



Conference Forum—March 2021



Wespath

BENEFITS | INVESTMENTS

Conference Risk Dashboard

Risk Defined

Risk
=
Uncertainty

Pension Risk

Two key risks we worry about:



Plan Sponsors

“Am I going to be required to make unexpected contributions?”



Participants

“Am I going to lose part of my benefit?”

Wespath needs to ensure that all stakeholders are aware of the level of risk they are exposed to.

Pension Risk

Risk = Uncertainty ✓

But:

**How Do You *Measure/Quantify*
Risk and Uncertainty?**

Risk Dashboard

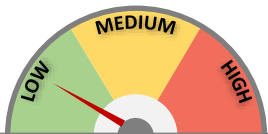
- Four quantitative aspects
 1. Liabilities and funding level
 2. Contribution level
 3. Level of reserves
 4. Changes to Church membership

Risk Dashboard

- Quantifies each risk using stoplight system, i.e., **green** vs. **yellow** vs. **red** risk designation
- Driven by relevant metrics
- Rollup risk metric determines overall risk status
- Intent is to track risk and understand changes over time

Risk Dashboard

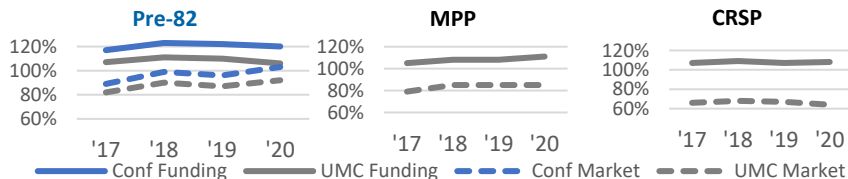
Let's look at an example...



2020 Risk Dashboard

ABC Annual Conference

LIABILITIES & FUNDING LEVEL



\$41M
WITHDRAWAL
LIABILITY

The withdrawal liability as of February 1, 2021 is **40.3%** of the churches' 2019 income.

\$2M
RETIREE
MEDICAL

The postretirement medical plan underfunding, based on your 2021 CBFP, is **1.9%** of the churches' 2019 income. This underfunding is in addition to your pension liability.

\$586
DEBT-PER-
DONOR

On a per-attendee basis, the 2020 underfunding of the pension liability (on a market basis) is **\$586**. This compares to an average across all conferences of **\$1,030**. This does not count the postretirement medical liability.

PRE-82 RESERVES

The **ABC** Annual Conference has sufficient in-plan assets such that the 2022 Pre-82 contribution is \$0 but does maintain a Pre-82 pension reserve of **\$2** million according to the 2021 CBFP.

CONTRIBUTIONS

1.1%
PENSION
EXPENSE

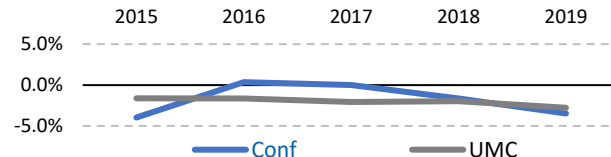
The pension contributions of **\$1.2** million for 2022 represent **1.1%** of the churches' 2019 annual expenses. This compares to an average across all conferences of **1.8%**. Over the past five years, the pension contribution **has decreased** from **1.3%** to **1.1%** of church expenses.

\$30
DOLLAR-PER-
DONOR

On a per-attendee basis, the 2022 pension contributions amount to **\$30**. This amount **has decreased** from **\$35** five years ago and compares to a 2020 average across all conferences of **\$47**.

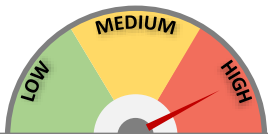
CHURCH MEMBERSHIP

-1.8%
PER YEAR



The **ABC** Annual Conference has **lost** church membership at a rate of **-1.8%** per year over the past five years. This is **less** than the five-year average of **-2.3%** across all U.S. conferences. Most recently, your rate has been **-3.5%**.

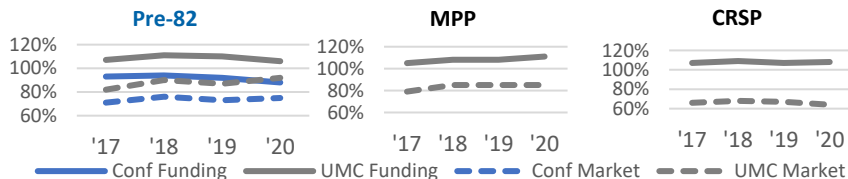
Meanwhile, the number of churches has **decreased** at a rate of **-1.4%** over the past five years, and the number of Full-Time Equivalent (FTE) active clergy has **decreased** by **-2.2%** per year.



2020 Risk Dashboard

XYZ Annual Conference

LIABILITIES & FUNDING LEVEL



\$70M
WITHDRAWAL
LIABILITY

The withdrawal liability as of February 1, 2021 is **107.6%** of the churches' 2019 income.

\$21M
RETIREE
MEDICAL

The postretirement medical plan underfunding, based on your 2021 CBFP, is **32.6%** of the churches' 2019 income. This underfunding is in addition to your pension liability.

\$1,936
DEBT-PER-
DONOR

On a per-attendeé basis, the 2020 underfunding of the pension liability (on a market basis) is **\$1,936**. This compares to an average across all conferences of **\$1,030**. This does not count the postretirement medical liability.

PRE-82 RESERVES

0
YEARS

Based on your 2021 CBFP, the XYZ Annual Conference maintains pension reserves of **\$0** million. This requires that all future contributions are funded from incoming money whereas the average conference has reserves of about **8.3** times their most recent annual contribution level.

CONTRIBUTIONS

4.5%
PENSION
EXPENSE

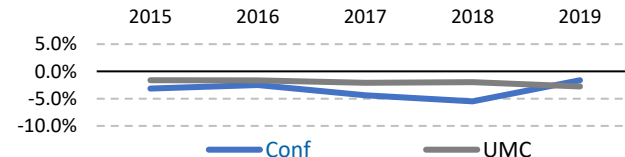
The pension contributions of **\$3.2** million for 2022 represent **4.5%** of the churches' 2019 annual expenses. This compares to an average across all conferences of **1.8%**. Over the past five years, the pension contribution **has increased** from **2.3%** to **4.5%** of church expenses.

\$133
DOLLAR-PER-
DONOR

On a per-attendeé basis, the 2022 pension contributions amount to **\$133**. This amount **has increased** from **\$60** five years ago and compares to a 2020 average across all conferences of **\$47**.

CHURCH MEMBERSHIP

-3.4%
PER YEAR



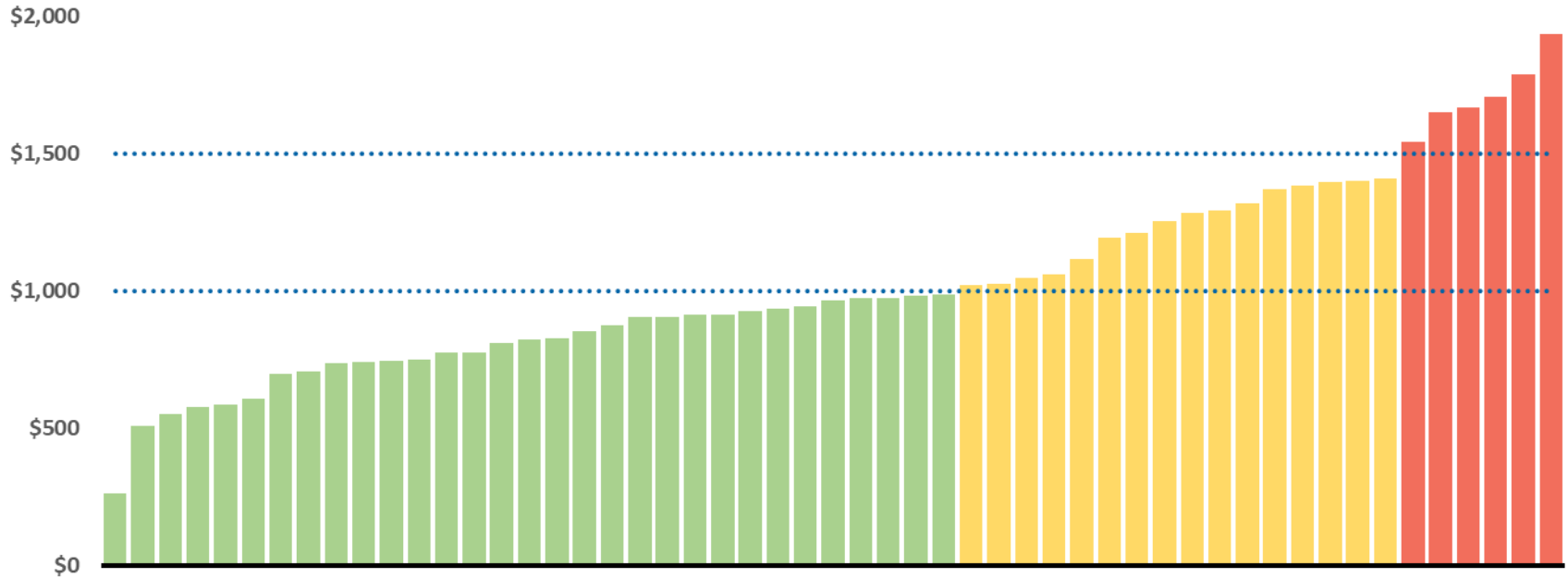
The XYZ Annual Conference has **lost** church membership at a rate of **-3.4%** per year over the past five years. This is **more** than the five-year average of **-2.3%** across all U.S. conferences. Most recently, your rate has been **-1.6%**.

Meanwhile, the number of churches has **decreased** at a rate of **-1.5%** over the past five years, and the number of Full-Time Equivalent (FTE) active clergy has **decreased** by **-2.4%** per year.

Example Risk Metric #1

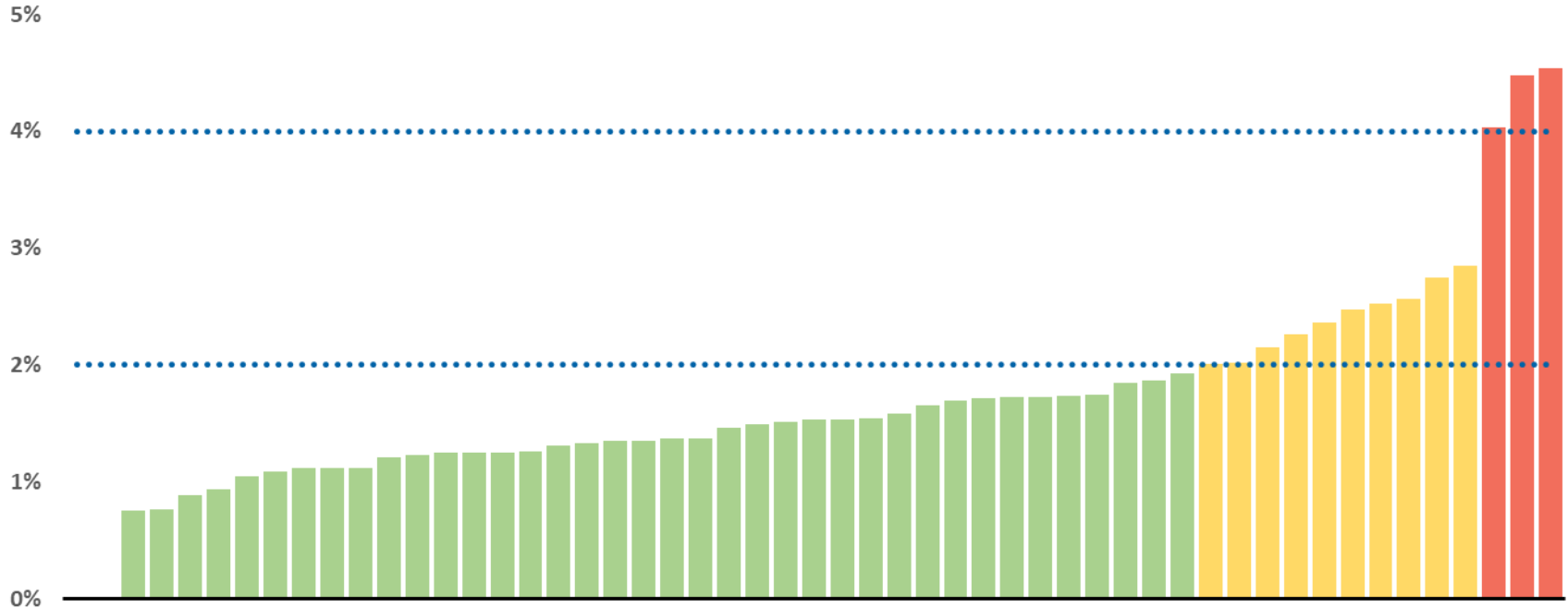
Debt-Per-Donor (\$)

(Pension Underfunding on Market Basis per Average # of Church Attendees)



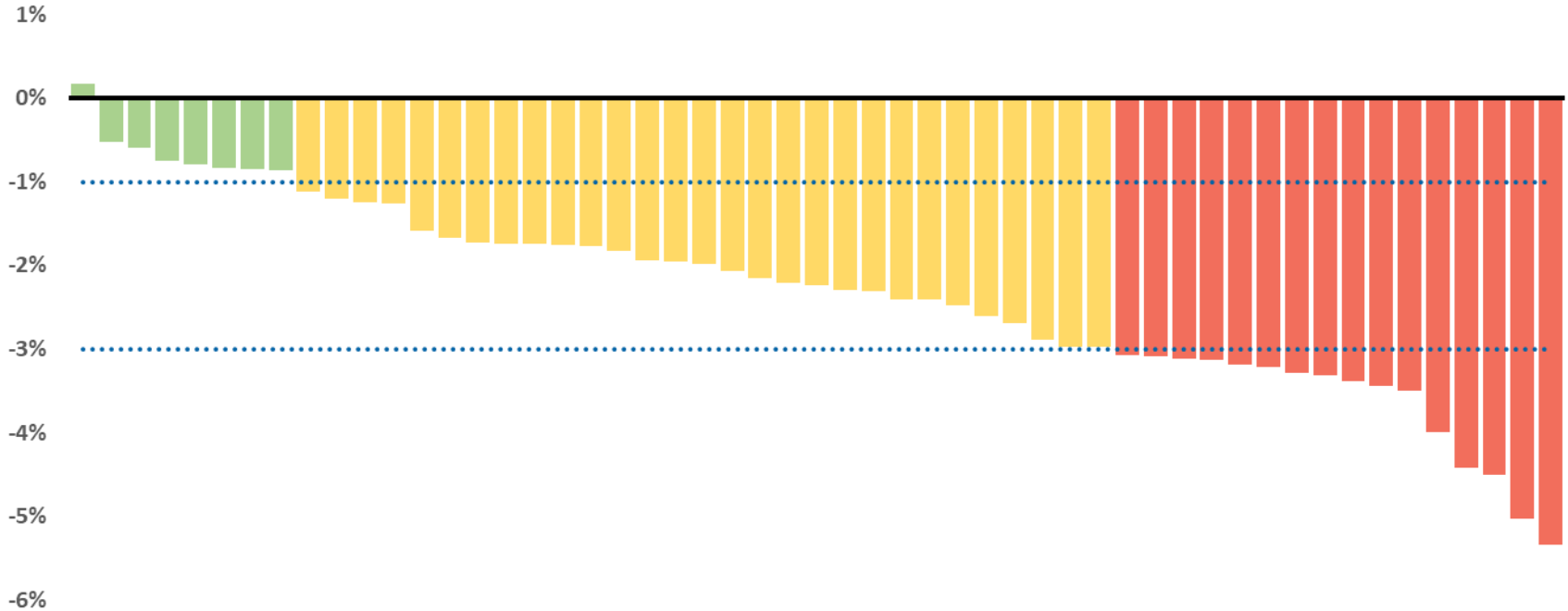
Example Risk Metric #2

Pension Expense as % of Operating Expense



Example Risk Metric #3

Annual Rate of Change in Membership



Next Steps

- Finalize each conference's risk dashboard
- Present dashboards to each conference
 - Involve key conference staff in discussion
 - Most likely at same time as Benefit Plan Summary Reports
- If warranted, discuss the need for specific action(s) and prepare a plan

Questions / Suggestions





Wespath

BENEFITS | INVESTMENTS