

February 11, 2020

To: Attendee of the Special Called Session of Alaska Annual Conference
 Re: Impact on benefits of becoming a district of Pacific Northwest Conference
 From: Bruce Galvin, Conference Benefits Officer for both conferences

This document will provide information about the current finances of the board of pensions operation in both the Alaska and Pacific Northwest Conferences. Through my understanding of the plans and in consultation with personnel at Wespath Benefits and Investments each benefit will show potential impact if the Alaska Conference becomes a district of the Pacific Northwest Conference. I could have missed something.

Financial Information (highlights in yellow are where merger will have impact)

	Alaska	PNW
Balance Sheet ending 12/31/19		
Local Books	145,355	606,124
Deposits with Wespath	3,026,954	24,030,134
2020 Budget	99,700	747,500
Pension Plans		
Pre82 Pension Plan		
2020 Past Service Rate	824	788
Contingent Annuitant %	100%	70%
Preliminary Actuarial Valuation 1/1/2019		
Plan Assets	2,178,493	27,659,345
Plan Liabilities	(2,424,829)	(26,969,428)
Funding Ratio	90%	103%
Retirees number/average age	44/78.2	201/78.6
Contingent Annuitants number/average age	13/85.7	86/84.6
Ministerial Pension Plan (1982-2006)		
Current Annuities/Liability	74/4,680,162	357/44,336,843
Future Annuities/Liability	33/2,488,341	177/25,869,121
Funding Ratio	107.5%	107.5%
Clergy Retirement Security Plan (2007 – present)		
Full Time Equivalent #	16	150
75% (not eligible in PNW)	2	6
50% (not eligible in PNW)	4	9
Annual DB Cost (FTE)	-0-	5,700
Funding Ratio	107.1%	107.1%
Health Insurance - 2020		
Average Participant Rates Medical/Prescription	10,742	9,244
Premium Credit; participant/2 party/family	(883)/(1,545)/(2,156)	(779)/(779)/(1,260)
Annual Charge to Church	16,200	8,520

Pensions

If Alaska becomes a district of the Pacific Northwest Conference the assets and liabilities of all plans and the boards' assets will be merged. Neither the Pre82 past service rate or contingent annuitant percent can be lowered. Both funding plans have a 2% increase in PSR each year unless annual conference were to change this. Assets outside the 3 pension plans can be kept in separate account or merged together. The Pre82 funding ratio for Alaska has fallen below 100% because of the demographics of the small number of participants (less death than anticipated) but the net liability is small.

As a missionary conference under CRSP there is no charge for the defined benefit portion of the plan. This cost is around \$5,700 annually. Because there is no cost to the conference (born by all the other annual conferences) $\frac{3}{4}$ time and $\frac{1}{2}$ time participants participate. In the Pacific Northwest Conference only full-time participants are eligible for CRSP. If Alaska becomes a district of PNW there are two impacts on pensions; (1) Only full-time pastors in Alaska would be covered by CRSP and (2) the impacted Alaska churches would be charged the defined benefit cost.

The CRSP plan document allows a 4 year transition for the CRSP defined benefit cost when missionary conference merges with another conference. If approval is given for a merge with an effective date for example of 1/1/2021 the transition would be as follows; 0% due for DB plan in 2021, 25% in 2022, 50% in 2023, 75% in 2024 and 100% in 2025. Of course it could not be this simple.

At General Conference later this year Wespath Benefits and Investments will be bringing a petition that would change the pension plan from the current hybrid plan (defined contribution and defined benefit) to a straight defined contribution plan with an effective date of 1/1/2023. If it gets passed as presented the average cost would be lowered from about 11.5% to 9.5% of plan compensation. There is no language in the current petition that would allow the continuation of the transition as found in the CRSP document. This would mean that in 2023 rather than paying only 50% cost the local church would be responsible for paying the full cost. I have estimated given current compensations and appointments that in 2023 there would be needed \$62,250 of additional assistance and \$31,750 of assistance in 2024 to continue the 4 year transition. The projected budget of the Alaska board of pensions would incorporate this or in combined budget with PNW.

$\frac{1}{2}$ and $\frac{3}{4}$ time clergy in PNW are covered by the United Methodist Personal Investment Plan with a contribution of 8% of plan compensation as base and 2% match. $\frac{1}{2}$ and $\frac{3}{4}$ time clergy from Alaska would lose their eligibility under CRSP and be covered under UMPIP. Alaska would come under the adoption agreements signed by PNW. My assumption if Wespath's new pension plan called Compass is passed at General Conference as proposed that $\frac{1}{2}$ and $\frac{3}{4}$ time appointments would be covered in the same manner as full-time appointments at the part-time percentage contribution rate.

Health Insurance

If Alaska becomes a district under Pacific Northwest Conference the PNW health adoption agreements would apply to the Alaska participants at least this is how it works now where

conferences have merged. If no exceptions are made for Alaska's unique appointment and cost considerations there are three issues that arise. The current health insurance situations are different between the two conferences as follows;

1. Rates – as you can see in the table the average participant rate is 16% higher in Alaska. There will only be one rate structure if the conferences merge. This will most likely decrease rates for the Alaska participants compared to what are currently paying and increase in rates for PNW. I don't think will be a huge impact because the numbers are small for Alaska.
2. Under the HealthFlex Exchange program each pastor (participant) is provided an amount of money (premium credit) used to elect between 6 medical/pharmacy, 3 dental and 3 vision plans. HealthFlex has a three tiered billing structure (participant, 2 party and family). In the Pacific Northwest Conference the participant and 2 party premium credits are the same with an additional amount for a family. In Alaska the premium credit is much greater for 2 party and family, see table. This is done because of the appointment process of bringing someone to Alaska and many remote church locations where the spouse could not find a job and garner health insurance.

At the moment HealthFlex does not have the ability to allow two different sets of premium credits because of system issues. I am having further discussion with Wespath personnel on this.

3. Because the premium credits are much higher in Alaska the amount billed to local churches is almost twice as much as PNW to accommodate. There is no systems issue here. We could continue to bill churches differently but administrative issues arise.

Disability and Death Benefit

Both of the conferences have the same eligibility and cost percentage for these benefits so merger will not have an impact. Full time pastors are covered by the Comprehensive Protection Plan (self insured through Wespath) and eligible ½ and ¾ time are covered by UMLife Options (fully insured through UNUM).

United Methodist Personal Investment Plan

As stated earlier there will be an impact on eligible part-time clergy in the Alaska Conference. Both conferences are plan sponsors for UMPIP which means the billing for pastor's personal UMPIP contribution is handled by the conference not Wespath. A brand new benefit billing system was implement beginning in 2020 that combines both conferences under the same system. It is working well.

Both conferences also participate in the auto enhancement provisions of UMPIP. There are two provisions; auto enrollment (starts at 2% of plan compensation) and auto escalation where the amount contributed by pastor increases by 1% of plan compensation per year if stay with the same appointment up to 10%.

Membership

Full and Provisional Elders currently serving Alaska can keep the membership conference they are affiliated with or move membership to the PNW Conference if approved.