



Wespath

BENEFITS | INVESTMENTS

CONFERENCE FORUM—MARCH 2018

Estimated Actuarial Valuation Results— January 1, 2018

Agenda

- Actuarial Valuation Basics
- Assumption Update
- Corridor Funding (CRSP DB* and MPP*)
- Pre-82 Funding
- Contribution Potential Even If Plan 100% Funded

* CRSP DB: Clergy Retirement Security Program Defined Benefit

MPP: Ministerial Pension Plan

Actuarial Valuation

The actuarial valuation presents the plan's:

- **Assets**
- **Liabilities**
 - Today's value of future expected benefit payments
- **Funded Ratio**
 - $\text{Assets} / \text{Liabilities}$
- **Contribution**

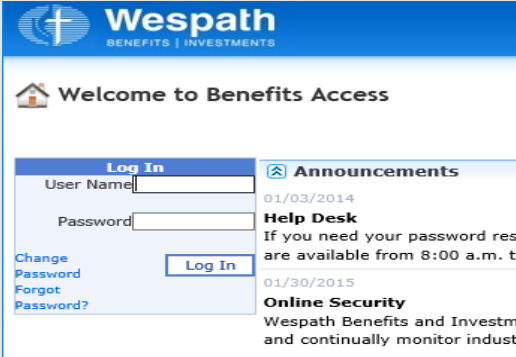
Actuarial Valuation—Items Impacting Results



- Census data
- Asset performance and methodology
- Type of valuation
- Key liability assumptions
 - Discount rate
 - Mortality table

Actuarial Valuation—Census Data

- Collected for all participants entitled to benefits from plan
 - Receiving benefits
 - Accrued future benefits
- Provides information for estimating future benefits
 - E.g., birth date, gender, service, benefit amount, form of annuity
- Pulled from Benefits Access for plan sponsors in March; data as of January 1



The screenshot shows the Wespath Benefits Access login page. At the top, there is a blue header with the Wespath logo (a cross in a circle) and the text "Wespath BENEFITS | INVESTMENTS". Below the header, a white banner reads "Welcome to Benefits Access" with a home icon. The main content area is divided into two columns. The left column is titled "Log In" and contains a "User Name" input field, a "Password" input field, and a "Log In" button. There are also links for "Change Password", "Forgot Password?", and "Forgot Password?". The right column is titled "Announcements" and contains two sections: "Help Desk" with a date of 01/03/2014 and a message about password reset availability from 8:00 a.m. to 8:00 p.m., and "Online Security" with a date of 01/30/2015 and a message about monitoring industry trends.

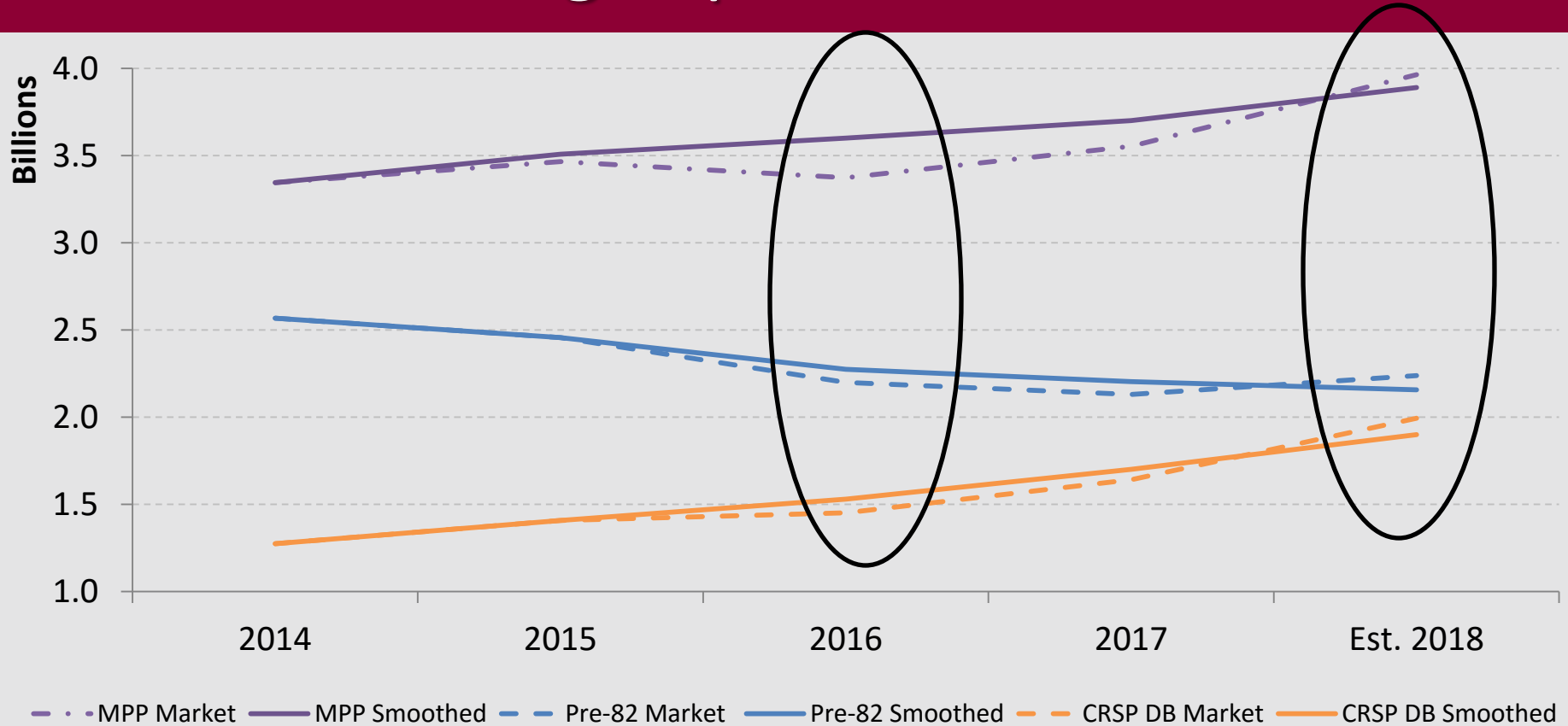
Actuarial Valuation—Asset Returns

	2016 Returns		2017 Returns	
	Actual	Expected	Actual	Expected
CRSP DB	8.410%	7.000%	17.980%	7.000%
MPP Annuities	6.870%	6.250%	12.110%	6.250%
Pre-82	8.060%	6.625%	17.200%	6.625%

Actuarial Valuation—Asset Smoothing

- Smoothing of assets for contribution purposes
 - **MPP:** Began with January 1, 2014 valuation
 - **CRSP DB and Pre-82:** Began with January 1, 2016 valuation
- Actuarial gains and losses on assets—now recognized incrementally in smoothed assets over five years
 - Actuarial gain or loss on assets is the return **above or below the expected return**
 - 20% of actuarial gain or loss will be recognized in each of the five years following the gain or loss
- Smoothed asset value—not allowed to go **below 80% or above 120%** of the market value of assets

Asset Smoothing Impact



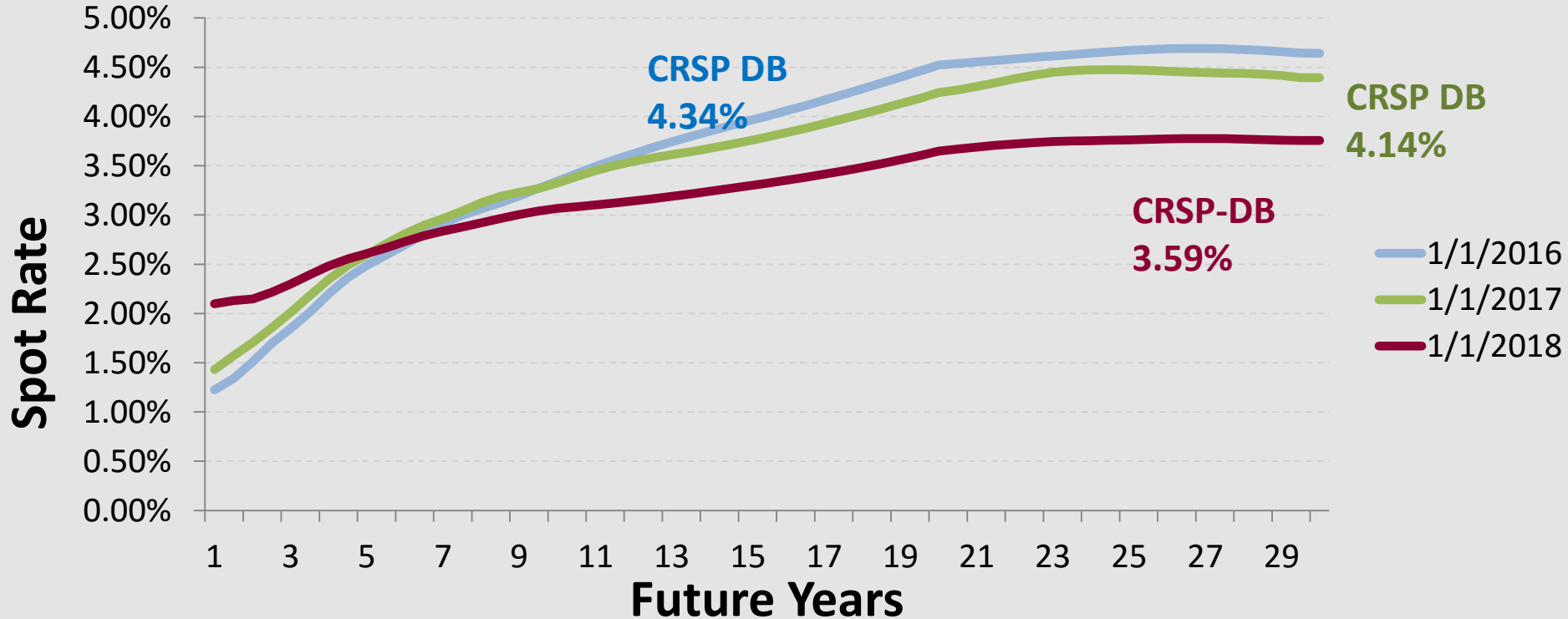
Actuarial Valuation—Types of Valuations

- **Funding valuation**
 - Based on long-term assumptions
 - Discount rate based on expected return on assets
- **Market valuation**
 - Based on current market conditions
 - Discount rate based on current corporate bond yields

Actuarial Valuation—Funding Discount Rates

- **Long-term expected return on assets updated**
 - No change for CRSP DB or Pre-82
 - Changes made for MPP
- **New MPP discount rates**
 - Decreased from 6.25% to 6.00%
 - Expected increase in liability of about 2%

Actuarial Valuation—Market Discount Rates



Source: Citigroup AA

Assumption Update—Mortality

- The Society of Actuaries (SOA) plans yearly mortality improvement scale updates for the base mortality table issued in 2014 (RP2014 tables)
 - MP 2014 scale published in 2014
 - MP 2015 scale published in 2015
 - MP 2016 scale published in 2016
 - MP 2017 scale published in 2017
- Each new scale has slightly lower rates of mortality improvement than the prior scale, reflecting that longevity is not improving as quickly as previously expected

Assumption Update—Mortality

- Mortality assumption will be updated at the time of a quadrennial demographic assumption study
- Demographic assumption study was completed in 2017; changes were effective January 1, 2018
 - **MP 2016** improvement scale instead of MP 2014

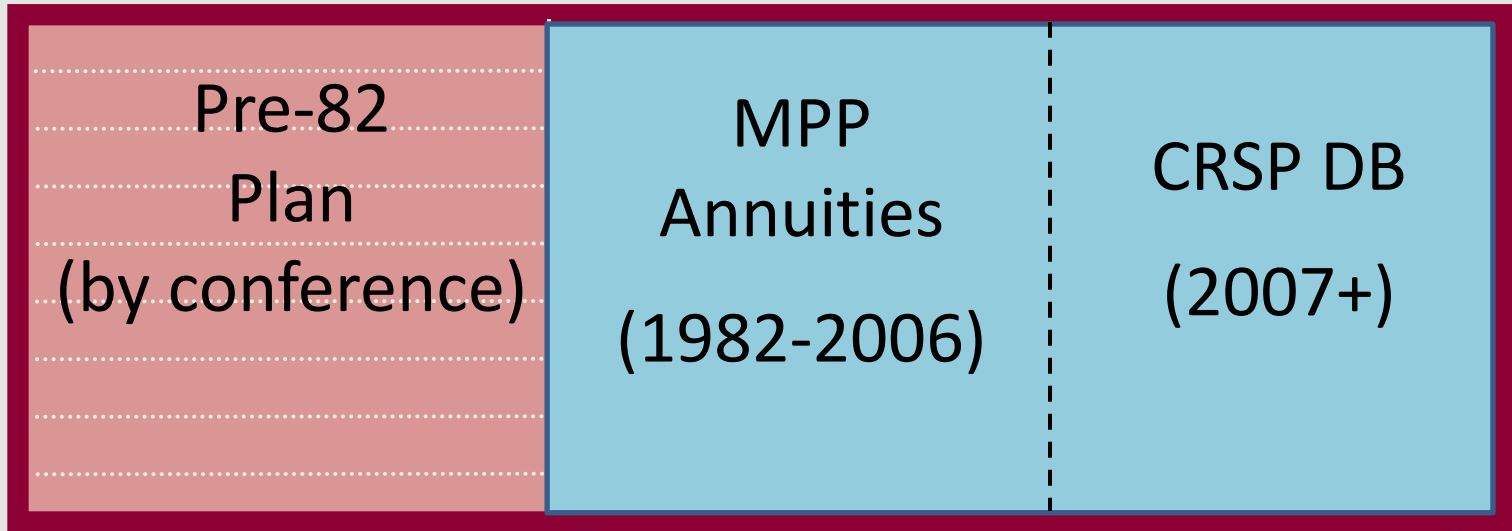
Impact of Update to MP 2016

- **Overall**
 - Small decrease in 1/1/2018 liabilities for all plans
 - Improvement in funded ratio may be offset by demographic changes
- **MPP**
 - Minimal total change
 - Mortality change canceled out by discount rate change



Valuation Results

Valuation Results for Clergy DB Plans



MPP: Ministerial Pension Plan

CRSP: Clergy Retirement Security Program

Corridor Plan

Corridor Funding

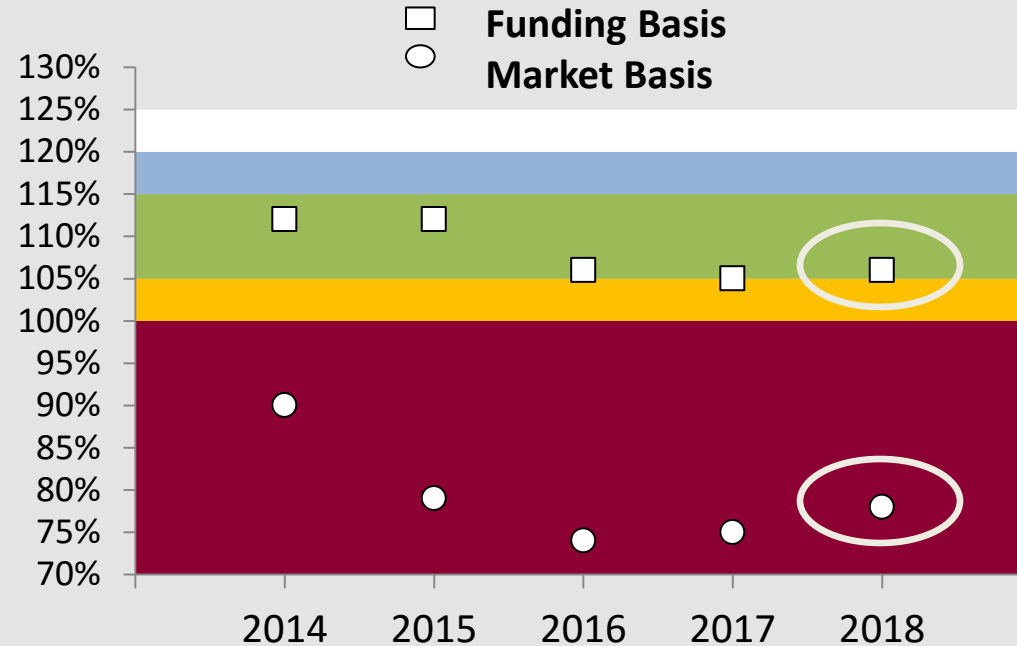


Corridor Funding Guidelines

Market Basis Funded Ratio	Funding Basis Contribution Method	MPP Annuities Equities
120% +	None	10%
115-119.9%	Reduced	20%
105 – 114.9%	Normal Cost¹	30% – 40%
100 – 104.9%	Normal Cost¹	40%
Under 100%	Normal Cost¹ 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.**

Corridor Funding Estimated 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.

CRSP DB and MPP Annuities

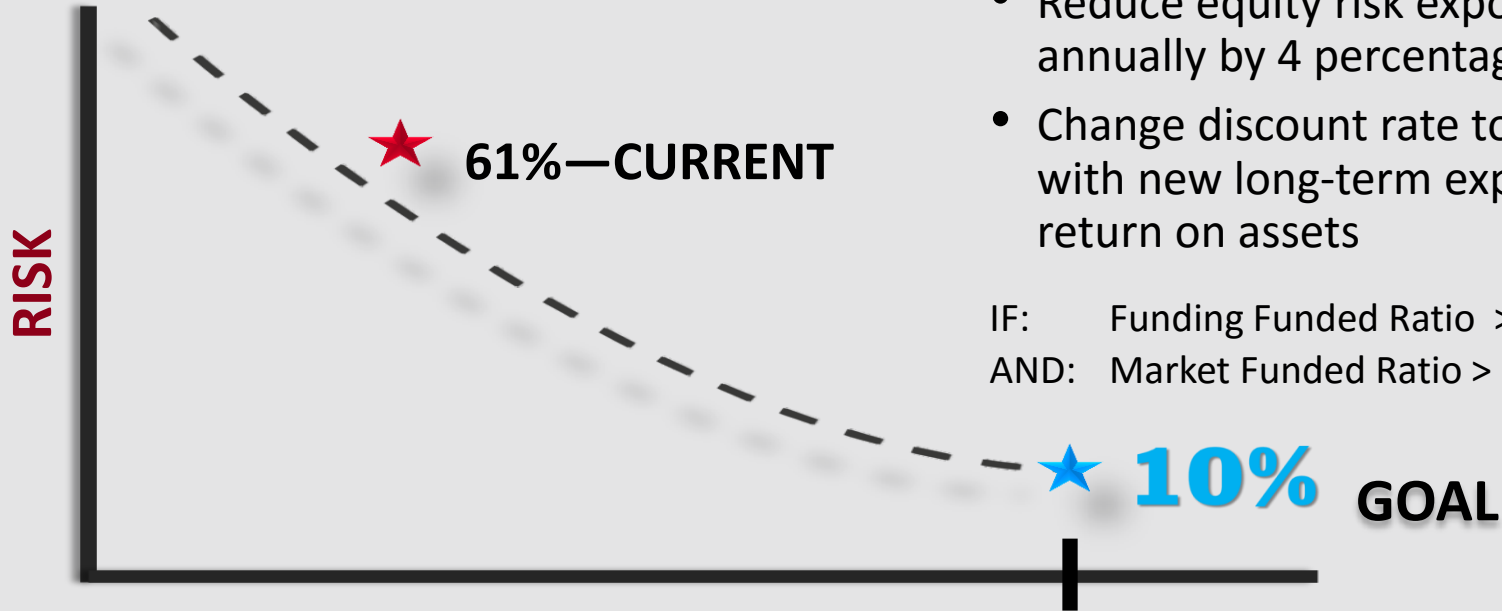
Estimated Funded Ratio on a Funding Basis

	January 1, 2017	January 1, 2018, est.
CRSP DB	107%	110%
MPP Annuities	105%	104%
Combined	105%	106%

Pre-82 Funding



Pre-82 Plan Glide Path



- Reduce equity risk exposure annually by 4 percentage points
- Change discount rate to align with new long-term expected return on assets

IF: Funding Funded Ratio > 90%
AND: Market Funded Ratio > 80%

Pre-82 Est. Funded Ratios for Glide Path

January 1, 2018 (excluding surplus)

In \$ Billions	Funding Basis 6.625% Discount Rate	Funding Basis 6.50% Discount Rate	Market Basis
Assets	\$1.87	\$1.88	\$2.16
Liability	(1.93)	(1.94)	(2.50)
Funded Status	\$(0.06)	\$(0.06)	\$(0.34)
Funded Ratio*	97%	97%	87%

Funding Funded Ratio at least 90%



Market Funded Ratio at least 80%



Go down the glide path?



* Values may be off due to rounding.

Pre-82 Glide Path Actions in 2018

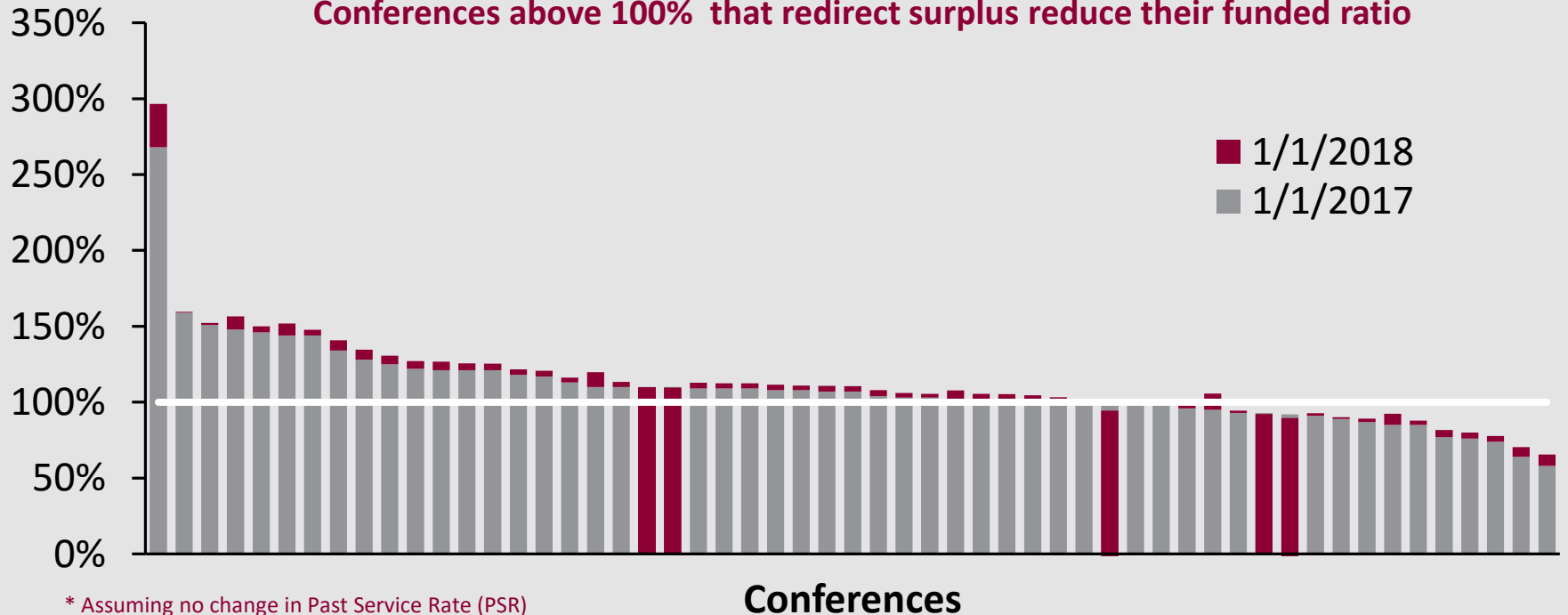
Equity allocation—**drop to 57%**

Discount rate for January 1, 2018 liabilities—
drop to 6.50%

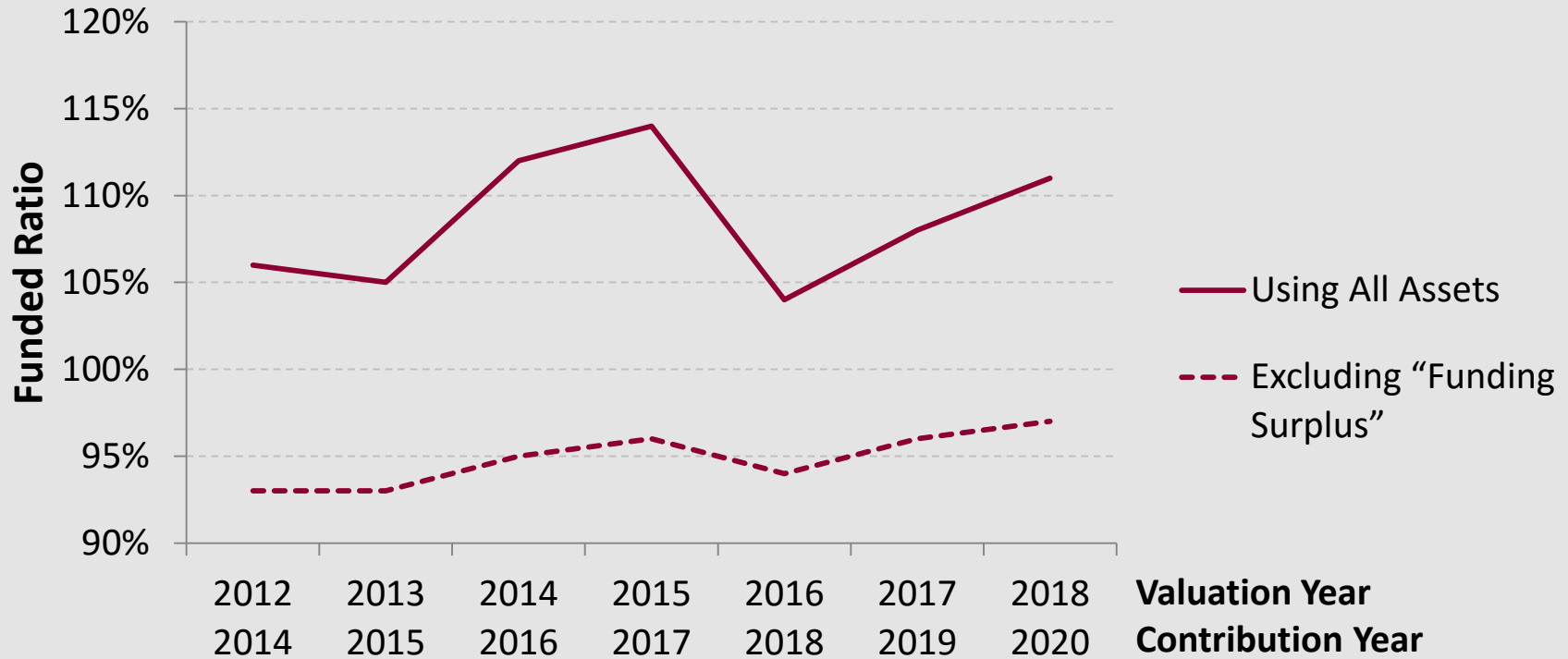
Estimated Funding Change in Pre-82 Plan

Funded Ratio* — Funding Basis

Conferences above 100% that redirect surplus reduce their funded ratio



Valuation Results Pre-82 Funded Ratio History—Funding Basis



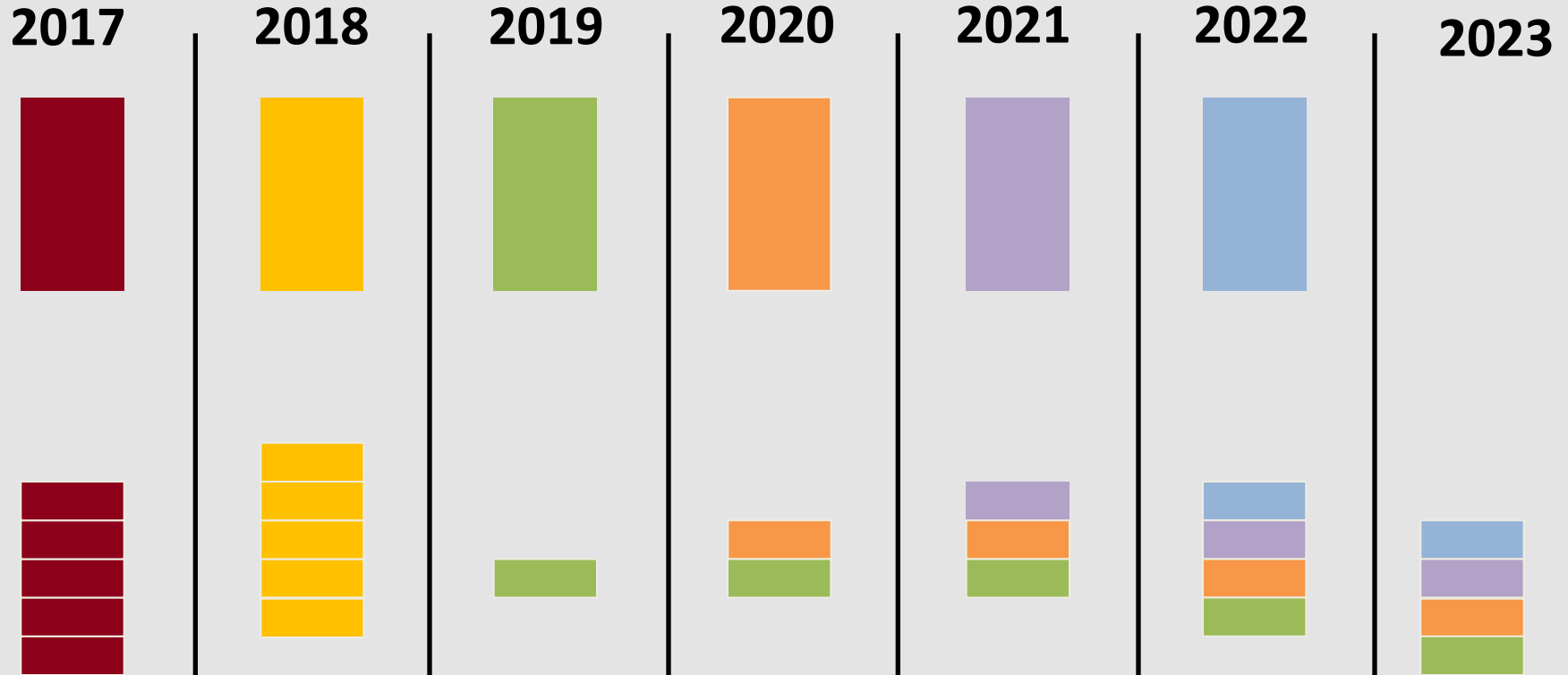


Potential for Future Contributions
Even If Plan is 100% Funded

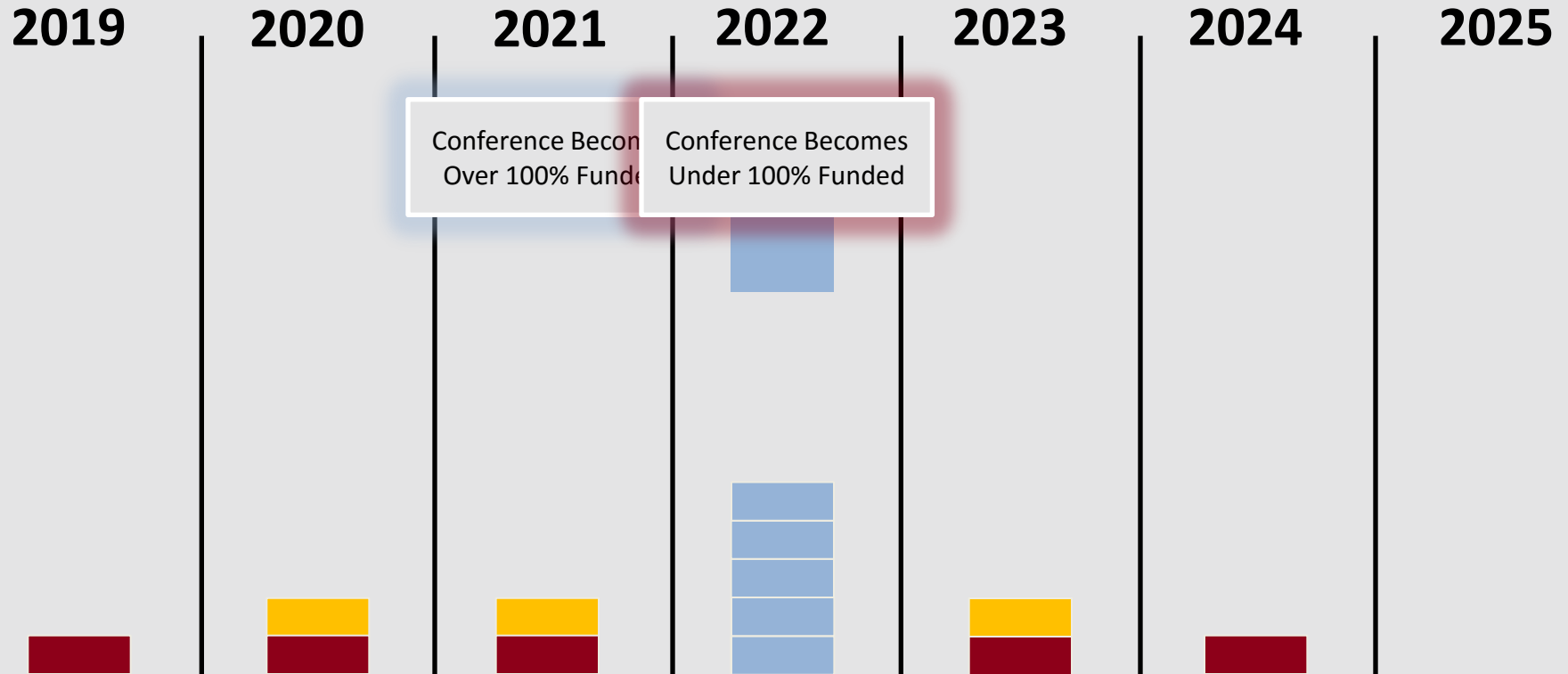
A Fully Funded Plan Can Become Underfunded

- Each year, gains and losses occur and are spread over 5 years
- Bases (layers) are created
- Reduces the potential for contribution spikes
- If funded ratio is over 100%, the bases (layers) are zeroed out

Amortization of Unfunded Liability



After Reaching 100% Funded



A person in a grey suit and blue tie is shown from the chest up, pointing their right index finger towards a digital interface. The interface consists of a vertical column of four white-outlined squares on a blue background. The second square from the top is glowing with a bright light and a lens flare effect. A dark red horizontal bar is positioned at the bottom of the image, containing the word "Summary" in white text.

Summary

Summary

- **Corridor Funding**
 - CRSP DB 2020 contribution based only on Normal Cost
 - MPP discount rate change offset by mortality change
- **Pre-82**
 - Glide path: Moved to 57% equities with 6.50% discount rate
 - Denomination above 100% funded
 - Some individual conferences still below 100%
- **Future Contributions**
 - Even a 100% funded plan can have future contributions



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