

# 2019 Annual Conference Frequently Asked Questions

## 2021 Conference Budget

### What is causing the budget changes?

There are a few changes to the budget for 2021 but the greatest driver by far is the change in funding for clergy retirement benefits. The lines for Conference Claimant – Retiree Health and Past Service Liability are removed from the 2021 budget as both of those funding plans have met the funding goal. This removes \$5 million from the budget and, when combined with the 1.66% increase in General Conference apportionments and almost 1% increase in Annual Conference apportionments, results in a 22.85% reduction.

### Are the retirement plans funded?

Both the pre-1982 pension plan and the retiree health plans have met their funding goals.

### What happened to the Past Service Liability apportionment?

The Past Service Liability apportionment is being removed from the 2021 budget as the pre-1982 pension and retiree health funding goals have been met.

### Will we ever have to add benefit funding back to the budget?

The pre-1982 pension and retiree health plans have met funding goals based on certain assumptions in future benefit increases and market investment performance. Great variations in actual benefit changes or market performance from these assumptions could mean future annual conferences may need to revisit these funding plans. As long as we offer benefits, we cannot say with absolute certainty that no one will ever have to ask for funding for these again in the future. It is the goal of the funding plans that they be self-sustaining and that they provide meaningful and sustainable benefits for future claimants, but no one can ever say “never” with absolute certainty as long as benefits are offered.

## Equitable Compensation

### What is the proposed minimum salary for 2020?

The minimum salary for 2020 for full-time pastors is proposed to increase by 2.5% to \$46,627.

### Why is the student pastor salary not proposed to change?

The minimum salary for student pastor appointments is proposed to remain the same at \$29,569. The Commission on Equitable Compensation proposed a freeze of student pastor salaries for one year to allow time for a full study to be done over the next year. The full

study will include a review of student pastor overall compensation, responsibilities, appointment availability, and how student pastor appointments and compensation levels are set across the denomination.

Why is the committee doing a study of student pastor salaries?

As the Commission reviewed the minimum salary proposal, some questions were raised concerning the ability of the Cabinet to continue with student pastor appointments and how these appointments are done across the denomination. Some conversation was that there has been some change to student pastor status in the Book of Discipline but the way North Carolina sets that salary has not been reviewed over time. The Commission proposed that the salary be frozen for one year while a full study can be completed.

## **Health Insurance Plan**

What are the plan changes being proposed for health insurance?

Plan changes being recommended on the conference health insurance plan include rate increases of 6.4% for the active clergy health plan and the dental plan. The rates for the life insurance program will remain the same. A plan design change is recommended to add an option for telemedicine with no copay for plan participants.

What is telemedicine?

Telemedicine is an option for the health insurance plan that allows for on-line appointments with doctors assessing common physical or mental health issues. The offering is being recommended to be added to the Conference plan with no copay for plan participants. The vendor selected for this service is MD Live treating over 50 non-emergency conditions through electronic appointments. More information on this service can be found at [mdlive.com](http://mdlive.com).

## **Board of Pension Report**

What is the proposed increase in the per service year rate for the pre-1982 pension plan?

The past service year rate (PSR) is proposed to increase by 2.5% to \$773 per service year. This is in line with the funding plan as found in the Board of Pension report in the Conference Workbook.

What is the proposed increase in the retiree HRA amounts?

Retiree health reimbursement account funding is proposed to increase by 3% to \$3,826 at the 100% level, in accordance with funding plan increase assumptions. The maximum account funding is 90% of that amount (\$3,443) for clergy with 40 or more years of service.

### Why is the rate changing for clergy pension?

The billing rate for the defined benefit (DB) portion of the Clergy Retirement Security Program (CRSP) is being reduced from 8.1% to 7.8% for a 0.3% decrease. The lower billing rate will still allow collection of enough to fund the Conference's DB payment to the CRSP pension plan. Part-time clergy pension benefits are funded through contributions to the UM Personal Investment Plan. A corresponding 0.3% reduction is proposed for part-time clergy pension benefits bringing that rate to 11.5%. See Section VI of the Board of Pension report on page 59 of the Conference Workbook for more details.

## **Ministers' Transition Fund Plan Design Recommendations**

### What changes are being proposed?

There are several primary plan changes being proposed and other secondary changes that result from the primary changes. The greatest change brings about a partnership between the Ministers Transition Fund (MTF) and the UM Personal Investment Plan (UMPIP) held at Wespath. Participant contributions and dividend balances will be placed in the participant's UMPIP account and will be administered there just like any other UMPIP funds. Participant contributions will be eligible to be made on before-tax, after-tax, or Roth basis. Other plan assets will be invested in a plan trust at Wespath and earnings from the plan assets will generate dividends to be paid to eligible plan participants. The Board of Pension will set the spending rate each year based on prevailing economic conditions and that rate will determine how much is available for distribution as dividends. The name of the plan is proposed to change from Ministers Transition Fund to Transition Fund. Refer to the MTF section of the Board of Pension report to 2019 Annual Conference for a list of specific changes.

### Why are changes being proposed?

The current MTF plan has been evaluated by legal counsel and was found to be in compliance with the laws and regulations in place at the time the plan was developed or amended. In early 2018 the Board of Pension began considering the MTF plan design by questioning if we were to add a new plan offering today to supplement retirement income for plan participants, is this what we would propose? The Board found that while the plan design had been grandfathered into compliance with current legal requirements, the plan designs now available under current Internal Revenue Code regulations provide more options for flexibility, accessibility, control, asset growth and tax benefits to participants. As such, the recommendations are made to develop a plan to better benefit plan participants. The recommended design also simplifies administration through the partnership with Wespath and the UMPIP.

### What happens to money in the plan?

If plan design changes are approved, participant accrued dividend balances (which includes their personal contributions) will be transferred to their UMPIP accounts as of February 1, 2020. If a participant has not yet accrued dividends, their personal contribution balances will be transferred to the participant's account. The remaining plan assets will be invested in a plan trust at Wespath.

### Does this replace my other UMPIP contributions?

Just as the MTF did not replace UMPIP contributions, the goal is that this will be in addition to your regular UMPIP contributions and not a replacement of those contributions. The overall goal is to save more for retirement and the Transition Fund is one more way to save for retirement in addition to other UMPIP contributions.

### Can my other UMPIP contributions count for this plan?

When participants complete the Clergy Compensation Worksheet as part of charge conference, there will be a section for UMPIP contributions and a section for Transition Fund contributions. Entering contributions in UMPIP will not count for the Transition Fund contributions. UMPIP and Transition Fund contributions will be billed to local churches on the same statement but as different line items. The goal is to increase retirement savings so UMPIP contributions will not count for the Transition Fund.

### What would the dividend have been under this plan last year?

The dividend declared in 2019 for the plan year ending January 31, 2018, was \$6,700 per eligible participant. There were 97 participants receiving dividends. If the Transition Plan design had been in place, the Board of Pension (BOP) would have looked at prevailing economic conditions and declared a spending rate. If the BOP selected a spending rate in the 4-4.5% range, the dividend would have been somewhere between \$6,200-\$7,100, assuming the same number of participants were eligible to receive dividends. If the number of eligible participants increases, the dividend decreases because the pool of available dividend is distributed to a higher number of participants.

### Will my dividends stay the same?

The dividend calculation will be the same in some ways and different in other ways. The pool of eligible participants will continue to be those who make the required contribution and who have participated for at least ten years. Just as market earnings can impact the dividend calculation under the current design, it is possible that market conditions will

impact future dividends. The declared dividends are not currently the same from year to year and likely will not be the same each year under the proposed plan design as well.

I already retired; is there any difference for me?

There are no changes for previously retired plan participants as their balances have already been paid out. If a retiree chose a multiple year distribution plan and there are future distributions to be made, the balance of those distributions will be transferred to the participant's UMPIP account as of February 1, 2020.

Can I still roll my balance into my UMPIP?

With the transfer of participant balances to the UMPIP on an on-going basis, the dividend balances will already be in participant UMPIP accounts at retirement. As such, there would be no balance to roll into the UMPIP at retirement as there is under the current plan.

Can I direct my contribution to an account other than UMPIP?

The proposed Transition Fund is a partnership with Wespeth and the UMPIP. Personal contributions will not be allowed to be directed to other plans and still count as Transition Fund contributions.

Is my personal contribution the same as it is now?

Personal contributions under the current MTF equal 1% of salary plus unvouchered cash allowances. Proposed personal contributions under the recommended Transition Fund design equal 1% of plan compensation as calculated on the Clergy Compensation Worksheet for charge conference. Plan compensation is used on all other pension plan calculations and the proposed plan aligns the Transition Fund with the other pension plans.

Who is eligible to participate?

Under the current plan provisions, only full-time clergy are eligible to participate. The proposed plan will include full-time clergy and lay staff participating in the conference – sponsored UMPIP, as well as 50% and 75% part-time clergy participating in the conference-sponsored UMPIP. This change opens the plan to a wider base of potential participants than is currently eligible.

How can I sign up for MTF?

Enrollment in the Transition Fund is open year-round to qualified participants. New members must complete an enrollment form which can be requested by emailing the NC Conference Benefits Team at [benefitsteam@nccumc.org](mailto:benefitsteam@nccumc.org). New enrollees must pay the full

annual personal contribution in the first year of enrollment. Mid-year enrollments will not be prorated. The enrollee and church will be notified of the expected monthly contribution at the time of enrollment. Once enrolled, participants will continue their election to contribute and elect their tax designation during the charge conference process every year on the Clergy Compensation Worksheet.

Can I still make an annual payment or payment by auto draft on my personal bank account?

Personal contributions will be billed to the church appointment for clergy appointed to local churches. These will be billed monthly to churches and annual payments will be discontinued for this group. Local churches will begin withholding the clergy's contribution from their paychecks and remitting the withholdings through payment of the monthly bills to the Conference. Participants in Extension Ministries or on an eligible leave of absence will be allowed to make annual payments as the Conference does not perform monthly billing for those appointments. Monthly payments or autodraft will be allowed for all persons in Extension Ministries or on eligible leave of absence.

Why is the base benefit changing?

The base benefit provision in the current plan yields a relatively small amount as it was not set up in the plan to be indexed over the years. The maximum to be paid is \$2,600 based on years in the plan. The Board of Pension considered the administration to track the base to be greater than the benefit to participants to keep this provision. With the trend of annual dividends being much greater than the entire base benefit, the Board of Pension recommends simplifying the plan and eliminating the base benefit.

Do I get to keep the earnings on the dividends put in my UMPIP account?

When balances are placed in participant UMPIP accounts from the Transition Fund, the assets are owned by the participant and are immediately 100% vested. As such, earnings on those assets accrue to the participant's account and are owned by the participant. The earnings on plan participant balances – including the personal contributions and the dividends - held in the UMPIP will be kept by the plan participant.

How many years do I have to participate before I receive dividends?

As with the current plan, Transition Fund participants will begin receiving dividends after their tenth year of participation in the fund. Participation is defined as making the full annual personal contribution before the end of the plan year.

Are there any costs to the participants to make these changes?

There are no additional costs to plan participants for making these changes. As with the current plan, plan costs such as printing, mailing, etc. are billed to the fund and paid out of plan earnings.

How will these changes impact me if I am retiring in 2019 or in 2020?

Plan provisions for distributions will be determined by the plan document in effect at the time of retirement. Participants retiring by January 31, 2020, will have the same options as currently offered for distributions or roll-over to other qualified retirement plans.

Participants retiring after February 1, 2020, will already have their balances in their UMPIP accounts so they will include their consideration of Transition Fund UMPIP balances in with consideration of the rest of their UMPIP balance.

Can you say more about why part-time clergy and lay staff are being included?

The MTF subcommittee reviewed the eligibility requirements for participation in the plan. As the MTF was previously funded in the annual conference budget, the subcommittee recognized the participation of all churches, full-time and part-time, in providing funding for the plan. In addition, the UMPIP plan is open to part-time clergy. To better match eligibility for the UMPIP and recognize the contribution of all churches, the subcommittee recommended opening eligibility to part-time clergy. With respect to lay participants on the NC Conference UMPIP, with eligibility open to clergy on the NC Conference UMPIP, the subcommittee recommended opening the plan to all on the same UMPIP plan sponsorship so that benefits are more consistent to all on the same plan within the same eligibility for UMPIP.

Have a question about MTF not answered here?

Contact [benefitsteam@nccumc.org](mailto:benefitsteam@nccumc.org)

Have a question about other financial reports  
not answered here?

Contact [helpdesk@nccumc.org](mailto:helpdesk@nccumc.org)