

## CLERGY PENSION PLANS FUNDING CONCEPT

1 **ACTION TO BE VOTED ON:**

2 Pre-1982 Pension Funding Plan

3 It is requested of the Annual Conference that the following Funding Plan of the Rocky  
4 Mountain Conference For Supplement One to the Clergy Retirement Security Program be  
5 affirmed and adopted.

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7 Funding Plan of the Rocky Mountain Conference  
8 For Supplement One to the Clergy Retirement Security Program  
9 As of January 1, 2006 for 2008

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11 The Past Service Rate (PSR) for the Rocky Mountain Conference is established annually by  
12 action of the Annual Conference. For the year 2008, our Annual Conference set this PSR  
13 amount at \$470.00. Paragraph 1506.7 of 2004 The Book of Discipline mandates that this rate  
14 cannot be less than 0.8% of the Conference Average Compensation (CAC).

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16 For 2008, our CAC is \$50,293. \$470.00 is 0.9345 of that amount – so we are in compliance  
17 with that mandate. That same paragraph recommends that the rate be not less than 1% of the  
18 CAC. At 0.9345%, we are short of that recommended goal. We project, over the long term,  
19 earnings on our present assets to average 7.0%. We had been paying to fund that retiree  
20 benefit obligation every year from 1982 until 2001. In 2001, the General Board of Pension  
21 and Health Benefits (GBOPHB) reported to us that our conference moved from an  
22 underfunded situation to a very slight overfunded situation. In other words, following  
23 acceptable guidelines for investment growth and future payout requirements, we had enough  
24 money set aside to meet our future needs. This GBOPHB actuarial report is updated annually,  
25 and our current obligations, using the current Past Service Rate shown above (\$470.00), are  
26 now \$29,101,376 as of January 1, 2006 for 2008.

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28 The cornerstone of our conference Past Service Rate philosophy is to maintain a fully funded  
29 position. In other words, we will not attempt to raise that rate in any manner that re-  
30 establishes an unfunded liability. Along with that core concept, we will also try to match or  
31 exceed the cost of living (assumed 3%), and move toward the Disciplinary recommendation  
32 of 1% of the CAC.

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34 All of the assets dedicated to this pre-82 obligation are on deposit with the GBOPHB.  
35 Because our long term investment earnings projections are identical to the General Board of  
36 Pension and Health Benefits assumptions (7%), and since they also manage the funds, we feel  
37 confident that the investment growth of our assets will be sufficient to meet our PSR goals as  
38 stated above. Because the basis of our PSR philosophy is to avoid an unfunded position, we  
39 do not believe a long discussion of the GBOPHB investment philosophy, history and  
40 guidelines is relevant to the purposes of this document. We do, however, have two other  
41 funding sources available if there are any difficulties or shortfalls in the investments we  
42 already have on hand.

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44 We have established a separate fund within the General Board of Pension and Health

45 Benefits. The fund's purpose is to provide for the benefits of retired clergy. The current focus  
46 of that goal is to begin funding the future health insurance costs for our retirees, but the fund  
47 itself could be used – if required - to meet any new unfunded obligation in the pre-1982 plan.  
48 The value of that fund, as of January 1, 2008 was \$984,491.

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50 Our conference has funded this plan by apportioning an amount every year from 1982 through  
51 2001. An alternative would be to put any unmet shortfall into the budget again and apportion  
52 the obligation to our local churches.

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54 Our funding plan, as of January 1, 2006 for 2008, is summarized as follows:  
55 Present Value of Benefits as defined by GBOPHB: assuming 7% interest, 3% future COL  
56 increases, RP-2000 Mortality; \$29,101,376  
57 Funds in the plan: \$37,651,178.

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59 Funding Percent: 129%

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61 Re-direction of Pre-82 assets for 2008 CRSP-DB contribution, 12/31/2007: \$504,000  
62 The Conference is studying the effects of future redirections of Pre-82 assets and the impact  
63 on the funding status. Results of the long-range funding study will be incorporated in future  
64 petition proposals.

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67 **RATIONALE:**

68 The petition is required by the Book of Discipline and is essentially the same as last year, but  
69 with updated numbers and dates. It explains how we will be funding our retirement  
70 obligations for those clergy and surviving spouses with service prior to 1982. We are still in a  
71 very positive position (the plan is fully funded) and there is reserve on hand to help offset any  
72 future investment declines that might occur.

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75 **PETITION INFORMATION:**

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**EFFECTIVE DATE:** January 1, 2008

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**TERMINATION DATE:** December 31, 2008

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**FINANCIAL IMPACT:**

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None

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Annual Conference/Agency: Board of Pensions and Health Benefits

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Reviewed by Council on Finance and Administration, March 18, May 21, 2008

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Included in the Proposed 2009 Budget No. In the amount of \$0.

90

Recommendation by Council concerning funding: AC07 Funded by local churches with  
backup from the Reserve fund held in GBOPHP, there is no budget impact so long as the  
reserve fund remains strong. CF&A endorses this petition

**ORIGINATOR OF THE PETITION:**

91 Conference Board of Pensions and Health Benefits

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93 **PERSON TO PRESENT PETITION TO CONFERENCE:**

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