The Board of Pension and Health Benefits recommends that the Annual Conference continue its present health care rules and policies for active clergy, their families, and Conference lay employees for 2021, and that no substantive changes in eligibility or funding patterns be made for the next year. The Board is committed to insuring that quality, affordable health care is available to all our clergy, their families, and our Conference lay employees, working within the limits imposed by the financial realities that continue to face us all.

**REC 20-03 | PENSIONS 2: RETIREE HEALTH CARE**

**Recommendation No. 2 – Retiree Health Care**

The Board of Pension and Health Benefits is recommending to the annual conference that the 2021 Target HRA be reduced to the prior level of $2800 for participants age 84 and under. The Target HRA is the amount for pastors serving 50 years at the point of retirement, and under age 85. The actual HRA contributed for each participant is 2% of the Target HRA for each year under appointment prior to retirement. For example, a pastor serving 35 years will receive $2800 x 2% x 35 = $1,960 for 2021 (Note: the average years of service is currently 35 years).

**REC 20-04 | PENSIONS 3: CLERGY HOUSING ALLOWANCE**

**Recommendation No. 3 – Clergy Housing Allowance**

The California-Pacific Conference (the “Conference”) adopts the following resolution relating to rental/housing allowances for retired or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the “Church”), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church (“Clergypersons”);

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation; and

WHEREAS, pensions or other amounts paid to retired and disabled Clergypersons are considered to be deferred compensation and are paid to retired and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as the appropriate organization to designate a rental/housing allowance for retired and disabled Clergypersons who are or were members of this Conference;

NOW, THEREFORE, BE IT RESOLVED:

THAT an amount equal to 100% of the pension or disability payments received from plans authorized under The Book of Discipline of The United Methodist Church (the “Discipline”), which includes all such payments from Wespath Benefits and Investments (Wespath), and any funds distributed from the Lynch Fund as a pension supplement, during the year 2021 by each retired or disabled Clergyperson who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergyperson; and
THAT the pension or disability payments to which this rental/housing allowance applies will be any
pension or disability payments from plans, annuities, or funds authorized under the Discipline, including
such payments from Wespath and from a commercial annuity company that provides an annuity arising
from benefits accrued under a Wespath plan, annuity, or fund authorized under the Discipline, that
result from any service a Clergyperson rendered to this Conference or that a retired or disabled
Clergyperson of this Conference rendered to any local church, annual conference of the Church, general
agency of the Church, other institution of the Church, former denomination that is now a part of the
Church, or any other employer that employed the Clergyperson to perform services related to the
ministry of the Church, or its predecessors, and that elected to make contributions to, or accrue a benefit
under, such a plan, annuity, or fund for such retired or disabled Clergyperson’s pension or disability as
part of his or her gross compensation, which includes UMPIP contributions, and also applies to any
funds distributed from the Lynch Fund as a pension supplement during the year.

NOTE: The rental/housing allowance that may be excluded from a Clergyperson’s gross income in any
year for federal income tax purposes is limited under Internal Revenue Code section 107(2) and
regulations thereunder to the least of: (1) the amount of the rental/housing allowance designated by the
Clergyperson’s employer or other appropriate body of the Church (such as this Conference in the
foregoing resolutions) for such year; (2) the amount actually expended by the Clergyperson to rent or
provide a home in such year; or (3) the fair rental value of the home, including furnishings and
appurtenances (such as a garage), plus the cost of utilities in such year.

Recommendation #4 – Supplement One to the Clergy Retirement Security Program (Pre-82)

Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-82 Plan,
provides clergy with a pension for their years of ministry with The United Methodist Church prior to
1982. The Pre-82 Plan was replaced by MPP effective January 1, 1982. However, if a pastor was eligible
to participate and was vested in the Pre-82 Plan, he/she will receive benefits from the plan as before.

For 2020, the Past Service Rate (PSR) is $746. For 2021, the conference is increasing its PSR to $761.
On average, the conference cautiously estimates future increases to be approximately 2%, but will
thoroughly evaluate each year. The contingent annuitant percentage is at the 100% level.

Based on the final actuarial valuations from Wespath Benefits & Investments as of January 1, 2019 for
2021, the portion of the Pre-82 liability attributable to the California-Pacific Conference and funded
status as of 1/1/19 is as follows:

- Funding Plan Liability as of 1/1/19: ($46,221,909)
- Plan Assets as of 1/1/2019: $55,093,696
- Current funded status is $10,299,870 for a 122% funded ratio.
- The conference does not intend to redirect Pre82 surplus.

Key assumptions: 6.375% discount rate, using the RP2014 White Collar Mortality Table with
generational projection using Scale MP-2016.

The conference is fully funded in the Pre 1982 pension plan for this funding plan, so there is no need to
project New Incoming Money.

Pending opinion letter from Wespath Benefits & Investments.