

BOARD OF PENSION AND HEALTH BENEFITS

REPORT #9 – 2023 COMPREHENSIVE BENEFIT FUNDING PLAN SUMMARY SOUTH GEORGIA CONFERENCE

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 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 contents of the 2023 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, 2021, is \$2.135 billion, while total plan assets are \$2.520 billion, resulting in a current plan funded ratio of 118%. The South Georgia Conference portion of the liability is 1.7003% and the 2023 contribution is \$1,316,494. The conference anticipates that the amount will be funded by direct billing to churches / employers. 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 South Georgia Conference has elected to cover clergy serving full-time or ¾ time under CRSP.

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 2023 CRSP DC contribution is anticipated to be \$628,784 and will be funded by direct billing to churches / employers.

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, 2021 is \$3.631 billion, while total plan assets are \$4.439 billion, resulting in a current plan funded ratio of 122%. There is no required contribution for 2023. The South Georgia Conference's percentage of the total liability is 1.5289%. Future MPP annuitants have a total account balance of \$3,437,346,240 and the South Georgia Conference's portion of that balance is \$55,265,209 or 1.61% of the total.

PRE-82 PLAN (PRE-82)

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 or PSR), which is 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 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 benefit does not change.

Increases to the Past Service Rate (PSR) must be paid for in full at the time of implementation.

Current funding plan information:

The 2023 PSR recommended to the South Georgia Conference will be \$799, representing a 2% increase from the 2022 rate. Future increases will be made as the CBOP feels that the budget and other funding sources will allow the increase; however, we have funded the Pre-'82 plan at an amount that Wespath indicates will allow for regular 2% increases in the future.

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

ACTIVE HEALTH BENEFIT PROGRAM

Program Overview

The South Georgia Conference offers a self-funded HealthFlex active health benefit to its active eligible participants.

Current funding plan information:

The total cost of the program for 2023 is anticipated to be \$3,163,674 and will be funded by direct billing to churches / employers. It is anticipated that increases for future years will average 3.00%, as continued prudent health management by conference clergy and dependents moderates health care cost increases. If clergy do not increase their participation in wellness programs, we can anticipate annual increases in the 7-10% range.

The 2023 rate increases were higher than 2022, due mostly to continued higher claims in 2023 (120% claims ratio following 125% in 2022). The average increase for 2023 rates is 9.7%.

Additional Conference-Sponsored Coverage

The South Georgia Conference has elected to provide health benefits coverage to the following group during periods where-without plan sponsor-funded premiums--the participants would not be provided coverage or benefits (all figures as of 12/31/2021):

1. Clergy or lay on disability (including pending disability): 8 participants at an estimated cost of \$423,720

The projected annual cost as of 12/31/2023 for additional plan sponsor funded coverage is \$98,078.

POST-RETIREMENT MEDICAL (PRM)

Program Overview:

The South Georgia Conference post-retirement medical program currently offers an HRA funded through VIA Benefits to assist retirees in purchasing “Medicare supplement” insurance. This is available to clergy who were on the South Georgia Annual Conference insurance for 10 years or more.

Current funding plan information:

The Conference’s intention for 2023 is to continue offering VIA Benefits. We provide a Health Reimbursement Account (HRA) contribution to qualifying retirees. We propose this be funded through a Reserve Trust For Post-Retirement Benefit Plans, which we propose be created by the 2022 annual conference.

Retirees with 20+ years on conference health insurance receive \$210/m; retirees with 10-20 years receive \$157.50/m; retirees with less than 10 years on conference health insurance are not eligible for this benefit.

Based on the most recent PRM valuation dated 12/31/2020, the following is the funded position of the PRM benefits:

| | |
|--|----------------|
| 1. Expected Post-Retirement Obligation (EPBO) net plan sponsor cost | \$18,803,939 |
| 2. Accumulated Post-Retirement Obligation (APBO) net plan sponsor cost | \$16,457,048 |
| 3. Assets (in plan and outside) designated for PRM | \$3,427,239 |
| 4. Funding plan service cost | \$184,653 |
| 5. Funded status, [3. - 2.] | \$(13,029,809) |
| 6. Number of annual payments | 20 |
| 7. Portion of funded status payable, [5. / 6.] | \$651,490 |
| 8. Ongoing funding contribution, [4. + 7.] | \$836,143 |

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 3.50% long-term discount rate, a 0.00% long-term expected rate of return on assets, and a valuation year medical trend (inflation rate) of 0.00% with an ultimate medical trend (inflation rate) of 0.00%.

In addition to the PRM funding contribution listed above, the projected annual plan benefit cost for 2023 (subsidies, HRAs, claims or premiums) is \$536,601.

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). The South Georgia Conference also covers participants with three quarter time appointments and clergy members on disability.

Current funding plan information:

For 2023, the South Georgia Conference has an expected required contribution to the Comprehensive Protection Plan of \$631,615, which is anticipated to be funded by the apportionments. The anticipated average increase in future years is expected to be -1.00% per year due to fewer full time and 3/4 time pastors covered by CPP, and more 1/4 and 1/2 time pastors serving who are not covered.

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 thirty hours per week or more are eligible after twelve months for a plan sponsor-funded pension contribution of 9% of salary. Lay employees are encouraged to make contributions toward their retirement through payroll deductions to the UMPIP. The conference's estimated contribution for 2023 is \$69,686 and will be funded via the conference budget, through the apportionments.

The South Georgia Conference, as of January 1, 2023 is planning on sponsoring the UMPIP for clergy serving ¼ and ½ time and are eligible for a pension contribution of 14% of plan compensation. The conference's estimated contribution for 2023 is \$125,730 and will be funded by direct billing to churches / employers.

OTHER DEFINED CONTRIBUTION (DC) OBLIGATIONS

Plan Overview:

The South Georgia currently offers **UNUM-Long Term Disability & Death Benefit** to lay employees, to match the CPP death benefit provided to clergy employees. The estimated contribution for 2023 is \$17,104 funded through the apportionments.

Plan Overview:

The South Georgia currently offers an **Accidental Death Benefit** to lay and clergy conference staff. The estimated contribution for 2023 is \$1,000 funded through the apportionments. The anticipated average increase in future years is expected to be less than 1% per year.

Plan Overview:

The South Georgia currently offers a cash **Retirement Gift** to clergy upon retirement from the South Georgia Conference. The estimated contribution for 2023 is \$40,000 funded through the apportionments. The South Georgia Conference does not recognize this as an ongoing obligation, but rather decides annually whether or not to provide the gift. The current gift may not continue, if either a better way to help retirees is determined, or the funding becomes too expensive to continue.

CONCLUSION

The 2023 Comprehensive Benefit Funding Plan and this summary document incorporates, to the best of our understanding, the South Georgia's obligations and funding requirements of the benefits provided to the clergy and laity of the South Georgia Conference.