**REPORT OF THE DIRECTOR OF HR/BENEFITS**

As the Director of HR/Benefits, it is my primary responsibilities are to oversee the area of human resources for our almost 100 year-round employees, to directly supervise those who relate to benefits and clergy support, and to act as staff liaison to the Conference Board of Pension & Health Benefits and the Commission on Equitable Compensation. I am pleased to have a wonderful team in Debi Marshall, Julie Valeski and Linda Houmiel. Julie also works with the finance team, and Linda is “semi-retired”, now working less than full time. My prayer is that the work we do in this setting will be formed by God’s hope, grace and guidance.

As is typical year to year, the CBOPHB spent a great deal of time around health insurance for our clergy. In short, we engaged an independent firm to analyze the possibilities. Their recommendation was to maintain our coverage through the HealthFlex program offered by the General Board, even in light of the increase in premiums for 2017. Over the last five years we have had a negligible change in premiums but our claims ratio for 2015 was 106%, driven by large and catastrophic claims. This increased ratio of claims to premiums paid necessitated an increase in premiums for 2017.

Passing the additional cost along to churches only, or to clergy only, would have been financially painful for either. Therefore, I proposed the following action which was approved by the CBOPHB at its April meeting.

1. The conference will continue to offer the BCBS PPO plan with a $1,000 individual deductible, and the CDHP plan with a $2,000 individual deductible.
2. There will be NO health reimbursement account linked to the PPO plan. A $1,000 HRA will continue with the CDHP plan.
3. The churches will pay an increased premium of $1,050 per month.
4. The clergy/participants will pay NO personal contributions.

Hence, the churches will have a 5% increase in premium expense for the first time in three years and, in general, the participants will experience neutral impact or a slight decrease in out of pocket expenses related to premium and deductible.

The cost of the Clergy Retirement Security Program fluctuates year to year because of the Defined Benefit component. The cost for 2017 is provided in the chart below.

Our method of calculating the Retiree Premium is in a state of transition. We will use a factor derived from the amount churches pay for shared ministries as the multiplier for calculating the retiree premium. We will cap the resulting increase or decrease at 10%. Churches will receive notification in August.

I anticipate that following General Conference, there will be some adjustments to the Comprehensive Protection Plan (CPP) which will require communication and education but should not affect premiums.

|  |  |
| --- | --- |
| **2017 Benefit Premiums**  |  |
| Clergy Retirement Security Program (CRSP) | 13.75% of compensation  |
| Comprehensive Protection Plan (CPP) | 3% of compensation |
| Church Health Insurance Premium (MED) | $1,050 per month  |
| Pastor’s Personal Premium (PERS) | -0- (regardless of plan or coverage level)  |

Lastly, part of my responsibility as the benefits officer is to develop a Comprehensive Benefit Funding Plan on an annual basis, to be approved by the CBOPHB and accepted by both the General Board and the Annual Conference. The summary which follows this report shows the results of the 2017 plan, which has been accepted by the General Board.

Vicki L. Putney, Director of HR/Benefits

**UNY 2017 Comprehensive Benefit Funding Plan Summary**

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 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 2017 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, 2015 is $1.271 billion, while total plan assets are $1.407 billion, resulting in a current plan funded ratio of 111%. The Upper New York Conference portion of the liability is 2.1670% with a 2017 contribution of $1,970,279. The conference anticipates that the amount will be funded by Direct Bills to local churches.

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 $460,000 and will be funded by billing directly to local churches based on 3% of compensation.

**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 the funds are to be distributed. The remainder may be rolled over to UMPIP, into an IRA or another qualified plan, or it may be paid out as a lump sum.

**Current funding plan information:**

The Ministerial Pension Plan (MPP) annuities’ total liability as of January 1, 2015 is $3.122 billion, while total plan assets are $3.509 billion, resulting in a current plan funded ratio of 112% and no required contribution for 2017. The Upper New York Conference’s portion of the total liability is 2.7015%. Future MPP annuitants have a total account balance of $4.145 billion and the Upper New York Conference’s portion of that balance is $94,662,624 or 2.28% of the total.

**PRE-1982 PLAN**

**Plan overview:**

Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-1982 Plan, provides clergy with a pension benefit for their years of ministry with The United Methodist Church prior to 1982. The pension rate, also called the Past Service Rate (PSR), is the dollar amount chosen by the Conference as the amount payable for each approved year of service with pension credit. In certain situations, the benefit received from the Pre-1982 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 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 2017 PSR recommended to the Upper New York Conference will be $625.00, representing a 2.12% increase from the 2016 rate. The conference expects future increases to be approximately 2.00%, which is based on the following rationale: The UNY CBOPHB feels that retirement income should increase according to the general COLA provided to active clergy.

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

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

|  |  |
| --- | --- |
| Funding Plan Liability | $(62,044,071) |
| Assets, including In-Plan and Outside | 73,515,856 |
| Funded Status | $11,471,785 |
| Funded Ratio | 118.49% |

**ACTIVE HEALTH BENEFIT PROGRAM**

**Program Overview:**

The Upper New York 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 2017 is anticipated to be $3,958,531 and will be funded by direct billings to local churches, pastor personal contributions, shared ministries and reserve funds. It is anticipated that increases for future years will average 5.0%.

***Additional Conference Sponsored Coverage***

The Upper New York 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 (all figures as of 12/31/2015):

| **Category:** | **Number of Participants** | **Estimated Cost** |
| --- | --- | --- |
| 1. Clergy and/or lay participants on disability
 | 10 | $390,000 |
| 1. Dependents of deceased clergy in active status at time of death
 | 2 | $13,500 |

**POST-RETIREMENT MEDICAL BENEFIT PROGRAM (PRM)**

**Program Overview:**

The Upper New York Conference post-retirement medical program currently offers One Exchange.

**Current funding plan information:**

The conference’s expectation for 2017 is to offer the following benefits: All eligible post-65 retirees are enrolled in OneExchange.

The funding obligation for 2017 is anticipated to be $1,915,555 with the following funding sources: Account assets and new incoming askings. On a longer term basis, the conference intends to ensure funding by billing 45% of cost to local churches and to pay the remaining 55% on a year-by-year basis from reserves.

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

|  |  |
| --- | --- |
| 1. Expected Post Retirement Obligation (EPBO) or net conference cost
 | $28,455,158 |
| 1. Accumulated Post Retirement Obligation (APBO) or net conference cost
 | $22,913,875 |
| 1. Assets designated for PRM
 | $4,750,637 |
| 1. Service Cost (SC) or net conference cost
 | $780,712 |

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

|  |  |
| --- | --- |
| 1. Funded Status, [3. – 2.]
 | $(18,163,238) |
| 1. Number of Annual Payments
 | 20 |
| 1. Portion of Funded Status Payable [5. / 6., but zero if 5. is positive]
 | $908,162 |
| 1. PRM Funding Contribution, Informational purposes only [4. + 7.]
 | $1,688,874 |

These values are based on a 3.75% long term discount rate, a 0.0% long-term expected rate of return on assets, and a current medical trend rate of 7.0% with an ultimate medical trend rate of 4.50%, 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.

**Current funding plan information:**

The Upper New York Conference has made the following elections: full time (all statuses) and three-quarter time (FE, PE, AM) appointed clergy have mandatory participation under special arrangements, while half-time appointed clergy (FE, PE, AM) have optional participation under special arrangements.

For 2017, the Upper New York Conference has an expected required contribution to the Comprehensive Protection Plan of $565,600, which is anticipated to be funded by direct billing to local churches with participating clergy at 3% of compensation. The anticipated average increase in future years is expected to be 2.00% per year as a result of anticipated 2% increases in salaries.

**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 20 hours per week or more are eligible after 12 months for a plan sponsor funded pension contribution of 9% of salary. Lay employees are required to make contributions toward their retirement through payroll deductions to the UMPIP. The estimated contribution for the Upper New York Conference is anticipated to be $179,100 and will be funded via the Shared Ministries budget.

The Upper New York Conference, as of January 1, 2017 is recommending UMPIP for clergy serving half-time and they will be eligible for a pension contribution of 9% of salary. The estimated contribution for the Conference is anticipated to be $105,575 and will be funded via billings to local churches at 9% of compensation for pastors serving at 50%.

**OTHER CONFERENCE BENEFIT OBLIGATIONS: DEFINED CONTRIBUTION (DC) TYPE**

**Plan Overview:** The Upper New York Conference currently offers the following DC benefit(s): UMLife LTD and Death Benefit for Lay Employees. The funding obligation for 2017 is anticipated to be $32,300 with the funding sources to be: Shared Ministry budget. The anticipated average increase in future years is expected to be 2.00% per year due to anticipated premium increases.

**Plan Overview:** The Upper New York Conference currently offers the following DC benefit(s): Retiree Emergency Fund. The funding obligation for 2017 is anticipated to be $100,000 with the funding sources to be the Deposit Account at the GBOPHB. The anticipated average increase in future years is expected to be 0.00% per year due to: the CBOPHB maintains a policy of setting aside $100,000 per year for these grants an does not expect that to increase.

**Plan Overview:** The Upper New York Conference currently offers the following DC benefit(s): Retiree Moving Expense. The funding obligation for 2017 is anticipated to be $21,525 with the funding sources to be the shared ministry budget. The anticipated average increase in future years is expected to be 5.00% per year due to the number of retirements and inflation.

**OTHER CONFERENCE BENEFIT OBLIGATIONS: DEFINED BENEFIT (DB) TYPE**

**Plan Overview:**

The Upper New York Conference currently offers Special Grants for pension purposes to eight persons. The funding obligation for 2017 is anticipated to be $31,483 with the funding sources to be the Pension Reserve Fund. The anticipated average increase in future years is expected to be 2.00% per year in keeping with the increase in salaries and the past service annuity rate. The liability associated with this benefit is estimated to be $199,228 based on a discount rate of 4.00%.

**CONCLUSION**

The 2017 Comprehensive Benefit Funding Plan and the above Summary document incorporates, to the best of our understanding, the Upper New York Conference’s obligations and funding requirements of the benefits provided to the clergy and laity of the Upper New York Conference.