Most of our full-time active and retired clergy participate in defined benefit (DB, or traditional pension) plans. Our plans were funded by the annual conference and are administered by Wespath Benefits and Investments (Wespath), formerly known as General Board of Pension and Health Benefits. The Tennessee Conference’s retirement plans are projected to be funded at 101 percent – 105 percent in 2019.

The annual conference, this board and their predecessors have been good stewards of the funds entrusted to us. As a result, the Tennessee Conference has pension reserves that should protect our retirees well into the future.

We are blessed that we can fund part of our current pension obligations from earnings on our reserves. For 2018, the Council on Finance and Administration (CFA) approved apportionment funding to cover only 22 percent of our estimated pension obligations. The remaining 78 percent will be funded through withdrawals from the conference’s pension reserves. This is part of a 10-year plan to reduce the church’s apportionments by drawing down accumulated reserves, which through God’s blessings have grown more than anticipated.

The 2019 Comprehensive Benefit Funding Plan has been prepared and submitted to Wespath as required by the Book of Discipline (2016), ¶1506.6. We have sufficient projected revenues and reserves to fully fund all the conference’s benefit obligations for the foreseeable future.

Years ago, the Conference Board of Pensions set a goal to maintain our Pre-82 Plan past service rate (PSR) at a minimum of 1 percent of conference average compensation (CAC). We recommend a past service rate for 2019 of $714 for pre-1982 service years. This represents a 1.5 percent increase over the 2018 rate ($703) and is 1.046 percent of the CAC.

The 2017 Annual Conference authorized the creation of a Pension Reserve Trust (“Trust”), with a goal of better protecting the pension assets that are held outside of our plans at Wespath. That was accomplished, with all assets being conveyed or redirected into the Trust. We have given Treasurer Jim Allen the authority to make routine transactions into and out of the Trust as provided in our approved budget; but otherwise, the Trust assets are restricted to uses approved by its trustees.

The board expresses our thanks to the hard work of Jim Allen and Melinda Parker, who ensure the smooth working of our benefits plans and support of our retirees. Assistant Benefits Officer Melinda Parker organized the Board of Pensions’ annual Retirement Planning Seminar for clergy considering retirement; and a Benefit and Financial Planning Seminar for lay staff and younger clergy in October. At the request of persons considering retirement, we moved the annual event to the fall (historically held in February) to give participants more time to consider their retirement options. In October and again in February, Jim Allen led a workshop on Clergy Taxes Using Tax Software, sponsored by our United Methodist Foundation.

I want to express my appreciation for the extraordinary commitment and dedication by the members of the Board of Pensions. Their service is utmost important and invaluable.

REMINDERS

1) Wespath offers a long-term care plan and optional (additional) life insurance for qualified participants.

2) The conference can provide grave markers for deceased United Methodist clergy. Requests should be made to the Office of Administrative Services.

REQUEST FOR ACTION BY ANNUAL CONFERENCE

The Board of Pensions recommends that the annual conference approve the following:

1. The 2019 Tennessee Conference Comprehensive Benefit Funding Plan
2. A past service rate of $714 for pre-1982 service years, effective January 1, 2019
2018 Comprehensive Benefit Funding Plan (for 2019)

**Summary:** Sufficient funds have been apportioned, restricted, or designated to fully fund all of our current obligations and accrued benefit liabilities at or above the 100 percent level.

General Conference 2012 agreed with a recommendation by the General Board of Pension and Health Benefits, now known as Wespath, that every annual conference should have a formal written and approved plan for funding its benefit-related liabilities. *The Discipline, §1506.6 (2016)*. This expanded requirement grew out of the financial meltdown of 2008 that left many annual conferences unable to meet their current liabilities, and with no plan for covering their long-term liabilities. We of the Tennessee Conference continue to benefit from the foresight that led us and our predecessors to raise the funds necessary to fund our pension plans fully and to limit our health plan benefits for retirees to an amount that we could reasonably afford.

A detailed 2019 Comprehensive Benefit Funding Plan was approved by Wespath and the Conference Board of Pensions and is recommended to the annual conference for its approval. A recap follows here; the full plan summary can be found on the conference website under Finance and Resources, Administrative Services tab, Conference Financials tab.

**Defined Benefit Corridor Funding (comprised of Clergy Retirement Security Plan Defined Benefit and MPP Annuities):** The funded ratio for contributions for 2019 has been calculated by Wespath to be 105.5 percent. Since this exceeds 100 percent, the Tennessee Conference has no current unfunded liability.

**Pre-82 Plan (Supplement One to CRSP):** The PSR is set each year at an amount expected to exceed 1 percent of the conference average compensation (CAC). Based on a PSR for 2019 of $714 (1.04 percent of CAC), the Pre-82 Plan will have a funded ratio of approximately 105 percent. Projections for 2019 do not currently require the Tennessee Conference to contribute new money to the Pre-82 Plan.

**Post-retirement medical benefits** are provided only to persons who are eligible and take full retirement at age 62, and continues only until those persons reach age 65. Assets set aside for this benefit exceed the liability by 24.6 percent (124.6 percent funded ratio).

**Conference Health Plan (active)** is a self-funded plan. In 2017, the plan’s expenses exceeded revenues by $369,090 which was funded from reserves. Projections for 2018 are approximately breakeven (revenues equal expenses). In addition to paying current expenses each year, the health plan seeks to have reserves on hand equal to at least 25 percent of annual expenses. Projected reserves for 2019 are 19.6 percent.

**Other benefits:** The Comprehensive Protection Plan (CPP) (for full-time clergy) and the UMPIP 403(b) retirement plan (for less-than-full-time clergy and conference lay staff) are fully funded each year from a combination of pensions apportionments and reserves.

Jim Allen       Steve Curry
Conference Treasurer       Chair, Conference Board of Pensions