

Pre-Conference Report
Board of Pensions & Health Benefits
Rev. Jim Parr Philipson, Chair

New Pension Program (CRSP)

Beginning January 1, 2007, clergy participants in the United Methodist pension program will become part of a new pension plan called the Clergy Retirement Security Program (CRSP) approved by the 2004 General Conference. The new program takes elements of the previous two plans that have served our clergy, the Pre-82 and MPP programs. All the benefits earned in the years served under older plans will still be in effect. So a person retiring in a few years might have benefits earned under all three plans.

Pre 1982 plan - Before 1982, clergy were enrolled in a **defined benefit** plan. The pension a pastor received was based on the number of years of service before 1982 times the past service rate, an amount fixed by the Annual Conference. This year the past service rate is \$425.00 per year of service (.094% of the Conference Average Compensation). The difficulty with the plan was that the amount of money set aside each year for the future benefit was, in many Conferences, much lower than the amounts they were committed to pay out. Our Conference has been fortunate to actually have more set aside currently than will be needed.

MPP - Since 1982, UM clergy have been a part of the Ministerial Pension Plan (MPP), a **defined contribution** program. The churches contribute 12% of the clergy compensation to the clergy's individual account. Clergy can add to their retirement fund by setting aside a percentage of their salaries as a personal contribution in the United Methodist Personal Investment Plan (UMPIP). These individual accounts invested with the General Board of Pensions are annuitized when the person retires. The benefit depends on the amount in their accounts when they retire.

CPP – The Comprehensive Protection Plan (CPP) provides death and disability benefits to clergy. In addition, this plan provides a pension contribution for clergy whose salaries are below the Conference Average Compensation (CAC). This additional contribution brings the total pension contribution up to 12% of the CAC based on the clergy's appointment status. CPP is funded by apportionment and the estimated cost for 2007 is \$235,000 down \$115,000 from 2006. This reduction is due to the elimination of the additional pension contribution beginning on January 1, 2007 when the new pension plan, CRSP, takes effect.

CRSP – The new program will have both **defined benefit** and **defined contribution** components. The **defined benefit** will provide a monthly payment for life figured as 1.25% of the Denominational Average Compensation (DAC) at the time of retirement times years of service in the Plan. Part-time service will be credited based on 75%, 50%, and 25% increments. The Annual Conference will be billed each year for the estimated future cost of this benefit by the General Board of Pensions. The Annual Conference decides how to fund this cost. The **defined contribution** will be 3% of the clergy's compensation placed into an individual account. The clergy can choose how to invest their account among the options offered by the General Board. They can also make personal contributions to this account. At the time of retirement the clergy receives the value of this account. He/she can take a lump sum payment of all or part of the amount or set up cash installments. Even with the reduced cost of CPP, the cost of the new CRSP program is higher than MPP because the defined benefit portion is tied to the Denominational Average Compensation and the compensation in our Annual Conference on which our pension payments are based is below the DAC.

Funding for this new program will come from two sources. Local congregations will continue to pay 12% of their pastor's compensation (see Pension and Welfare Plans recommendation #2, page R-7) and the Board will use some of the over-funding in the Pre-82 Plan. The following is the 2007 funding budget for CRSP:

Funding for the Clergy Retirement Security Program

Amounts Due

Defined Benefit Amount (Calculated by the GBOPHB)	\$ 867,280
Defined Contribution Amount (3% of compensation of all eligible clergy)	<u>225,321</u>
Total Cost to be Funded	\$1,092,601

Sources for Funding

Subsidy from Pre-82 Plan Over-funding	\$200,000
Estimated Direct Billing to Local Churches (12% of compensation)	844,685
Apportionment for Superintendents & Staff	<u>47,916</u>
Total Source of Funding	\$1,092,601

Pre-1982 Pension Plan: This is the ninth year we have been able to report that our pre-1982 pension obligation is fully funded. As required by the 2000 General Conference, the General Board approved our funding plan for this obligation.

Health Insurance Matters: Health Insurance rates for our current benefit plan will take a small increase for 2007 with a projected 1.94% increase (2% for the active program and 0% for the Medicare Supplement) in our aggregate rates for active and retired coverage. Our loss ratio of 83.5% this year dropped from 121.5% in 2004. The HealthFlex program is continuing to put health associated incentives into the program to try to keep costs and claims down.

The unfunded liability for retiree Health Insurance benefits has risen from \$9 million to \$18 million dollars in the last four years. The Board is exploring ways to address this challenge.

The Board discussed the continuing problem of delinquencies in both the pension and healthcare insurance premiums. We are seeking to work with the Cabinet to develop a tough policy towards churches that remain delinquent in their premium payments.

Wellness: Increasing clergy wellness remains an important way to lower costs and to increase effectiveness in and satisfaction with ministry. Jamie Kienzle has developed a Health/Wellness Agreement as a model for SPRCs and pastors to use as they discuss and enter into partnership with each other around wellness issues. We encourage dialogue between clergy and SPRCs on this agreement. We also encourage the Superintendents to discuss wellness issues with congregations. We encourage all clergy to have an annual wellness exam and to participate in the Health Risk Assessment available through the General Board at www.gbophb.org. All clergy who have completed both these steps are eligible to receive a refund of their co-pay for the exam. The General Board will lower the cost of HealthFlex premiums for our Annual Conference if a high enough percentage of participants and their spouses have the exam and take the Risk Assessment.

Health Insurance Endowment Fund: Earnings from this fund subsidize health insurance premiums for seminary students and those on disability, and holds down the premium costs for all active clergy. The endowment has a balance of over \$3.5 million. The Board voted to give a \$75,000 subsidy to the active program for 2007.

Your Conference Board of Pensions and Health Care Benefits present the following recommendations for your consideration and action.