

## Pension and Insurance

### Purpose

The Board of Pension and Health Benefits is responsible for the following major activities within the Indiana Conference:

- To meet the disciplinary responsibilities for the establishment and oversight of pension and health benefits for eligible clergy members and lay participants, both active and retired.
- To act upon changes to those benefits as warranted.
- To establish eligibility guidelines where necessary.
- To communicate with participants, appropriate conference boards and agencies, the Bishop and Cabinet, and the General Board of Pension and Health Benefits as needed to effectively carry out our duties, disseminate information, and empower well-informed decision-making on the part of participants.
- A detailed report of our purpose, duties, and organization is found in ¶ 639 of *The Book of Discipline 2008*.

### 2009-2010 Annual Conference Year

Due to a limitation on available funds for the 2010 budget, the 2009 Annual Conference voted to change its retiree health insurance subsidy, which resulted in a reduction in conference funding for most retired participants. This was a difficult decision that directly affects the quality of life for many of our retirees.

The 2009 Annual Conference also created a Compassion Fund in order to assist retirees with hardships. Fortunately, there was a modest amount of seed money for the Compassion Fund so that requests for assistance were able to be acted upon prior to this year's local church offering to fund it.

The dual concerns of human need and wise stewardship will frequently be at odds with each other as the cost of providing health insurance for participants continues to outpace inflation. This does not mean solutions cannot be found; however, it does mean that the Annual Conference (and The Conference Board of Pension and Health Benefits) will regularly, if not annually, be challenged to prayerfully discern creative, wise, and sensitive solutions in the foreseeable future. We are currently working with the General Board to discern what effects the recent health care bill will have on our program. One thing is certain: neither participants nor local churches will be able to continue to bear the exorbitant increases the industry has passed on in recent years. More difficult decisions lay ahead.

We welcome Sherry Austin and Linda Eskew, who came onboard January 1, 2010 as support staff to Brent Williams, our conference benefits officer. They have done a remarkable job learning their positions even as the former conference offices were moving, consolidating, and adjusting to a new environment with new operating systems. They are available at the Conference Center to assist with issues, questions, and concerns. We also thank Brent Williams and Jennifer Gallagher, who have worked tirelessly during this past year's transition. The Indiana Conference is fortunate to be served by these two exceptionally capable directors.

It is an honor and a privilege to serve God and the Indiana Conference as your Board of Pension and Health Benefits. Please continue to remember the Board in your prayers as we address the benefits issues of our conference.

Greg Rittenhouse, Chairperson

### **Adequacy of Funding for CRSP Plans for persons already retired**

In the last year, the General Board of Pension and Health Benefits reported to the Council of Bishops and the Annual Conferences that all of the pension plans of the UMC had been adversely impacted by the market crash of 2008 and serious underfunding of the plans could occur. The General Board indicated to the Indiana Annual Conference, specifically, that the potential underfunding could require the Conference to make additional deposits of up to \$2.5 M for each of seven years beginning in 2011. In meetings with the Council of Bishops and with those responsible for Pension funding in the Conferences, including Conference Boards, Benefit Officers and Treasurers, the General Board detailed the causes of this potential need for additional deposits.

The Clergy Retirement Security Program consists of three plans from which our Retirees receive retirement income, depending on the years that were served.

Prior to 1982, **the pre-1982 Plan** pays an amount of \$608 (2010 rate) per service year for persons who had service prior to 1982. These payments are funded by monies that the Indiana Conference has on deposit with the General Board. Projections by the General Board placed the 2010 funding level for the pre-1982 Plan at 130%, which means that the Conference had more than sufficient assets to provide pension payments for respective retirees. Assuming normal market conditions, there would not be a need to add more funds to pay this liability for all current and future retiree pensions for these service periods.

From January 1982 through December 2006, clergy were covered by **the Ministerial Pension Plan (MPP)**. Churches deposited monies to participant accounts. When participants retire, the account balance is annuitized at a set annuity rate. For 2010, the Indiana Conference funding level to pay MPP annuities was at 120%, which would adequately provide for our retirees.

However, prior to 2006, the plan, as adopted in 1981, had a guaranteed 8% annuity rate. In 1981, this rate made sense, when invested funds were earning in excess of 8%. In later years, both market and national annuity rates dipped well below 8%, while the MPP Annuity rate remained at 8%. Keeping the MPP Annuity rate at 8% while our investments were not earning at rates above 8% jeopardized future ongoing funding of these set MPP Annuities. The rate was changed by General Conference in 2004 in order to rectify this danger for the future, and since that time all MPP annuities are based upon a market annuity rate. The General Conference action did not address the potential underfunding that would be caused by a severe downturn in the market, which could put at risk the funding of MPP annuities, set at the former 8% rate.

The **Clergy Retirement Security Program, Defined Benefit Program (CRSP-DB)** is a modification of the two former plans and took effect in its new form on January 1, 2007. The plan provides 1.25% of the Denominational Average Compensation (an average of all full time clergy salaries across the denomination) per year of service since January 1, 2007. For 2010, the funding level for this plan was at 90% and, when combined with our on-going yearly contributions, was sufficient for funding all current participants.

When the General Board made their report to Annual Conference personnel in March, 2009, the report showed that Projected Funding Levels for the Indiana Conference for these three plans for **plan year 2011** were as follows. Pre-1982 funding was projected to be at 91%; MPP funding was projected to be at 93% and CRSP-DB funding was projected to be at 79%. (The General Board gives estimates each September for the year that will begin in 15 months so that Conferences can

plan funding decisions to take to Annual Conference. Giving preliminary estimates in March, 2009, notified the conferences of a potentially significant financial need.)

Upon receiving this preliminary information and after discussions with professionals all across the denomination, Conference leaders, along with the Conference Board of Pensions, agreed to wait for the fall 2009 report, which would include a revaluation of assets and liabilities and allow time for consideration of any market corrections to take place.

In the meantime the Board of Directors of the General Board of Pension and Health Benefits, meeting in the summer of 2009, made a decision to assist Annual Conferences with this potential funding shortfall by approving a Comprehensive Protection Plan "Premium Holiday". The Premium Holiday would grant to Annual Conferences an amount of funds equal to their yearly CPP costs to use for funding any shortfall in pension funds needed to address the shortfall. This grant would be paid from excess reserves that already existed in the Comprehensive Protection Plan and would not have to be repaid. The Board of Directors' decision was to make this grant for three consecutive years, 2010-2012.

As a result of this decision of the Board of Directors, which provides \$1.2 M per year for three years and the improving market conditions that have increased conference assets available for funding, we are happy to inform the Indiana Annual Conference that all pension programs of the Conference will be sufficiently funded for 2011-2012 and no additional funding is needed at this time. By January 1, 2012, the General Board projects that the Indiana Conference Plans will be funded at the following levels; pre-1982 -109%; MPP – 103% and CRSP-DB – 93%.

The Conference Board of Pension, Staff and the General Board of Pension and Health Benefits are continuing to evaluate future funding needs of the Pension Plans and the long-term ability of the Conference to continue to meet these obligations. Our ability to fund these plans is based upon having sufficient assets on deposit at the General Board, sound financial decisions by the Annual Conference on setting future pension rates, and good market conditions