

Recommendation

Comprehensive Benefit Funding Plan, 2017

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 2017 comprehensive benefit funding plan from your conference benefit office.

BE IT RESOLVED that the Greater New Jersey Annual Conference adopts the 2017 comprehensive funding plan below: (Note: The funding plan was submitted to the General Board of Pension and Health Benefits (GBOPHB) on February 25, 2016 to fulfill Disciplinary requirements listed in ¶1506.6. It received a favorable opinion on March 4, 2016.

Following is the summary of the Comprehensive Benefit Funding Plan (CBFP) that received a favorable written opinion from GBPHB for the 2017 conference benefit obligations:

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 Greater New Jersey Conference portion of the liability is 1.9515% and the 2017 contribution is \$2,031,675. The conference anticipates that the amount will be funded by Surplus Redirection from their Pre82 surplus. 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, 2017.

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 \$460,200 and will be funded by CRSP DC Billings to Local Churches – representing year over year in how contributions are to be funded.

Recommendations to the 2016 Annual Conference

1 MINISTERIAL PENSION PLAN (MPP)

2 Plan overview:

3 Supplement Three to the Clergy Retirement Security Program (CRSP), also known as the Ministerial Pension Plan
4 (MPP), provides clergy with a pension benefit for their years of ministry with The United Methodist Church from
5 1982 through 2006. MPP is an Internal Revenue Code section 403(b) retirement plan. Effective January 1, 2014,
6 exactly 65% of the account balance must be annuitized when the funds are to be distributed. The remainder
7 may be rolled over to UMPIP, into an IRA or another qualified plan, or it may be paid out as a lump sum.

8 Current funding plan information:

9 The Ministerial Pension Plan (MPP) annuities' total liability as of January 1, 2015 is \$3.122 billion, while total
10 plan assets are \$3.509 billion, resulting in a current plan funded ratio of 112% and no required contribution for
11 2017. The Greater New Jersey Conference's % of the total liability is 1.8980%. Future MPP annuitants have a
12 total account balance of \$4.145 billion and the Greater New Jersey Conference's portion of that balance is
13 \$77,563,085 or 1.87% of the total.

14 PRE-1982 PLAN

15 Plan overview:

16 Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-1982 Plan, provides
17 clergy with a pension benefit for their years of ministry with The United Methodist Church prior to 1982. The
18 Pre-1982 Plan was replaced by MPP effective January 1, 1982. If a clergy person retires within the Conference
19 (and does not terminate), the minimum benefit payable is based on two factors: 1) years of service with pension
20 credit and 2) the Conference pension rate. Years of service with pension credit are approved by each
21 Conference on the recommendation of the Conference Board of Pensions (CBOP) in accordance with plan
22 provisions and *The Book of Discipline*. The pension rate, also called the Past Service Rate (PSR), is the dollar
23 amount chosen by the Conference as the amount payable for each approved year of service with pension credit.
24 The pension rate may change from year to year. The number of years of service with pension credit is multiplied
25 by the pension rate, and the product is the minimum annual benefit payable to those clergy eligible for Pre-1982
26 Plan benefits. In certain situations, the benefit received from the Pre-1982 plan may vary based on the
27 applicability of what is referred to as Defined Benefit Service Money (DBSM), which is the defined contribution
28 feature of the Pre-1982 Plan. At the time that a participant retires, the DBSM account is converted to a life
29 based benefit and, at that point, the clergy's benefit is the greater of the PSR or DBSM benefit. If the conference
30 increases the PSR, the clergy's benefit is recalculated; but the DBSM based benefit does not change.

31 Current funding plan information:

32 The 2017 PSR recommended to the Greater New Jersey Conference will be \$658.00, representing a 1.86%
33 increase from the 2016 rate. The conference expects future increases to be approximately 2.00%, which is based
34 on the following rationale: Be consistent with Annual Cost of living increases.

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

36 Based on the final actuarial valuations from the General Board of Pension and Health Benefits as of January 1,
37 2015 for 2017, the portion of the Pre-1982 liability and assets attributable to the Greater New Jersey Conference
38 and its related funded status are as follows:

39	Funding Plan Liability	\$42,579,308	
40	Assets, including In-Plan and Outside	<u>\$47,706,407</u>	
41	Funded Status	<u>\$ 5,127,099</u>	(represented by a 112% funded ratio)

Recommendations to the 2016 Annual Conference

1 ACTIVE HEALTH BENEFIT PROGRAM

2 Program Overview:

3 The Greater New Jersey Conference offers the following Active health benefit to its active eligible participants:
4 Self Funded-HealthFlex.

6 Current funding plan information:

7 The total cost of the program for 2017 is anticipated to be \$5,930,074 and will be funded by premiums that are
8 Health Insurance Billings to local Churches. It is anticipated that increases for future years will average 4.00%
9 based on the following rationale: Healthflex Plan Adjustments 2016-2020.

- 10 • ***Additional Conference Sponsored Coverage***

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

- 14 1. Clergy and/or lay participants on disability: participants at an estimated cost of \$0
- 15 2. Surviving spouses and/or children of deceased clergy and/or lay participants: participants at an
16 estimated cost of \$0
- 17 3. Clergy and/or lay participants on leave of absence: participants at an estimated cost of \$0
- 18 4. Clergy in full connection with no record of appointment: participants at an estimated cost of \$0
- 19 5. Clergy in the Voluntary Transition Program: participants at an estimated cost of \$0
- 20 6. Other (): 11 participants at an estimated cost of \$330,000

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22 The total estimated cost of conference sponsored coverage as of 12/31/2015 is \$330,000.

24 POST-RETIREMENT MEDICAL BENEFIT PROGRAM (PRM)

25 Program Overview:

26 The Greater New Jersey Conference post-retirement medical program currently offers Insurance.

28 Current funding plan information:

29 The conference's expectation for 2017 is to offer the following benefits: Clergy eligible annuitants with 20 years
30 service or laity 20 years employment receive 100% retiree healthcare benefits. Less than 20 years receive
31 prorated benefits.

32 The funding obligation for 2017 is anticipated to be \$3,146,000 with the following funding sources: Pre-82
33 Redirection, conf. & participant contributions.

34 Based on the most recent PRM valuation dated 12/31/2014, the following is the funded position of the post-
35 retirement medical benefits:

36 1. Expected Post Retirement Obligation (EPBO) or net conference cost	Not Provided
37 2. Accumulated Post Retirement Obligation (APBO) or net conference cost	\$51,687,699
38 3. Assets designated for PRM	\$17,796,130
39 4. Service Cost (SC) or net conference cost	\$1,374,632

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

Recommendations to the 2016 Annual Conference

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2	5. Unfunded APBO, [2. – 3.]	\$33,891,569
3	6. Number of Annual Payments	15
4	7. Portion of Unfunded APBO, [5. / 6.]	\$2,259,438
5	8. PRM Funding Contribution, Informational purposes only [4. + 7.]	\$3,634,070

6 These values are based on a 5.0% long term discount rate, a 5.0% long-term expected rate of return, and a
7 current increase trend of 7.60% with an ultimate medical increase of 5.0%, beginning in 2020.

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9 COMPREHENSIVE PROTECTION PLAN (CPP)

10 Plan Overview:

11 The Comprehensive Protection Plan (CPP) provides death, long-term disability and other welfare benefits for
12 eligible clergy of The United Methodist Church and their families. It is an Internal Revenue Code 414(e) "church
13 plan" funded by plan sponsor insurance premiums. Generally, clergy are eligible to participate in CPP if the
14 conference or salary-paying unit sponsors the plan and they are able to satisfy the eligibility requirements which
15 include full-time appointment with plan compensation equal to or greater than 60% of the Denominational
16 Average Compensation (DAC) or the Conference Average Compensation (CAC), whichever is less.

17 Current funding plan information:

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19 The Greater New Jersey Conference has made the following elections: 95% of appointed clergy have mandatory
20 participation under special arrangements, while 5% of appointed clergy have optional participation under
21 special arrangements.

22 For 2017, the Greater New Jersey Conference has an expected required contribution to the Comprehensive
23 Protection Plan of \$749,300, which is anticipated to be funded by: Direct billings to Local Churches. The
24 anticipated average increase in future years is expected to be 2.50% per year as a result of: The conference has a
25 strategic plan where the Bishop and Appointment Cabinet are transitioning Local Churches to become Vital
26 Congregations. One step of that is to increase clergy salaries which in turn increase plan obligations.

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28 UNITED METHODIST PERSONAL INVESTMENT PLAN (UMPIP) FOR LAY AND CLERGY

29 Plan Overview:

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

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36 Current funding plan information:

37 Conference office lay employees working an average of 30 hours per week or more are eligible on day of hire for
38 a plan sponsor funded pension contribution of 6% of salary. Lay employees are encouraged to make
39 contributions toward their retirement through payroll deductions to the UMPIP. The estimated contribution for
40 the Greater New Jersey Conference is anticipated to be \$68,900 and will be funded via Local Church Shared
41 Ministry.

42 The Greater New Jersey Conference, as of January 1, 2017 is planning on sponsoring the UMPIP for clergy
43 serving one quarter -time and are eligible for a pension contribution of 12% of salary. The estimated
44 contribution for the Conference is anticipated to be \$68,900 and will be funded via Direct billing to local
45 Churches.

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OTHER CONFERENCE BENEFIT OBLIGATIONS: DEFINED CONTRIBUTION (DC) TYPE

Plan Overview: The Greater New Jersey Conference currently offers the following DC benefit(s): UNUM Life Options. The funding obligation for 2017 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 2017 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 2017 Comprehensive Funding Plan in Appendix A.

Recommendation
Clergy Equitable Compensation
Impact on the Conference Budget

Be it resolved that the Annual Conference adopt the following recommendation for minimum salary for persons under full-time appointment in the local church effective January 1, 2017:

a) Elder and Deacon in Full Connection	\$43,520
b) Provisional & Associate Members (92%)	\$40,038
c) Full time Local Pastor (87%)	\$37,862

Any changes in clergy minimum salaries related to a change of clergy status through ordination, commissioning or licensing in 2016 will become effective as of January 1, 2017.

There will be a \$300 minimum increment in the base salary of each year of full-time service under appointment by the Greater NJ Annual Conference (or its predecessor conferences) up to **15** years. This applies to clergy (elder, provisional elder, provisional deacon, deacon in full connection, associate member, and local pastor) serving in full-time appointments. The years of service record for each clergy is based on the Service Record by the General Board of Pension and Health Benefits, and it does not include part time appointments or a time of leave of absence.

The minimum equitable salary for $\frac{3}{4}$ time pastoral appointments shall be $\frac{3}{4}$ of the required minimum in the pastor’s salary. And the minimum equitable salary for $\frac{1}{2}$ time pastoral appointments shall be $\frac{1}{2}$ of the required minimum. All appointments less than $\frac{1}{2}$ shall be considered $\frac{1}{4}$ time appointments for pension purposes and the salaries shall be determined by the district superintendent in consultation with the pastor and the local church.

Each pastor’s salary above the minimum equitable salary is determined by the local church or by the charge in consultation with the district superintendent. Each Pastor (Staff) Parish Relations Committee takes into consideration the pastor’s experience, education, leadership, health and dental insurance coverage, social security, and family needs.

All full-time pastors shall be provided with a parsonage or a housing/rental allowance as part of their compensation package.