The total cost of the program for 2016 is anticipated to be \$6,434,142 and will be funded by Health Insurance Billings to local Churches. It is anticipated that increases for future years will average Future Increases 4%, due to: Healthflex Plan Adjustments 2016-2020.

Additional Conference Sponsored Coverage

The Greater New Jersey 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:

Other (Clergy Incapacity Leave): 11 participants at an estimated cost of \$330,000 as of 12/31/14.

The total estimated cost of conference sponsored coverage is \$330,000 as of 12/31/14.

Post-Retirement Medical Benefit Program (PRM)

Plan Overview: The Greater New Jersey Conference post-retirement medical program currently offered is an Insurance plan made available to eligible retired clergy.

The expectation for 2016 is to offer Clergy eligible annuitants with 20 years service or laity 20 years employment 100% retiree healthcare benefits. Less than 20 years receive prorated benefits. The funding obligation for 2016 is anticipated to be \$3,181,000 with the funding sources to be Account assets and new incoming askings. On a longer term basis, the Conference intends to be funded by: The conferece is expecting to be fully funded by 2030 and the results will be updated pending the next valuation.

Based on the most recent PRM valuation dated 12/31/2013, the following is the funded position of the post-retirement medical benefits:

Accumulated Post Retirement Obligation (APBO) or net conference cost
\$61,906,385

Expected Post Retirement Obligation (EPBO) or net conference cost included.	Not
Service Cost (SC) or net conference cost	\$1,731,632
Assets designated for PRM	
\$17,664,478	

These values are based on a 4.50% long term discount rate, a 5.0% long-term expected return, and a current increase trend of 8.0% with an ultimate medical increase of 5.0%, beginning in 2020.

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 or the Conference Average Compensation, whichever is less. The Greater New Jersey Conference has elected to make CPP eligible clergy appointed full time have mandatory participation under special arrangements, while part time appointed clergy have optional participation under special arrangements.

For 2016, the Greater New Jersey Conference has an expected required contribution to the Comprehensive Protection Plan of \$731,000, which is anticipated to be funded by: CPP Billings to Local Churches. The anticipated average increase in future years is expected to be 2.50% per year due to: The conference has a strategic plan where the Bishop and Appointment Cabinet are transitioning Local Churches to become Vital Congregations. One step of that is to increase clergy salaries which in turn increase plan obligations.

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, various optional plan sponsor contributions and investment earnings comprise the individual's retirement account balance.

Conference office lay employees working an average of 30 hours per week or more are eligible when starting employment for a plan sponsor funded pension contribution of 6 % of salary. Lay employees are encouraged to make contributions toward their retirement through payroll deductions to the UMPIP. The estimated contribution for the Greater New Jersey Conference is anticipated to be \$67,240 and will be funded through the Local Church Shared Ministry.

The Greater New Jersey Conference, as of January 1, 2016 is planning on sponsoring the UMPIP for clergy serving quarter-time and are eligible for a pension contribution of 12.5% of salary. The estimated contribution for the Conference is anticipated to be \$67,240 and will be funded through the Local Church UMPIP Billings.

Other Conference Benefit Obligations: Defined Contribution (DC) Type

DC Plan Overview: The Greater New Jersey Conference currently offers a UNUM life Options plan made available to full time conference staff. The funding obligation for 2016 is anticipated to be \$12,800 with the funding sources to be: Local Church Shared Ministry. The anticipated average increase in future years is expected to be 2.5%% per year due to: Compensation increases.

Conclusion:

The 2016 Comprehensive Benefit Funding Plan and the above Summary document incorporates, to the best of our understanding , the Greater New Jersey Conference's obligations and funding requirements of the benefits provided to the clergy and laity of the Greater New Jersey Conference.

See 2016 Comprehensive Benefit Funding Plan, page 137 (Appendix A)