



Conference Forum



Wespath

BENEFITS | INVESTMENTS

2021 Actuarial Valuation Results Update

Agenda

- Executive Summary
- Assumption Study
- January 1, 2021 Valuation Results
 - Corridor Funding
 - Pre-82 Funding
- 2020 Observed Mortality
- Withdrawal Liability
- Closing Comments



Executive Summary

	Pre-82		Corridor	
Valuation Date	1/1/2020	1/1/2021	1/1/2020	1/1/2021
Prior Year Asset Returns	19.45%	15.45%	21.08% (CRSP) 14.89% (MPP)	CRSP 18.21% MPP 12.47%
Funding Funded Ratios	105%	116%	110%	121%
Contributions	\$12M	\$0M	\$90M	\$80M
Sept 1 Withdrawal Liability (unfunded)	\$645M	\$176M	\$3,833M	\$2,267M



Actuarial Assumption Study

Assumption Study Completed This Year

- Assumption changes effective 1/1/2021
- Analyzed plan experience for the following:

Decrements	Other demographic assumptions
Mortality rates	Married Percentage
Retirement rates	Spouse Age Difference
Withdrawal rates	Gender Percentage
Disability rates	DAC Increases

- Used experience from 2015 through 2019 (with some exceptions)

Mortality Assumption

**RP-2014 White
Collar MP2016**

Standard table created by the Society of Actuaries using data from 2004-2008



**PRI-2012 Top
Quartile MP2020**

Standard table created by the Society of Actuaries using data from 2010-2014

Life Expectancy decreased slightly with updated assumption.

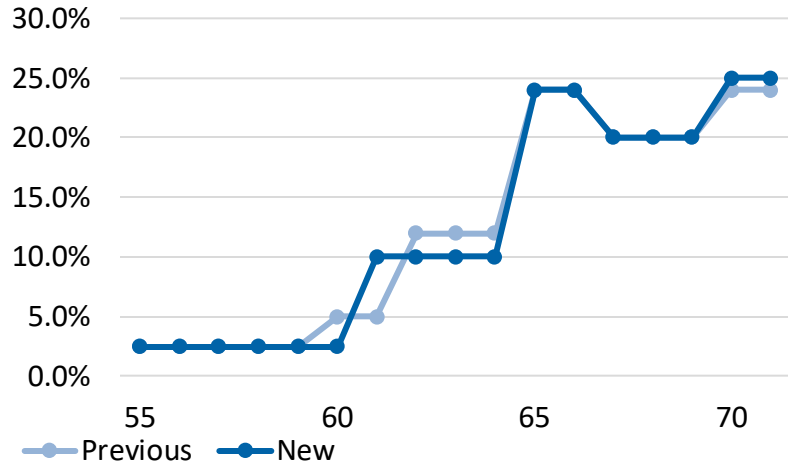
Life Expectancy of 65-Year-Old Retiree As of 2021

	Old	New
Male	22.7	21.7
Female	24.6	24.0

Retirement and Withdrawal Assumption

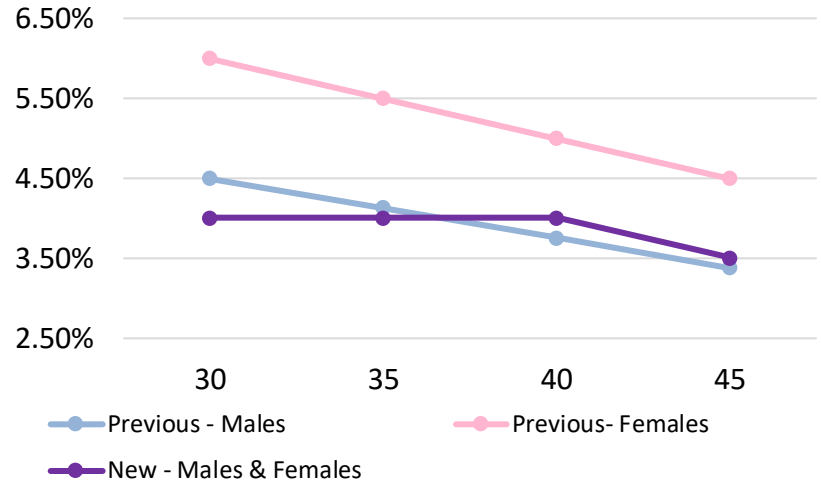
- Slight tweaks to Retirement Rates based on recent experience
- Change to unisex Withdrawal Rates based on recent experience

Retirement Rates



*Retirement rates 100% for ages 72+

Withdrawal Rates



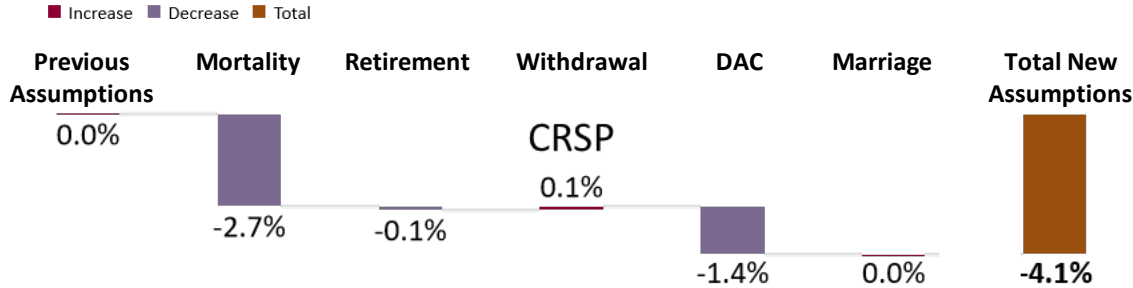
Other Assumptions

Assumption	Previous Assumption	New Assumption
Married Percentage	85% of males & 45% of females are married	85% of males & 50% of females are married
Spouse Age Difference	Males are two years older than their spouses	No change
Gender Percentage	70% male / 30% female	65% male / 35% female
DAC Increase*	2.5%	2.0%

**Analyzed historical DAC increases and part-time/full-time UMC clergy trends*

Impact on Liabilities and Funded Ratios

Impact of each assumption change, based on 2021 Liabilities



Impact on 2021 Funded Ratio

Previous Assumptions		New Assumptions
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113% → 118%

Previous Assumptions		New Assumptions
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118% → 122%

Previous Assumptions		New Assumptions
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112% → 116%



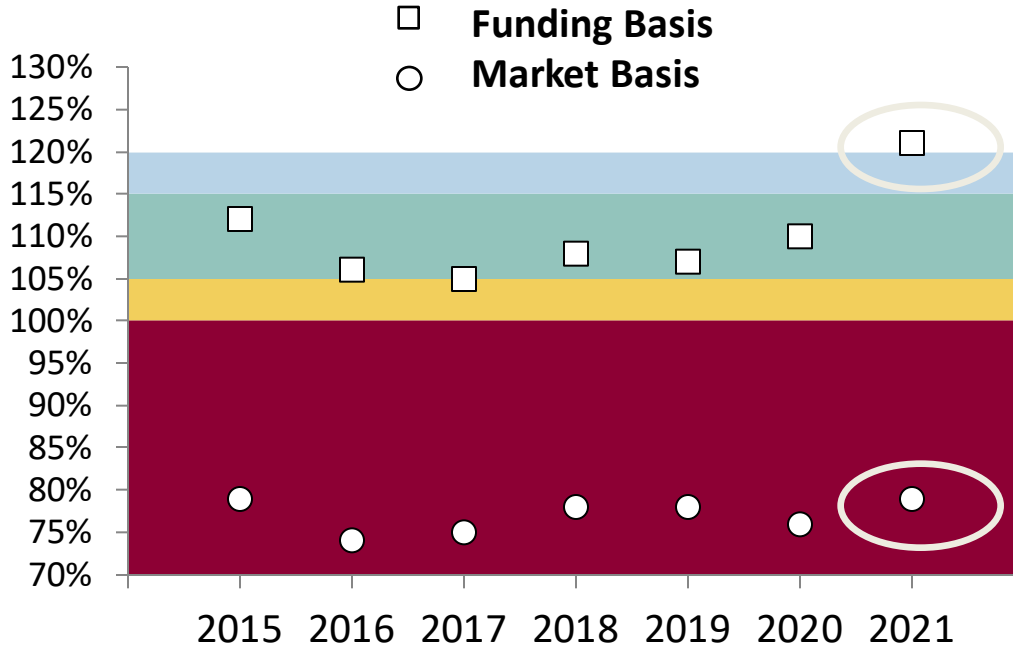


January 1, 2021 Valuation Results

Corridor Funding



Corridor Funding Results



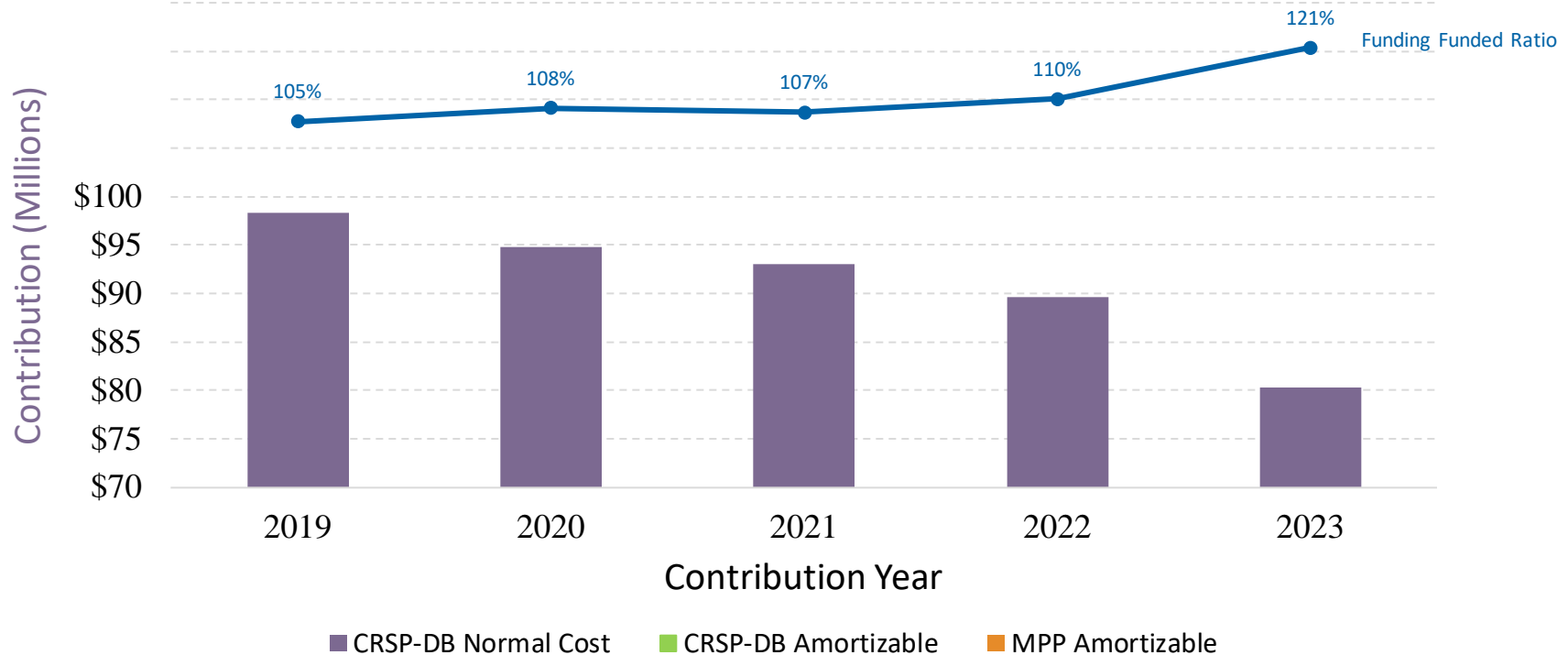
Market Basis Funded Ratio	Funding Basis Contribution Method	MPP Annuities Equities
120% +	None	10%
115-119.9%	Reduced	20%
105 - 114.9%	Normal Cost ¹	30%-40%
100 – 104.9%	Normal Cost ¹	40%
Under 100%	Normal Cost ¹ Plus Payment on Unfunded Liability on a Funding Basis	40%

¹ Normal cost reflects the cost of current benefit accruals and applies only to CRSP DB.

Valuation Results Summary - Corridor

\$ Millions	Funding		Market	
Valuation Date	1/1/2020	1/1/2021	1/1/2020	1/1/2021
Assets	6,384	6,960	6,675	7,576
Liability	(5,797)	(5,766)	(8,768)	(9,552)
Funded Ratio	110%	121%	76%	79%
Contributions	90	80	N/A	
Discount Rate (CRSP/MPP)	7.00% / 6.25%	7.00% / 6.25%	3.19% / 2.90%	2.45% / 2.01%
Prior Year Asset Return	Smoothed		21.08% / 14.89%	18.21% / 12.47%

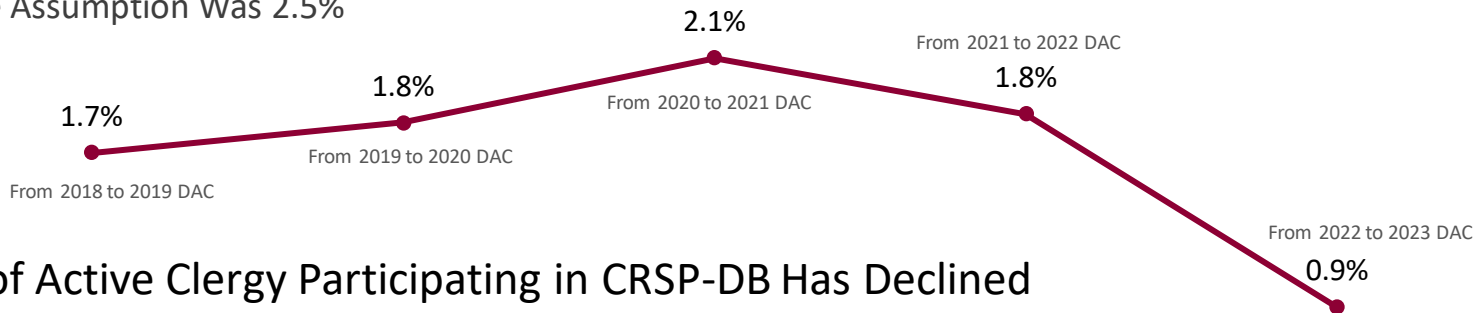
Corridor Funded Ratio Increasing And Contributions Decreasing



Why Has Normal Cost Been Declining?

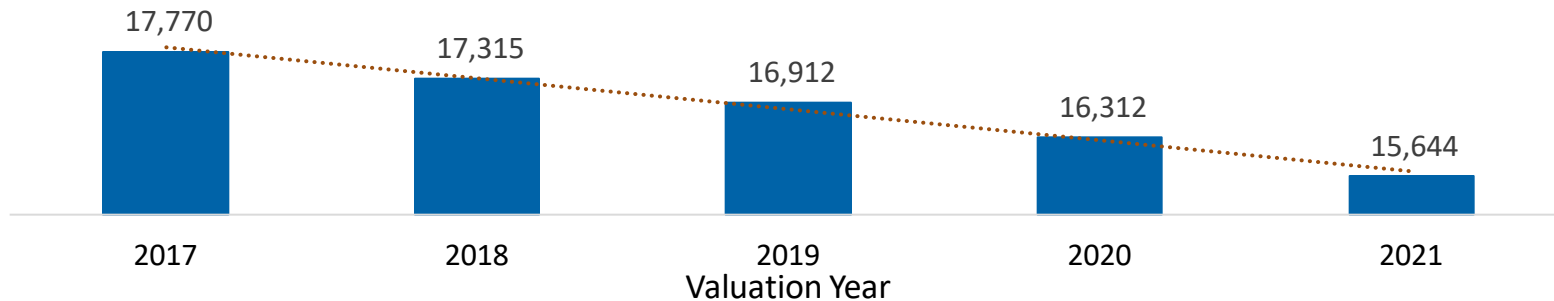
DAC Increases Have Been Lower Than Expected

DAC Increase Assumption Was 2.5%



Number of Active Clergy Participating in CRSP-DB Has Declined

Shown as Elected FTEs



Pre-82 Funding



Pre-82 Glide Path Actions in 2021

Equity allocation—**drop from 49% to 45%**

Discount rate for January 1, 2021 liabilities—
remains at 5.500%

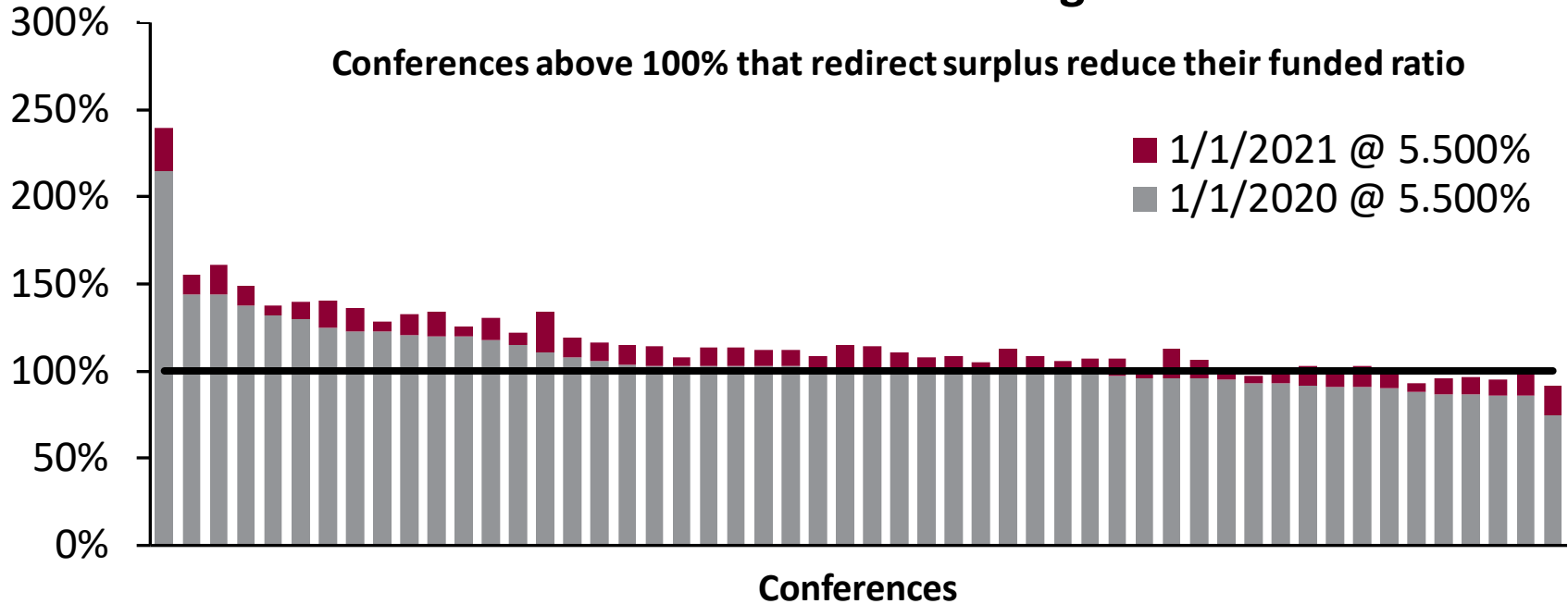
Valuation Results Summary – Pre-82

\$ Millions	Funding		Market	
Valuation Date	1/1/2020	1/1/2021	1/1/2020	1/1/2021
Assets	1,980	1,977	2,105	2,202
Liability	(1,880)	(1,707)	(2,313)	(2,243)
Funded Ratio	105%	116%	91%	98%
Contributions	12	0	N/A	
Discount Rate	5.500%	5.500%	2.770%	1.816%
Prior Year Asset Return	Smoothed		19.45%	15.45%

Funded Ratios Improved For All Conferences

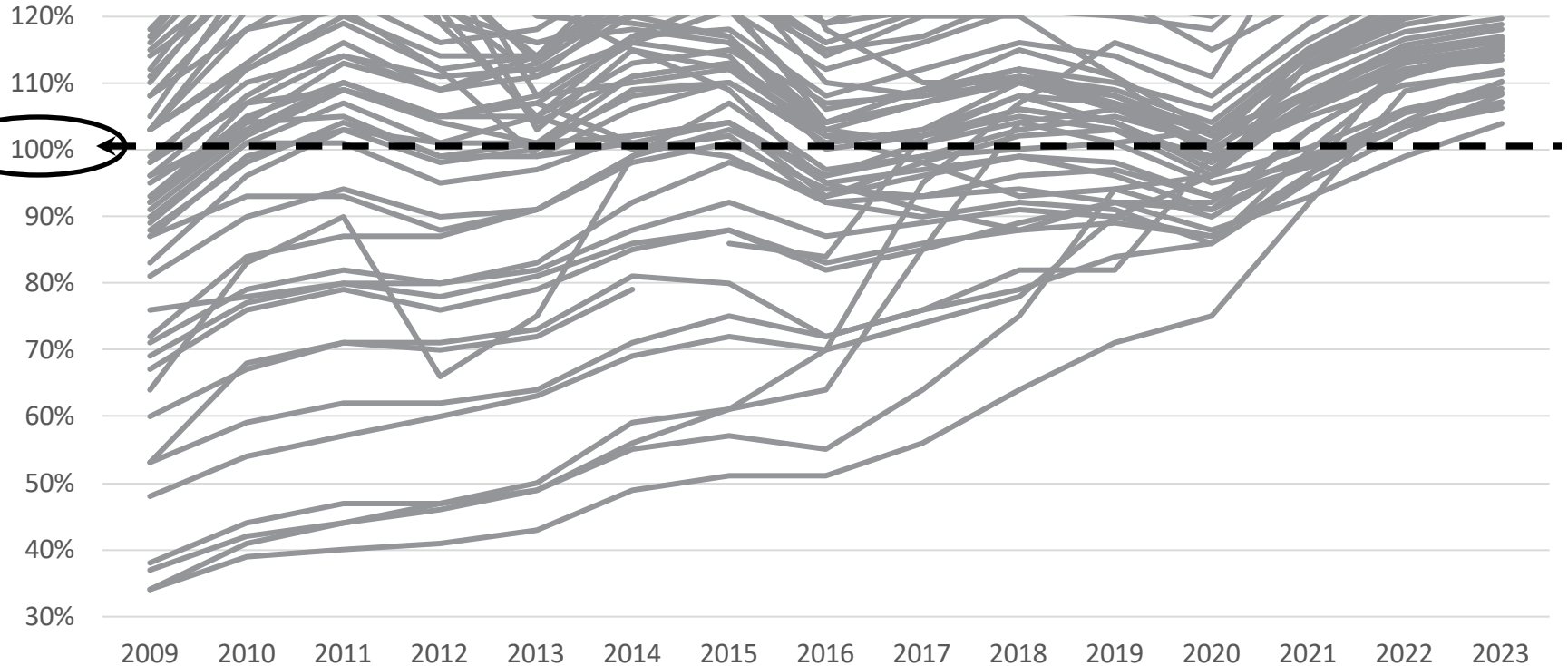
Funded Ratio* —Funding Basis

Conferences above 100% that redirect surplus reduce their funded ratio

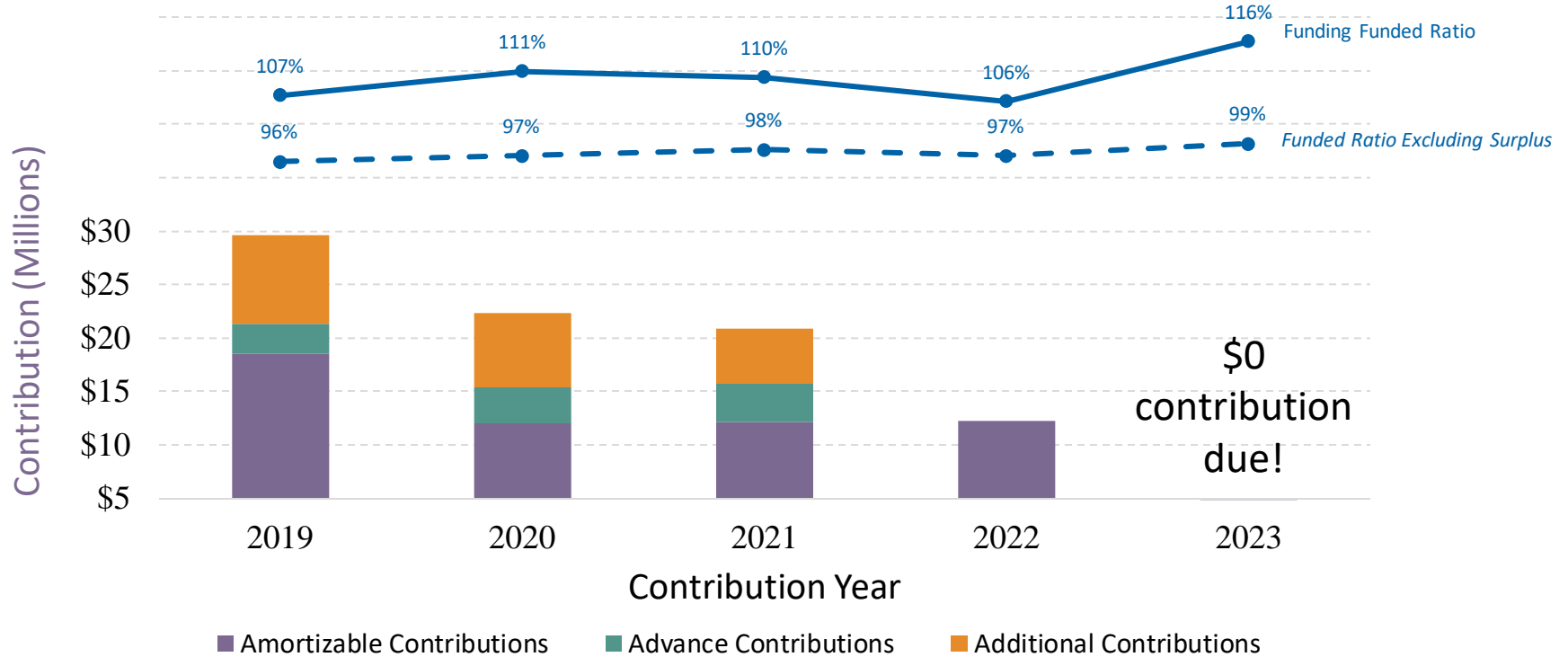


* Assuming no change in Past Service Rate (PSR)

All Conferences Projected to be 100% Funded by 2023!



Pre-82 Funded Ratio Increasing And Contributions Decreasing



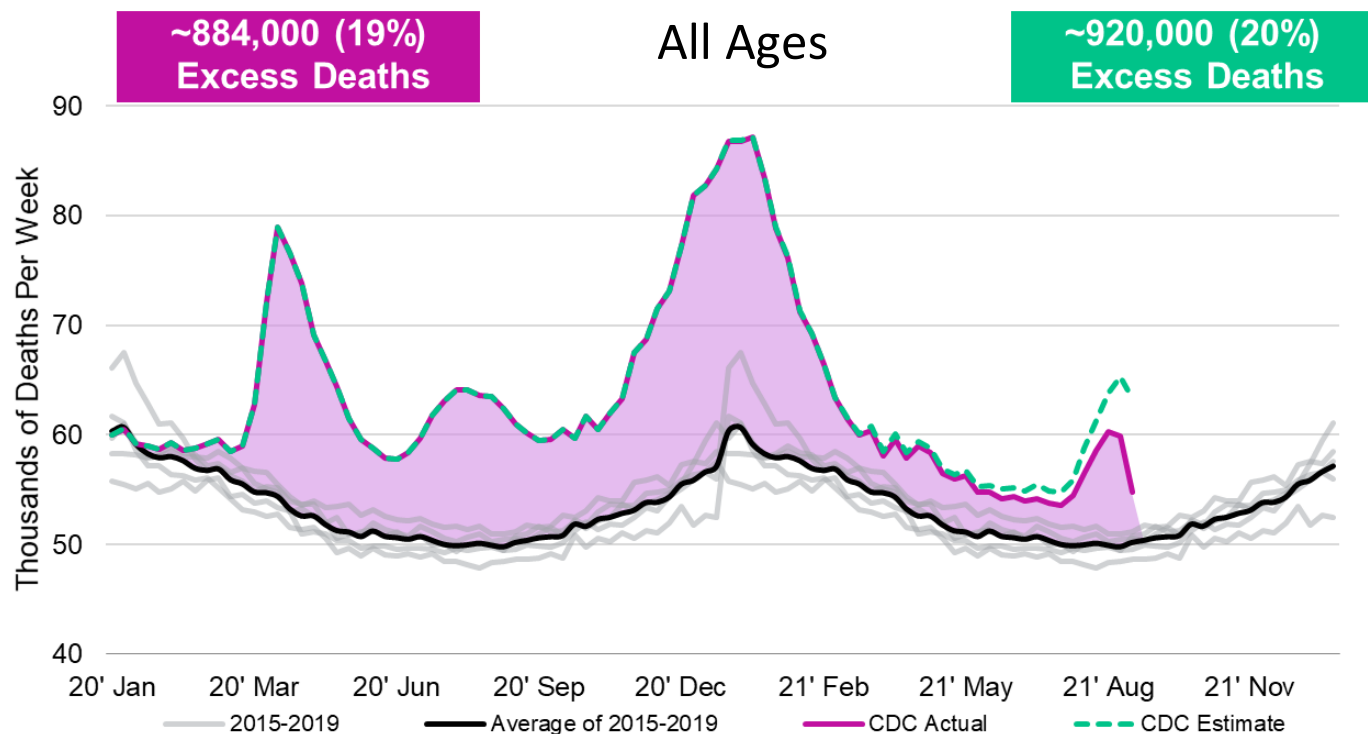


Observed Mortality in 2020

Comparing UMC Data to CDC “Excess Deaths”

- According to CDC, excess deaths (actual over expected) is the best measure to capture total effect of COVID-19 pandemic
- “Expected” for CDC purposes is average of 2015 to 2019 actual deaths
- Excess deaths = Actual 2020 deaths / (Average of 2015 -2019 actual deaths)
- To compare UMC clergy deaths to CDC statistics, we followed a similar approach
 - Averaged actual clergy deaths for years 2015-2019 (only clergy that participate in CRSP, MPP, Pre-82, or CPP)
 - Compared to actual clergy deaths in 2020
 - Did this in total for the year, not on a weekly basis like the CDC

Excess Deaths in 2020-2021—U.S. Data



568,000

Excess Deaths
in 2020 (20%)

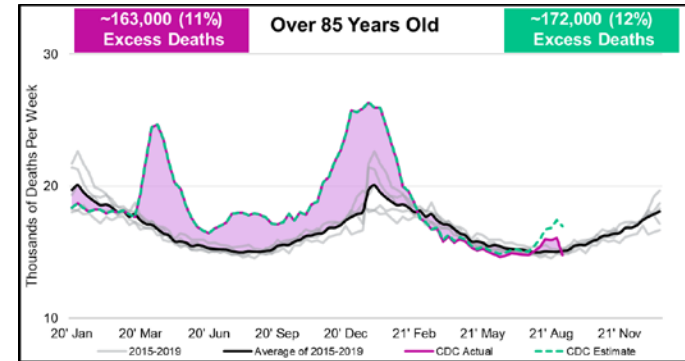
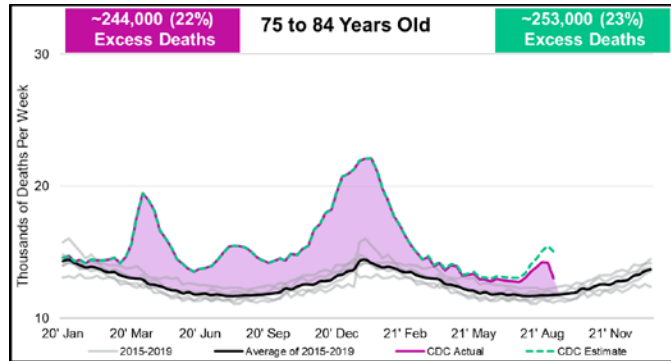
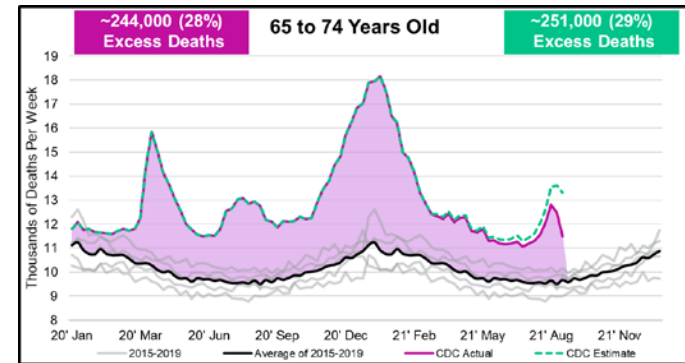
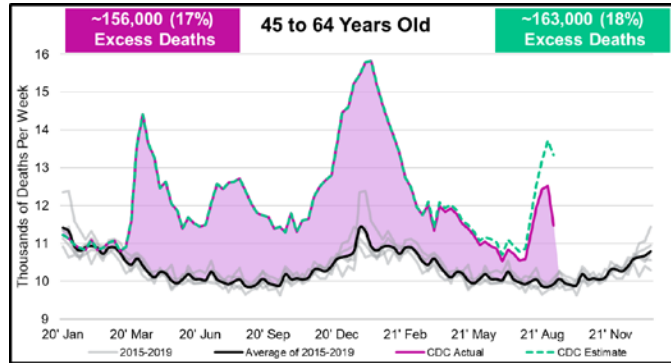
**317,000-
352,000**

Excess Deaths
through August
2021 (17-19%)

¹ CDC Estimate¹ is calculated by CDC by weighting inverse of completeness; completeness was estimated using provisional data from 2018-2019 at various lag times by reporting jurisdiction. Excess Deaths is measured by average of 2015-2019 actual deaths each week compared to actual reported deaths, data published 9/20/2021, data shown through 8/28/2021 due to reporting lag.

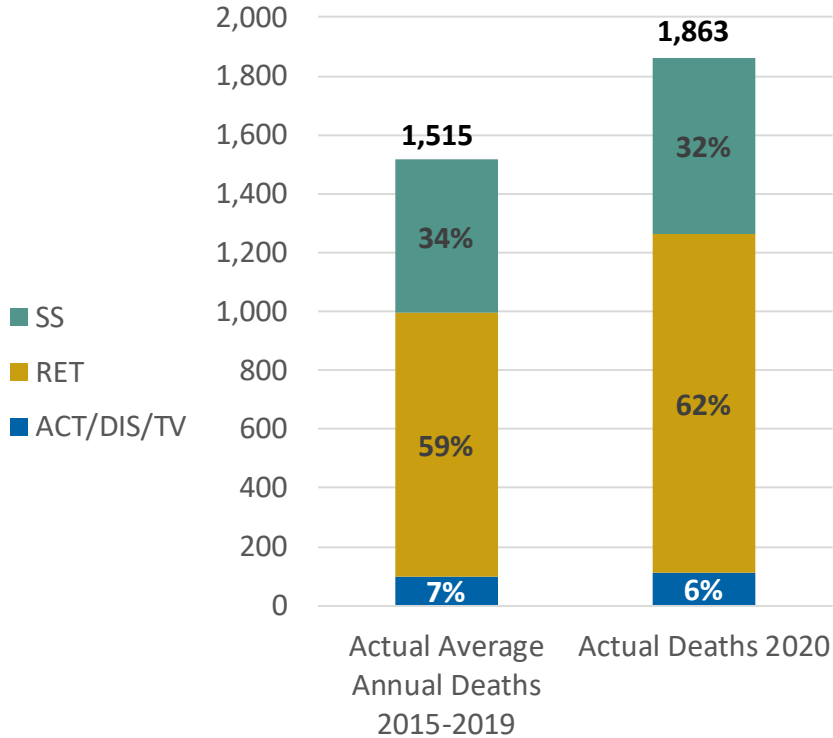
Excess Deaths in 2020-2021 — U.S. Data

By Age Groups



¹ CDC Estimate¹ is calculated by CDC by weighting inverse of completeness; completeness was estimated using provisional data from 2018-2019 at various lag times by reporting jurisdiction. Excess Deaths is measured by average of 2015-2019 actual deaths each week compared to actual reported deaths, data published 9/20/2021, data shown through 8/28/2021 due to reporting lag.

Excess Deaths in 2020—UMC Data



348 more deaths in 2020 than the 2015-2019 average

- 23% increase

Retirees had largest % increase in deaths

Status	Increase in Deaths	Avg. age
Not-in-payment*	14%	57
Retirees	28%	76
Surviving Spouses	16%	81

*Actives, Disableds, and Separated from Service

Excess Deaths in line with U.S. results from the CDC



Withdrawal Liability

Withdrawal Liability

What is it?

- Liability of a conference in accordance with *Book of Discipline* ¶ 1504 as amended by General Conference 2019 petition 90016

How is it used?

- In the determination of the unfunded liability of a conference who then assigns a portion of that underfunding to a separating church

What assumptions does it use?

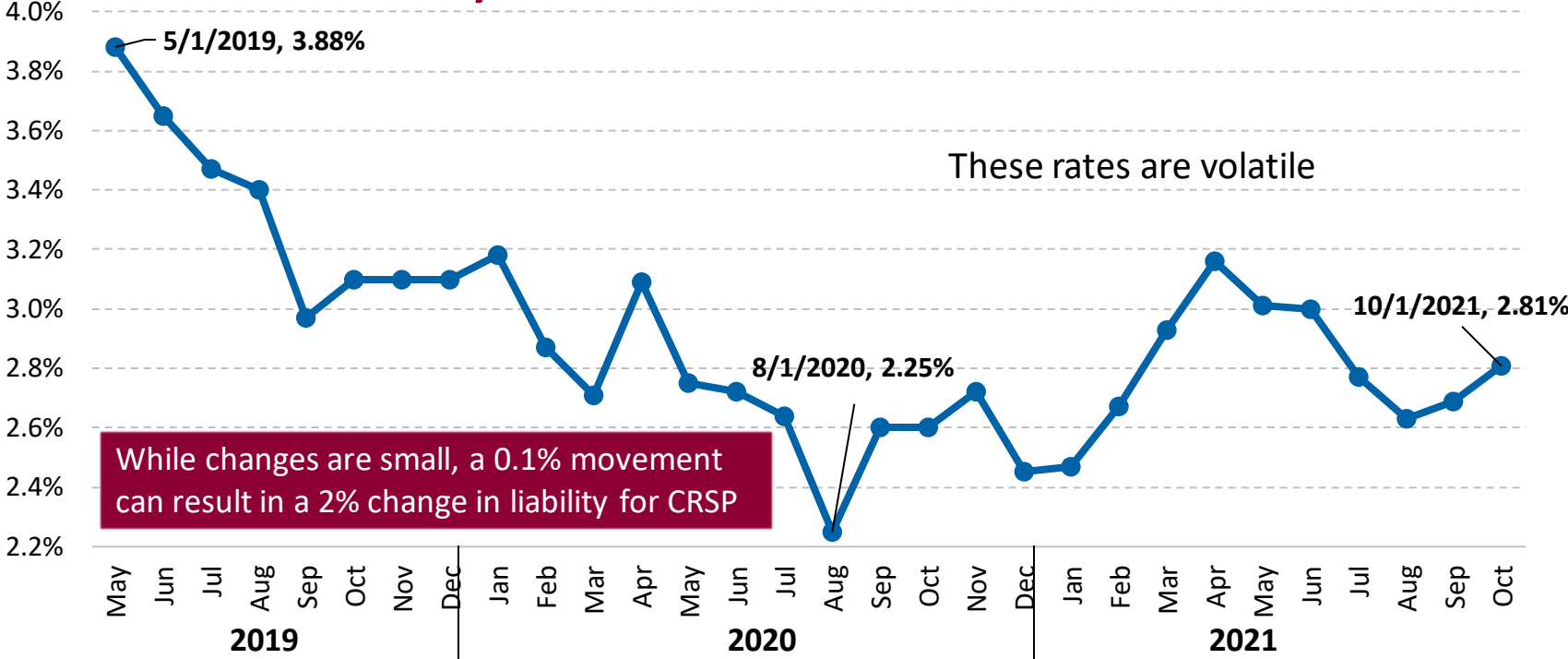
- Market discount rates and market value of assets
- PSR and DAC increases
- 10% risk transfer premium

Historic Interest Rate Environment—10 Year T-Bill Yields

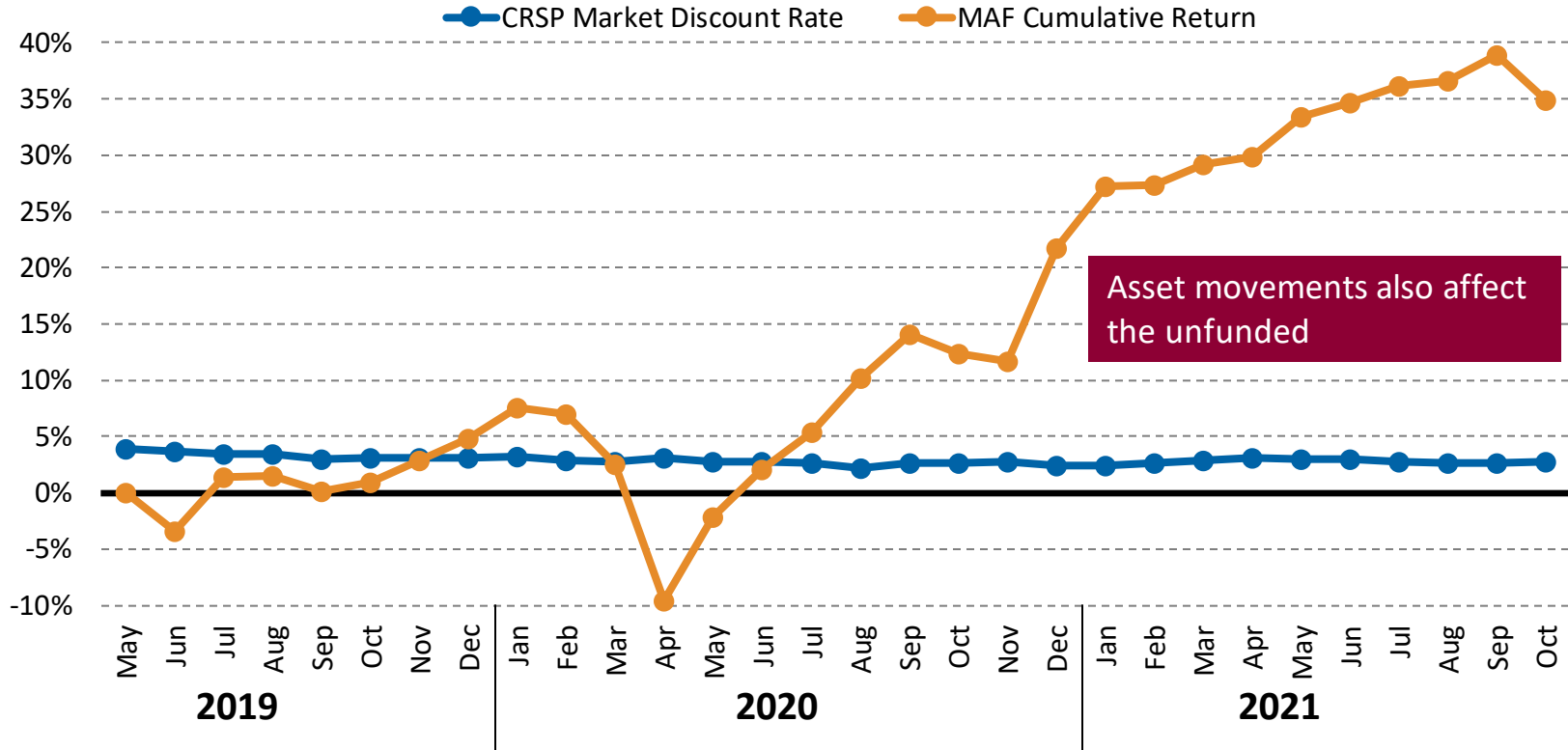


Withdrawal Liability—Market Discount Rate

CRSP May 2019 – Oct 2021 Market Discount Rates



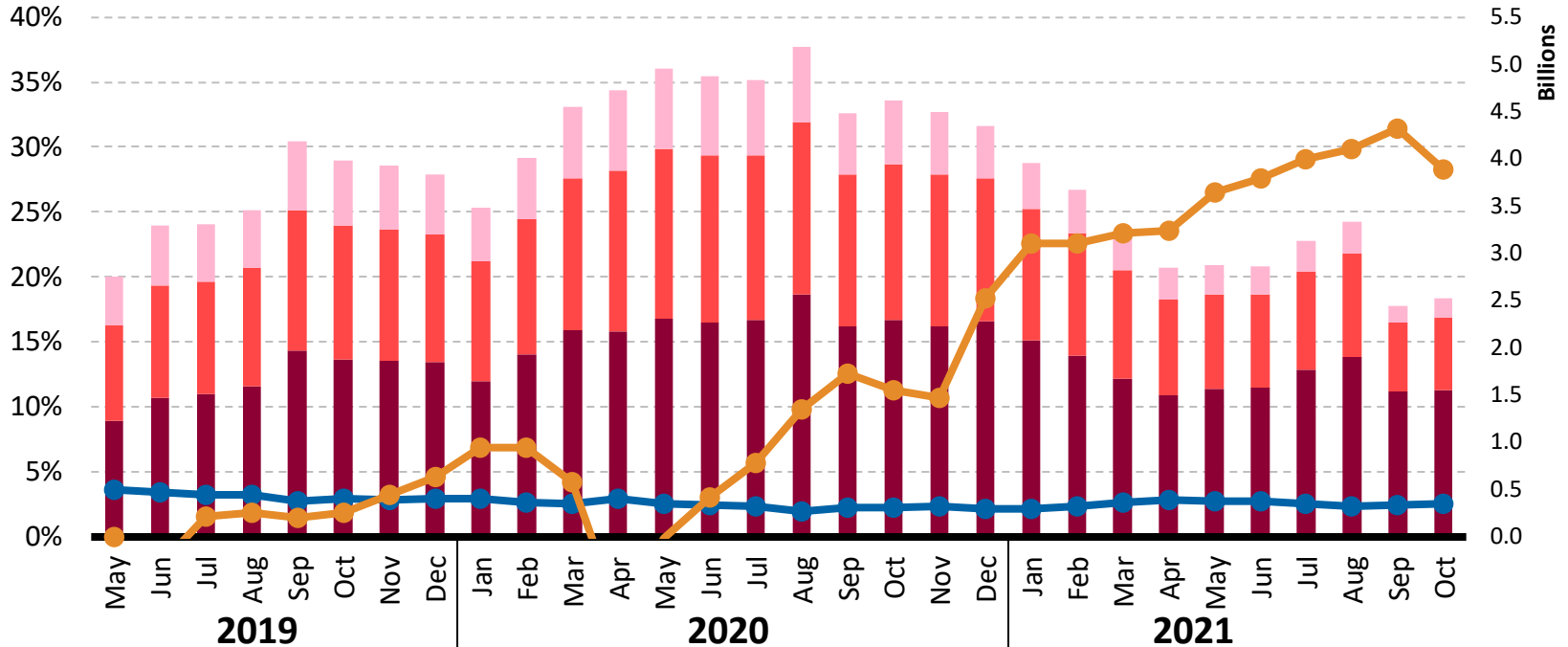
Withdrawal Liability—Asset Performance



Withdrawal Liability—Unfunded Volatility

■ CRSP Withdrawal Liability (unfunded)
 ■ MPP Withdrawal Liability (unfunded)
 ■ Pre-82 Withdrawal Liability (unfunded)


● Weighted Market Discount Rate
 ● Cumulative Return (weighted by MVA)





Closing Comments

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- For the Clergy DB plans:
 - Funding funded ratios have increased significantly for Corridor and Pre-82
 - Total required contributions for Pre-82 and Corridor continue to decrease and no 2023 amortizable contributions due for Pre-82! 
- 2020 Observed Mortality
 - Increase in clergy deaths in 2020 compared to recent years
 - “Excess deaths” in line with U.S. results from the CDC
- Unfunded Withdrawal Liability
 - Based on market rates and thus is volatile from month to month—this amount will continue to change as discount rates and asset performance change
 - Currently unfunded is at levels lower than May 2019—this is after doubling from May 2019 to August 2020



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