



**Wespath**

BENEFITS | INVESTMENTS



AUMCPBO—NOVEMBER 2018

# Pension Plans Update

# Benefits are Important



# Benefits are Important



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**Wespath**  
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**Comprehensive  
Benefit Funding Plan**

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Home2019 CBFPReportsUploads

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### Acknowledgements for Approval

Signatures are required from the Conference Benefit Officer (or equivalent), Conference Board of Pension Chair and Conference Treasurer. We recommend, but do not require, that the Council on Finance and Administration Chair (or equivalent) also sign before submitting. Once all the required signatures are received, no additional recommended signers will be able to approve the plan.

By signing below, I acknowledge the following:

This funding plan incorporates, to the best of our understanding, the plan sponsor's obligations and funding of the benefits provided to clergy and laity.

Using Pre-82 surplus, if applicable, for redirections and swaps may increase the probability of future Pre-82 contributions.

The defined benefit plan liabilities continue until the last benefit is paid to participants and their contingent annuitants, regardless of the funding level of the plan. That is, even if the assets in the plan are larger than the liabilities in the plan, the plan sponsor still has a liability (obligation) and potential future contribution due.

**CBFP Opinion**

The funding plan meets the standards for a Pre-82 funding plan as established by Wespath Benefits and Investments and the favorable opinion requirements for a funding plan.

Note: The statement above and any written opinion provided by Wespath do not imply any representation as to the ability or probability of the applicable plan sponsor to fulfill the obligations included in the funding plan.

- Conference Benefit Officer (or equivalent)
- Conference Treasurer
- Conference Board of Pension Chair
- Council on Finance and Administration Chair

← BackSubmit

**Funding Sources**

- Accounts ✓/✗
- Incoming Money ✓/✗
- Changes Log

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**Benefit Obligations**

- CRSP ✓/✗
- MPP ✓/✗
- Pre-82 ✓/✗
- UMPIP Lay ✓/✗
- UMPIP Clergy ✓/✗
- Other DC Obligations ✓/✗
- Other DB Obligations ✓/✗
- Health Active ✓/✗
- Health Additional ✓/✗
- Health IBNR ✓/✗
- Post-Retirement Medical ✓/✗
- CPP ✓/✗
- Changes Log

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**Allocation** ✓/✗

Submission

# Agenda

- Comprehensive Benefits Funding Plan (CBFP) data
- January 1, 2018 Valuation Results
- Bishops' Summary Letter



# 2019 CBFP Data

# CRSP DB Elections

## FTE Eligibility Requirement

FTE Election	# of Conferences
50%+	35
75%+	10
100% Only	10

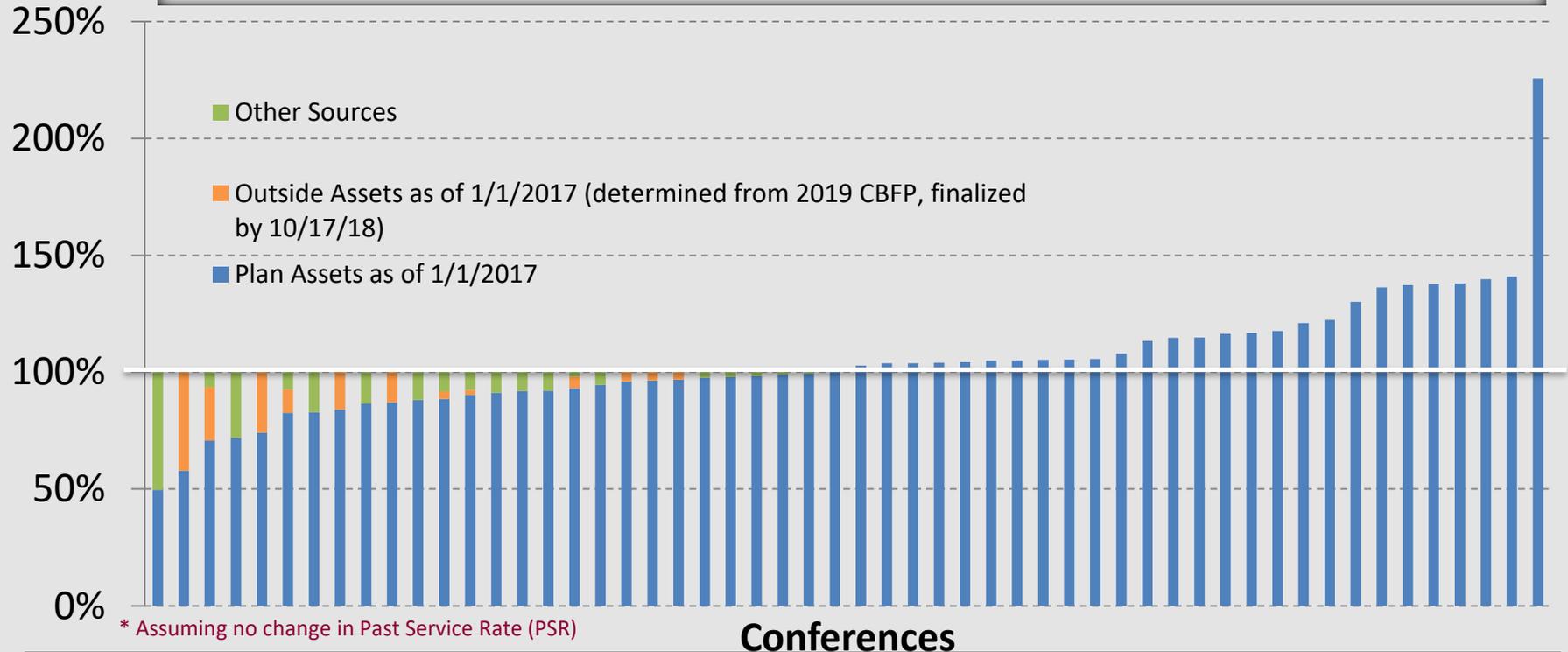
# UMPIP Statistics

## UMPIP Conference Sponsorship

Conference-Sponsored Group	# of Conferences
Both UMPIP Lay and Clergy	27
Only UMPIP Lay	24
Only UMPIP Clergy	1
Neither	3

# Pre-82 Plan Funded Ratio

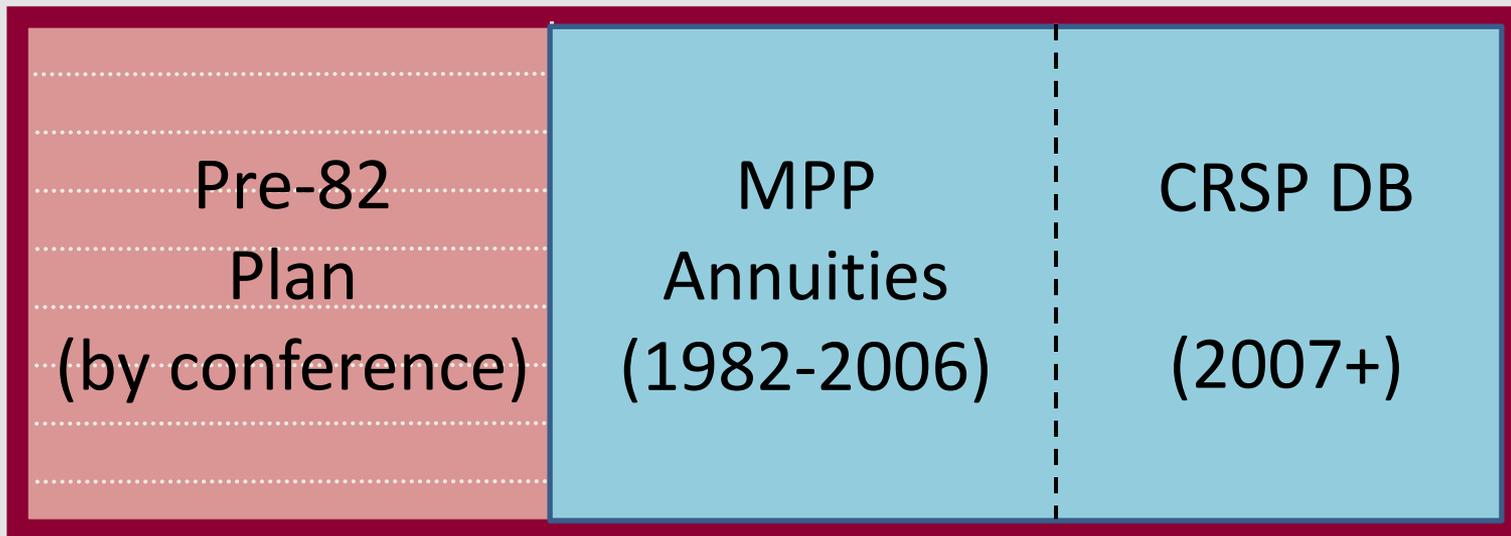
## Funded Ratio\* —Funding Basis with Outside Assets





# Valuation Results

# Clergy DB Plans

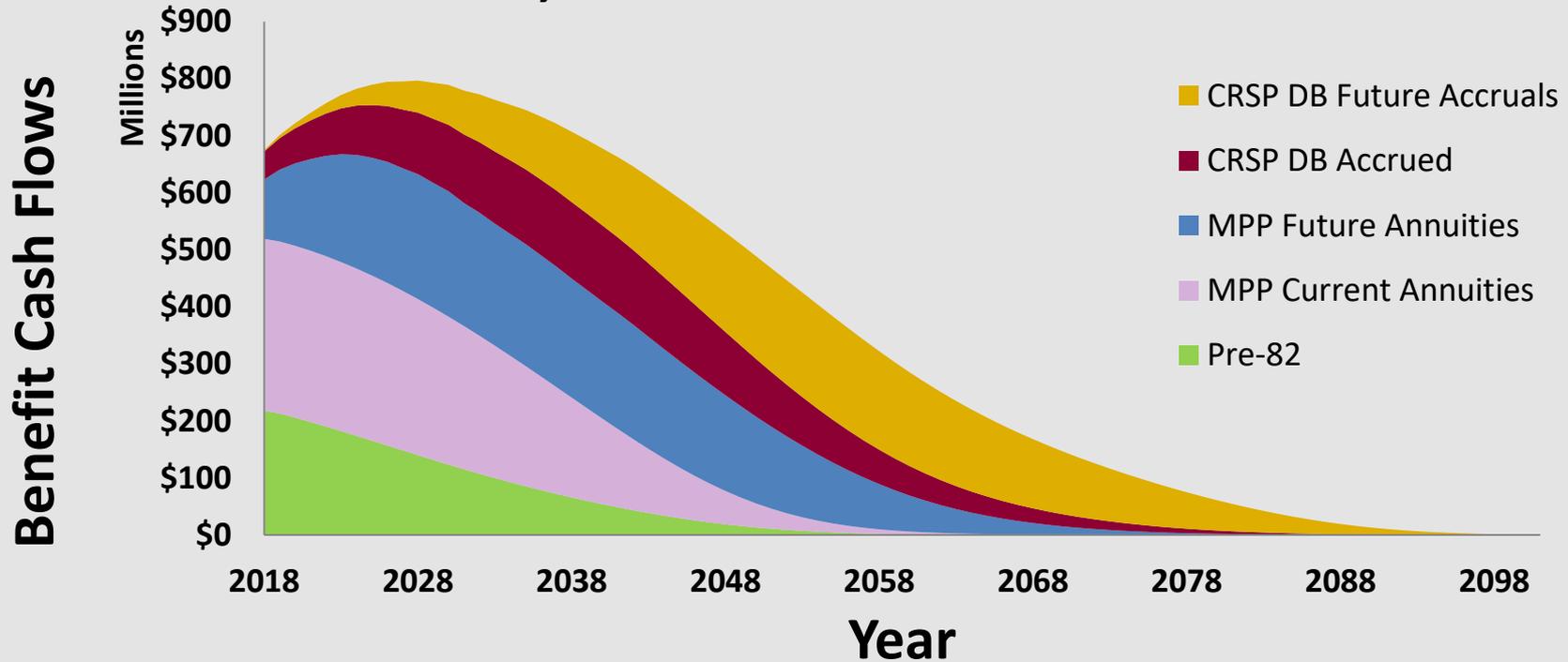


MPP: Ministerial Pension Plan  
CRSP: Clergy Retirement Security Program

Corridor Plan

# Projected Benefit Cash Flows

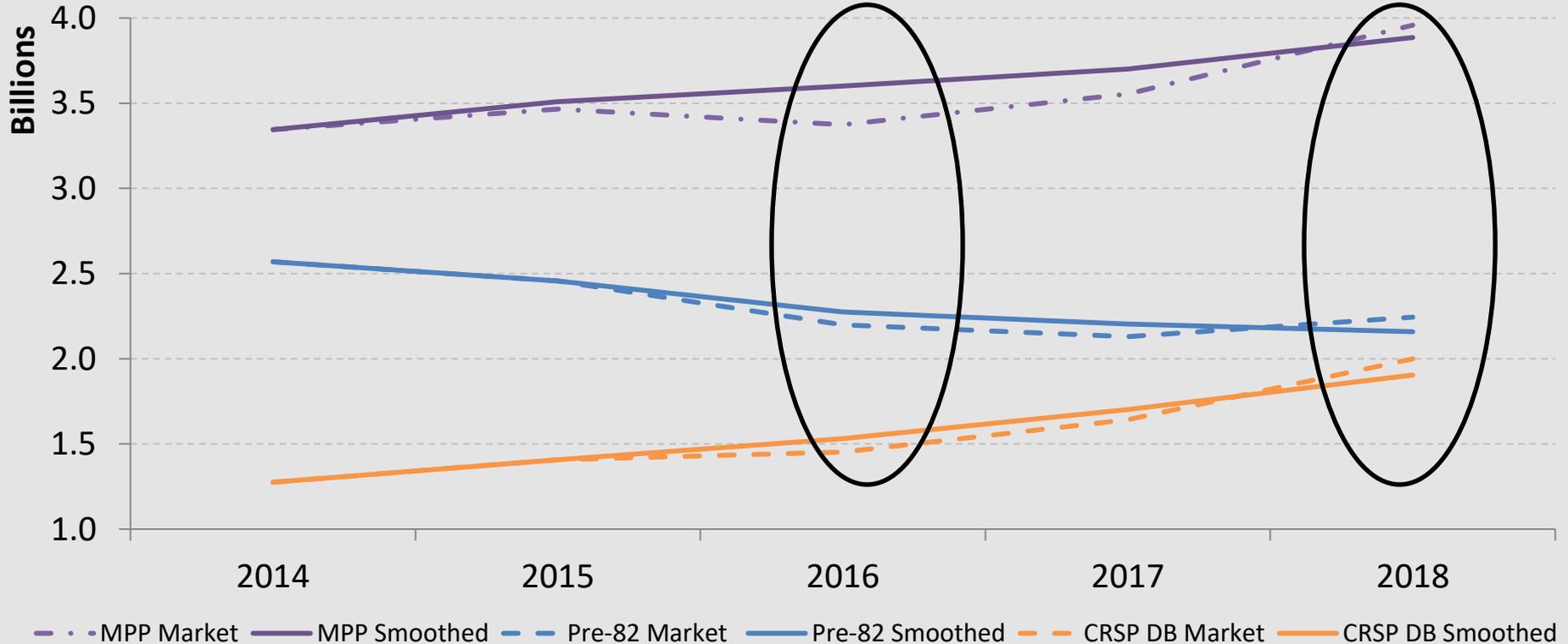
## CRSP DB, MPP Annuities and Pre-82



# Asset Returns

	2016 Returns		2017 Returns	
	Actual	Expected	Actual	Expected
CRSP DB	8.33%	7.000%	18.03%	7.000%
MPP Annuities	6.98%	6.250%	12.10%	6.250%
Pre-82	8.06%	6.625%	17.20%	6.625%

# Asset Smoothing Impact



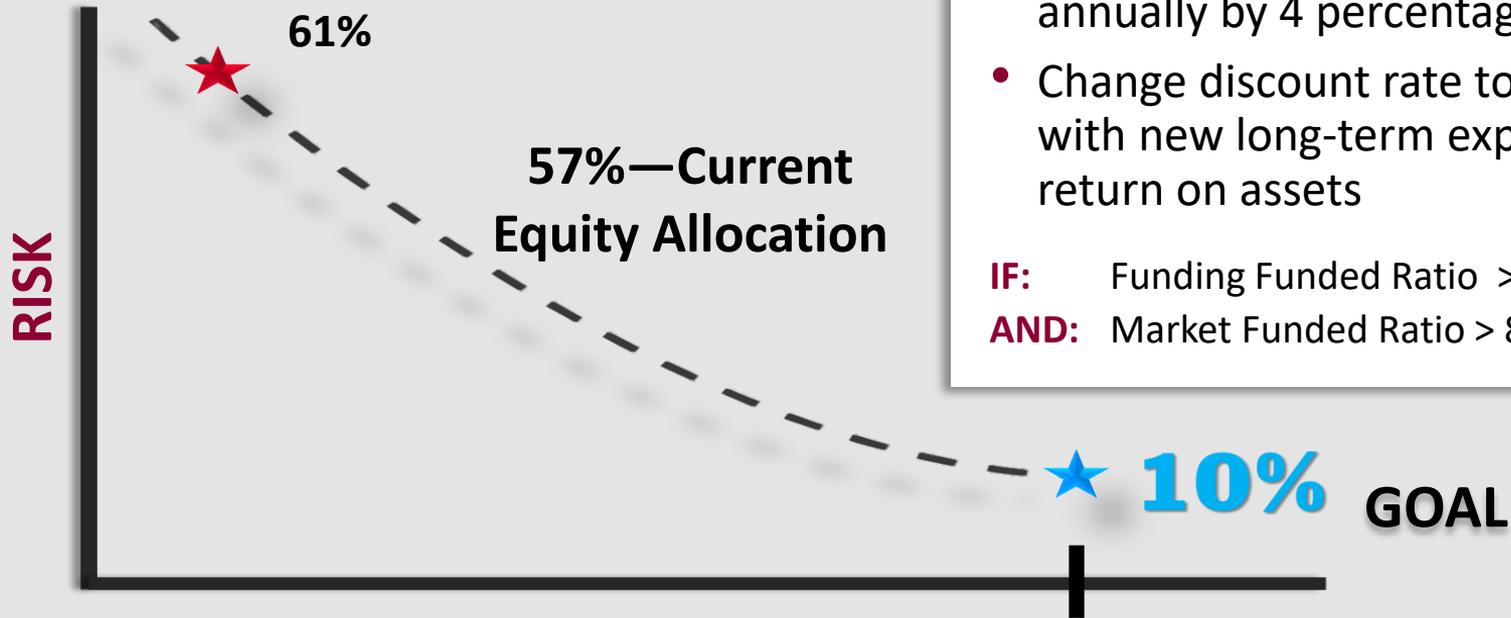
# Discount Rates

## 2017 Discount Rates

## 2018 Discount Rates

	Market	Funding	Market	Funding
<b>CRSP DB</b>	<b>4.14%</b>	<b>7.000%</b>	<b>3.58%</b>	<b>7.000%</b>
<b>MPP Annuities</b>	<b>3.71%</b>	<b>6.250%</b>	<b>3.31%</b>	<b>6.000%</b>
<b>Pre-82</b>	<b>3.58%</b>	<b>6.625%</b>	<b>3.21%</b>	<b>6.500%</b>

# Reminder: Pre-82 Plan Went Down the Glide Path in 2018



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

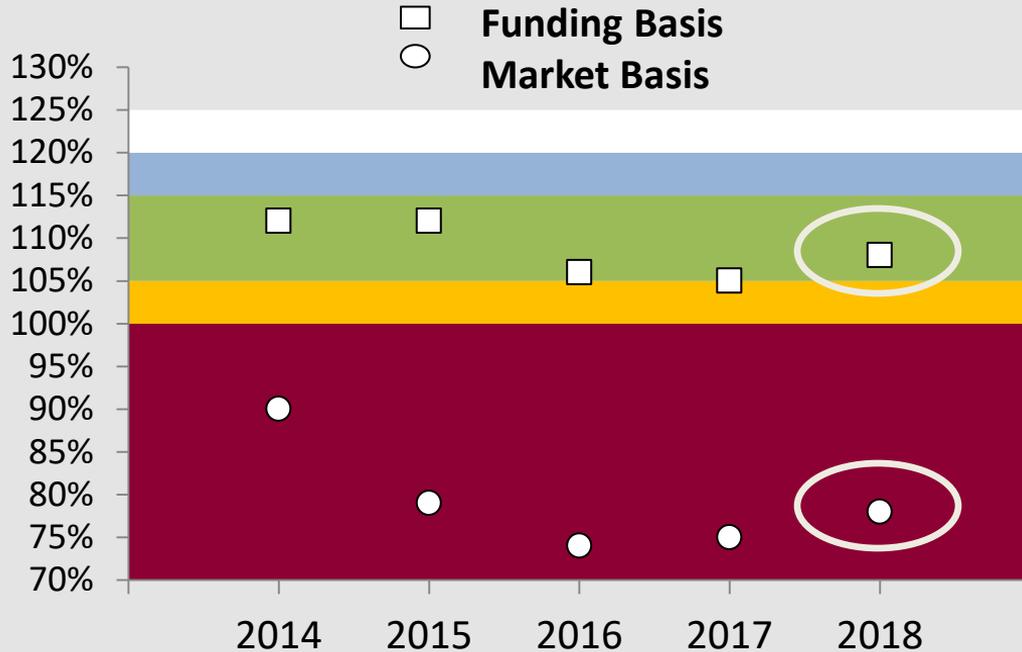
**IF:** Funding Funded Ratio > 90%  
**AND:** Market Funded Ratio > 80%

*Wespath's Fiduciary Committee determines in February if Pre-82 moves down the glide path that year.*

# Demographic Assumptions

- Demographic assumption study completed in 2017; changes effective January 1, 2018
  - **MP 2016** mortality improvement scale instead of MP 2014
- Small decrease in 1/1/2018 liabilities
  - Lower rate of mortality improvement than prior scale
  - For MPP, mortality change canceled out by discount rate change

# 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 <sup>1</sup>	30%-40%
100 – 104.9%	Normal Cost <sup>1</sup>	40%
Under 100%	Normal Cost <sup>1</sup> Plus Payment on Unfunded Liability on a Funding Basis	40%

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

# Corridor Plan Funded Ratio

## Funded Ratio—Funding Basis

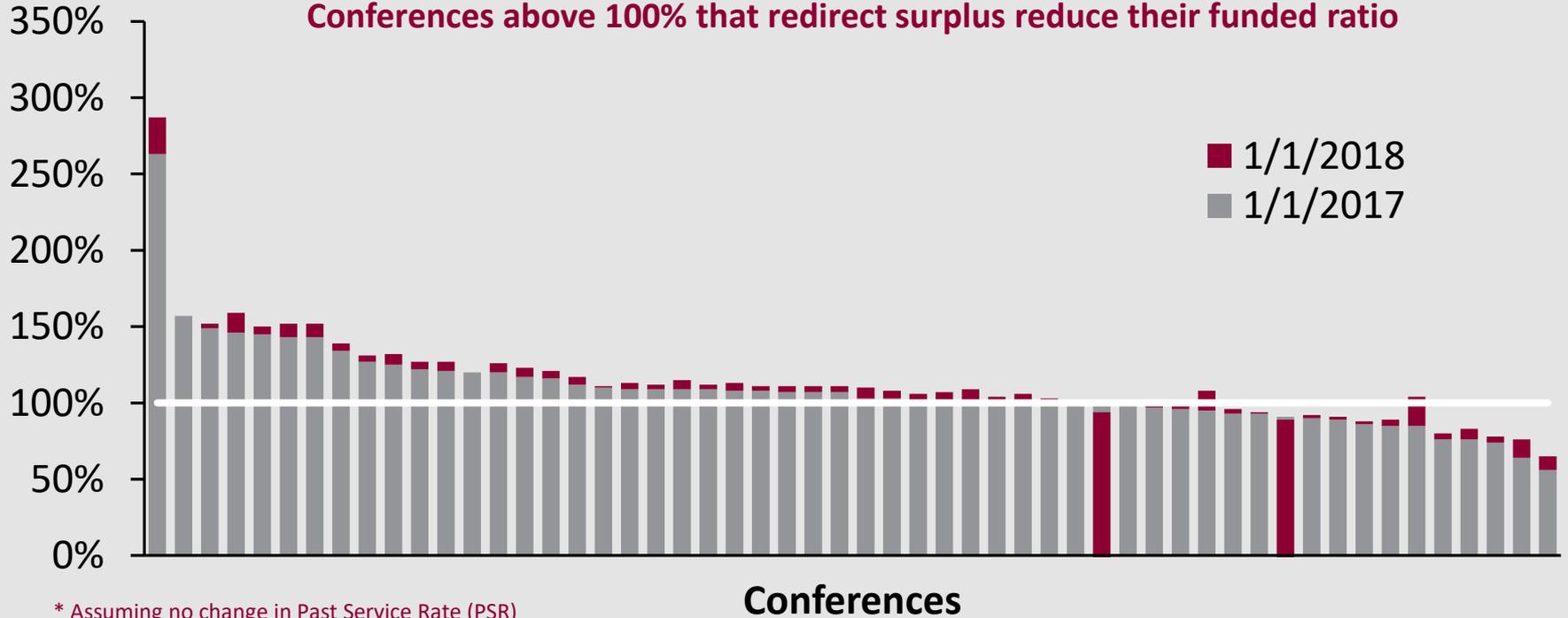
	January 1, 2017	January 1, 2018
CRSP DB	107%	109%
MPP Annuities	105%	108%
Combined	105%	108%

**Contributions based purely on Normal Cost: \$98 million for 2019, \$95 million for 2020**

# Pre-82 Plan Funded Ratio

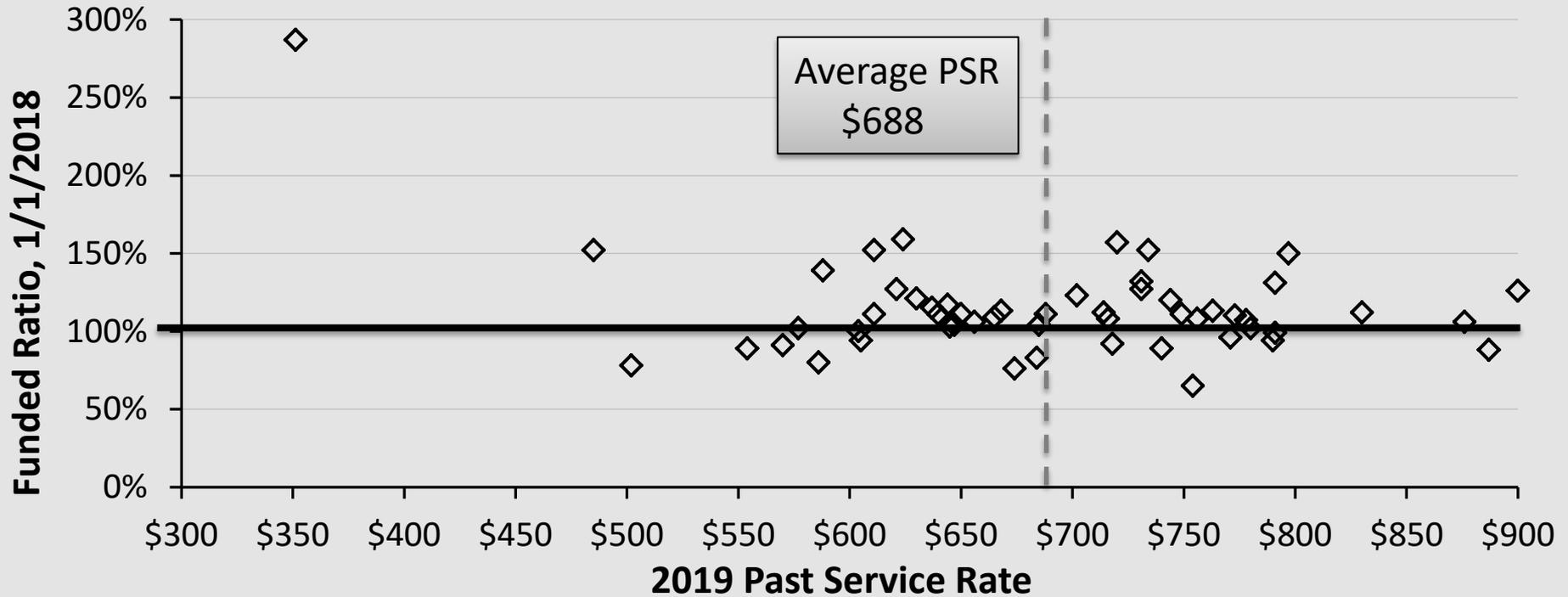
## Funded Ratio\* —Funding Basis

Conferences above 100% that redirect surplus reduce their funded ratio

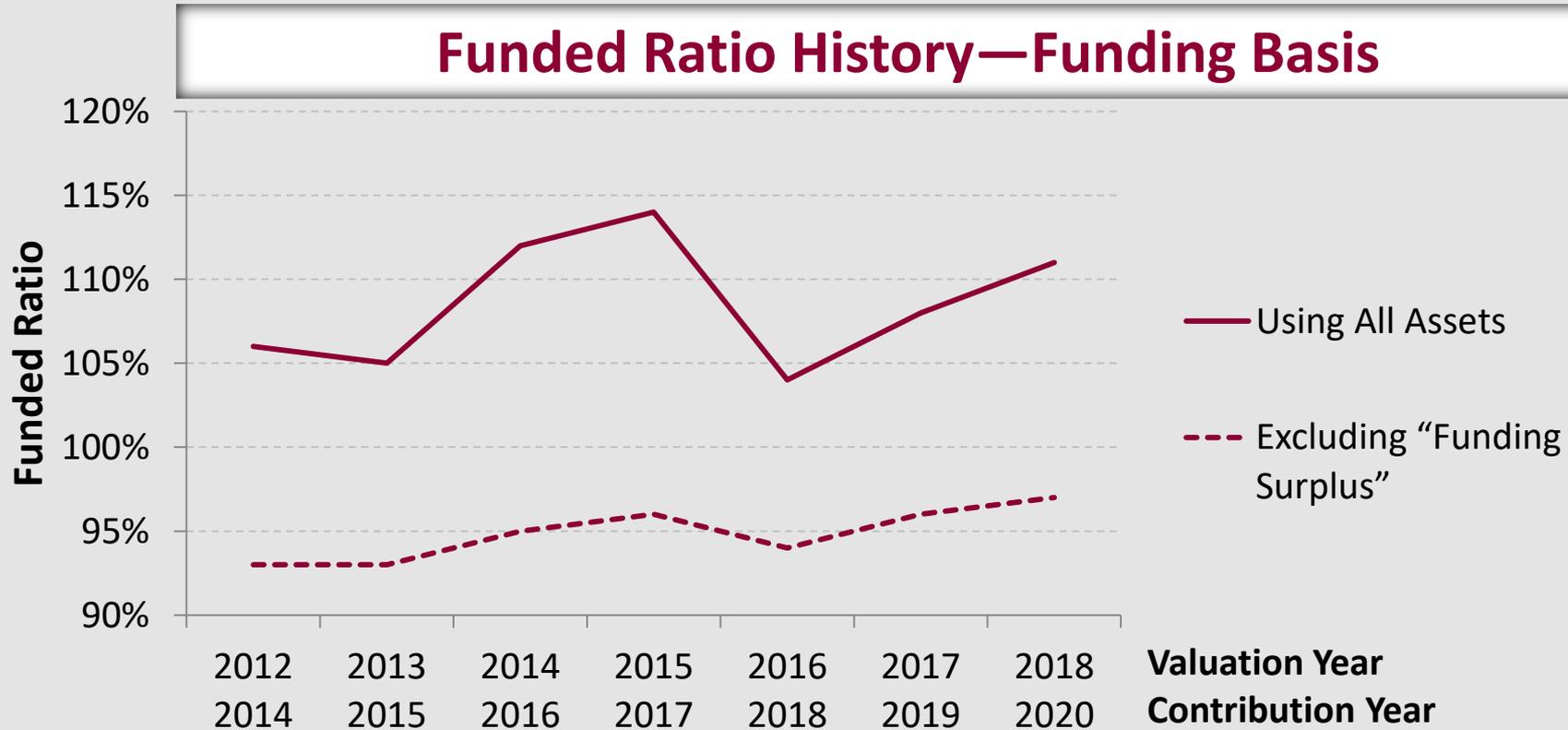


# Pre-82 Plan Funded Ratio vs PSR

## Funded Ratio—Funding Basis vs. PSR



# Pre-82 Plan Funded Ratio History



**2020 Contribution Year assumes no change in Past Service Rate (PSR)**

# Direct Cost Allocation to Clergy DB Plans

- Allocating direct costs to Pre-82, CRSP DB and MPP
- Presented at NAACT,\* September 2018
- Rationale: fairness and consistency
- Begins Q4 2018
- Pre-82 direct costs allocated based on conference's Pre-82 liability

**\*National Association of Annual Conference Treasurers**



# Bishops' Summary Letter

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- No material changes from last year
- Summarizes key information about each conference's clergy DB plan
- Released to Bishops on 10/31

# Bishops' Summary Letter—Section 1

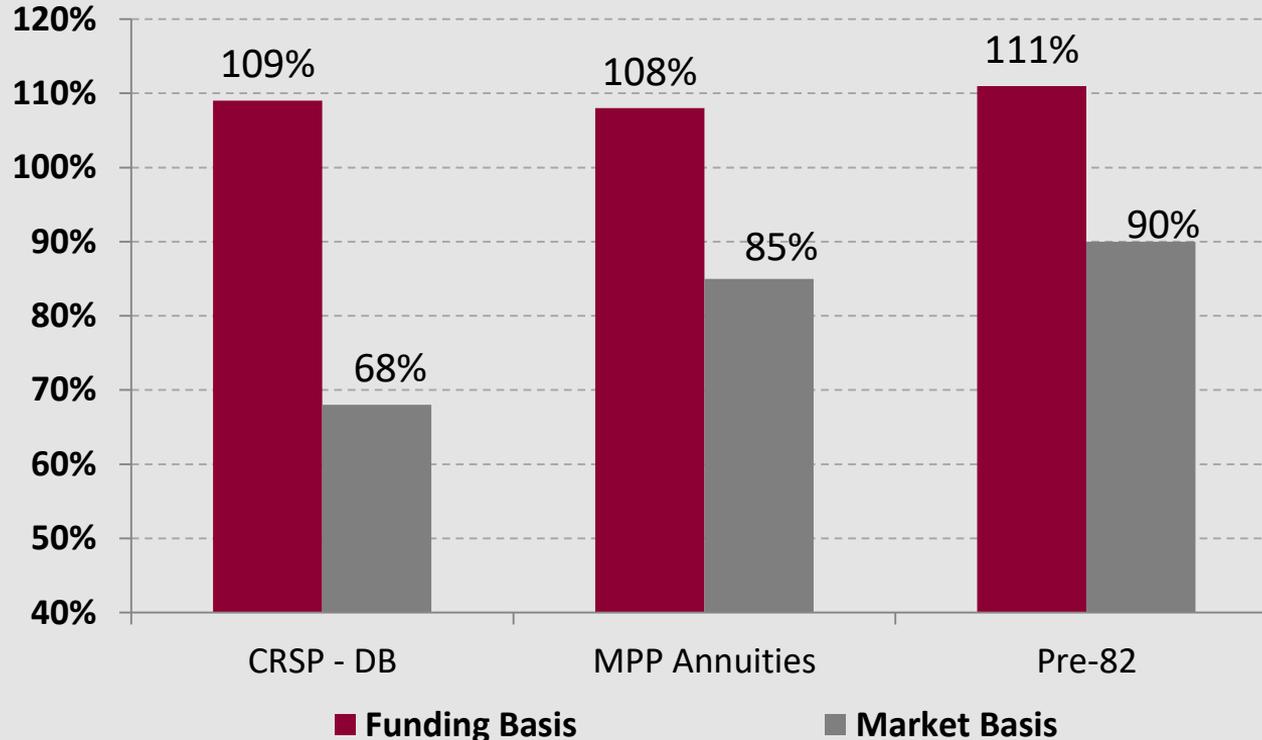
## Defined Benefit Pension Summary—2018

Conference Contribution Details	2019	2020
Conference CRSP DB Contribution	\$1,501,333	\$1,443,587
Conference MPP Annuities Contribution	0	0
Conference Pre-82 Contribution <sup>1,2</sup>	1,498,411	1,066,159
Total Conference Contribution	<u>2,999,744</u>	<u>2,509,746</u>

- Conference-specific DB pension contribution requirements for 2019 and 2020

# Bishops' Summary Letter—Section 2

Based on January 1, 2018 Valuation Results



- DB Funded Ratios
- Denominational
- Shown on both a market and funding basis

# Bishops' Summary Letter—Section 3

**Pre-82 funding  
plan liability:**  
**\$80.5M**

**2019 PSR:**  
**\$716.00**

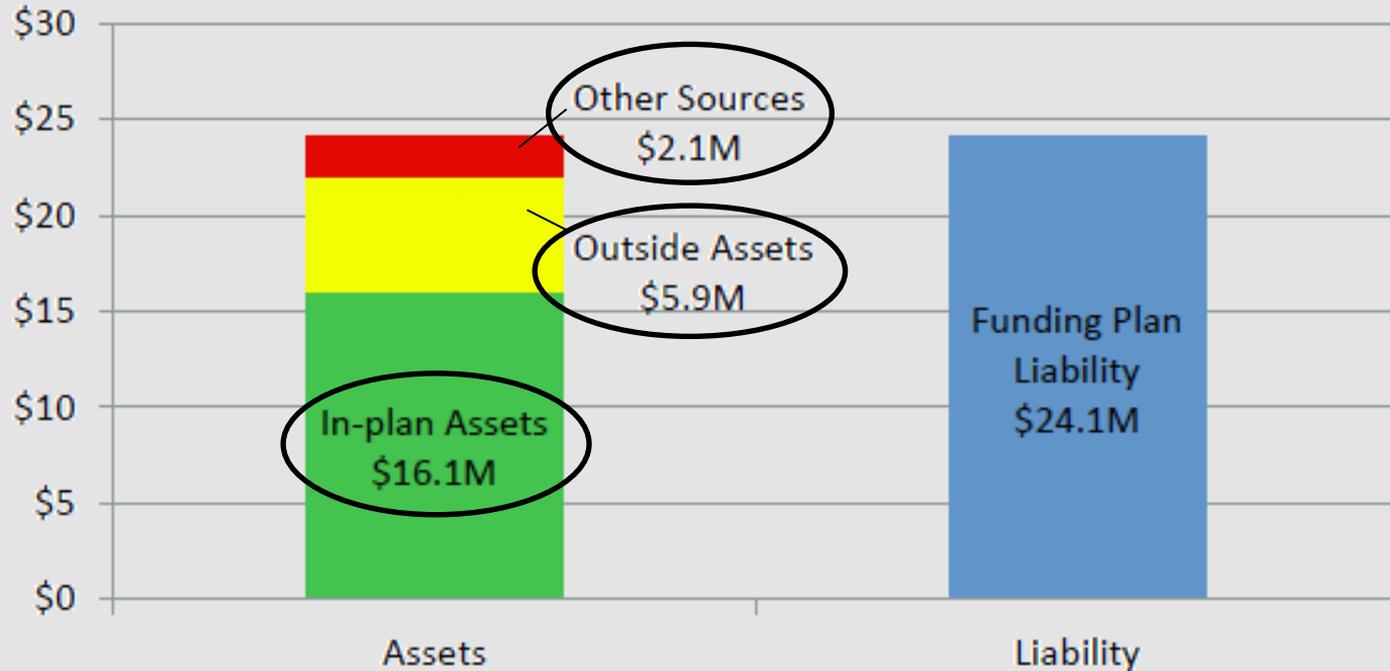
**Contingent  
annuitant  
percentage:**  
**75%**

**Participants  
covered:**  
**at least  
75% FTE**

- Conference's Pre-82 plan liability on a funding basis with future PSR increases
- Compares conference's Pre-82 PSR elections to other conferences
- Compares conference's Pre-82 surviving spouse percentage to other conferences
- Compares conference's CRSP DB elections to other conferences

# Bishops' Summary Letter—Section 4

## XYZ Conference—2019 Pre-82 Funding Plan Sources



- **“In-Plan Assets”**  
—held in the plan trust
- **“Outside Assets”**  
—designated for Pre-82 benefits on the 2019 CBFP
- **“Other Sources”**  
—future incoming money

# Bishops' Summary Letter Enhancements

- PRM\* is currently not summarized in the letters
- PRM data from the CBFP can be added
- See handouts at tables
  - Rank the top 3 items you think bishops would like to see from the CBFP

**\*Post-Retirement Medical**



# Summary

# Summary

- Important to understand benefits offered and cost
- For the Clergy DB plans:
  - 2017 had strong asset returns, improving the funded position
  - Overall, underfunded Pre-82 conferences are moving closer to fully funded on a funding basis
  - With outside assets, most Pre-82 conferences are fully funded
  - Corridor remains above 100% funded on a funding basis, requiring only contributions for new benefits being earned (normal cost)
- Bishops' Summary Letters have been sent
  - Provide high-level summary of valuation results and CBFP information
  - Will include PRM data in the future, per feedback from you



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