



July 22, 2009

Board of Directors' Update for Bishops and Conferences

Short-Term Funding Decision

The General Board of Pension and Health Benefits board of directors met on July 17-18, 2009 in Chicago and discussed feedback from conferences that indicated some type of significant relief is needed in order for them to be able to make the 2011 pension funding contributions. Early estimates of 2011 contributions were sent to conferences to allow the maximum amount of time for discussion and preparation. The pension funding shortfall resulted from the severe economic downturn of 2008.

The board concluded that the most prudent short-term solution to the pension plan underfunding situation was to declare a Comprehensive Protection Plan (CPP) "premium holiday" for 2010, 2011 and 2012. This action provides immediate relief to conferences; will not jeopardize the financial soundness of CPP (funding remains at target level); does not require General Conference 2012 action; retains a 100% MPP annuities funding target; and is in keeping with the fiduciary responsibility of both the board of directors and all plan sponsors.

CPP "Premium Holiday"

As allowed by the CPP plan, as approved by General Conference, the board voted to reduce CPP premiums to "zero"—a premium holiday—for 2010, 2011 and 2012. Although CPP premiums alone do not fully pay for claims, the historical experience of the plan has allowed a reserve to be established which covers the shortfall. Unlike the pension plans which became underfunded with the declining markets, CPP is adequately reserved even after the market decline and will be able to pay benefits on an ongoing basis without the three years of premiums. This premium holiday creates an opportunity for conferences to redirect the money they would otherwise pay into CPP to pay for increased pension contributions required in 2011 and 2012.

As discussed at the March Conference Forum, the board of directors was considering a proposal to have conferences make up the funding shortfall to reach 95% of MPP annuity funding, with the remaining 5% coming from CPP assets with the approval of General Conference 2012. This approach would have provided an estimated \$21 million in relief for 2011 contributions. Under the new approach, estimated CPP contributions of approximately \$39 million annually are made available for relief; conference contributions will continue to be based on a 100% funding target.

Board of Directors' Update

Long Term Sustainability Discussion

The board of directors also heard from the Sustainability Advisory Group—the 16 treasurers and benefit officers from across conferences (along with GCFA and GBOPHB staff) that formed in March with a mission to investigate the factors that affect benefit affordability and find solutions to address long-term financial sustainability.

The group brought forward the message that the economic downturn uncovered longer term, troubling financial issues within the denomination, including affordability of the infrastructure (guaranteed appointments, minimum salary and the current benefit plans). This examination by the conferences, the general agencies and the denomination-at-large must continue in order to address longer-term financial sustainability issues including “what benefits, for whom, and at what cost.”

All benefit plan design questions from a variety of sources including General Conference, various Church constituencies and SAG have been remanded to the committee of the board of directors responsible for benefit plan design recommendations.

Next Steps

The General Board will provide additional background and details about the board of directors' actions during two August conference calls. These calls will be an opportunity to ask questions in order to clarify conference options and responsibilities for 2011 and 2012 funding. Information will be released in advance of the calls.

Conference Call Schedule*

- Thursday, August 6, from 3:00-4:00 p.m., Central time
- Tuesday, August 11, from 10:00-11:00 a.m., Central time

** Each call will cover the same material*

We welcome your questions and feedback.

Grace and peace,



Bishop B. Michael Watson
Chairperson of the Board



Barbara A. Boigegrain
General Secretary