

LEGISLATIVE SECTION 5

COMMISSION ON EQUITABLE COMPENSATION

Paul Hibbard, Chairperson

101. “It is the purpose of the commission on equitable compensation to support full-time clergy serving as pastors in the charges of the annual conference by: (a) recommending conference standards for pastoral support; (b) administering funds to be used in base compensation supplementation; and (c) providing counsel and advisory material on pastoral support to district superintendents and committees on pastor-parish relations.” *Book Of Discipline, 2004 Par. 624.2*
102. The year 2008 and start of the year 2009 have brought unprecedented (for many) economic challenges to the nation and the world. The church, while not of the world, is in the world and has not been immune to the difficulties faced by so many others. This present reality has influenced the work of this commission.
103. Despite budget constraints on the conference as a whole, this Commission is seeking to maintain levels of funding that are set aside to assist local churches who are facing increasing difficulties in meeting the conference standard for pastoral compensation. These budget items (the Equitable Salary Fund and the Salary Adjustment Fund) are not long-term solutions for churches, but short-term assistance as a church reviews its situation and puts plans in place to ensure an adequate pastoral presence for the future.
104. Even with this assistance available 3 – 5% increases (as have been experienced over the past several years) in the minimum salary schedule for 2010 may not be feasible for some congregations who are likely to be impacted by increasing layoffs, and frozen or decreased salaries among its members. It is therefore, with some reluctance, that this commission recommends no increase in the minimum salary schedule for 2010.
105. A recommendation from last year’s legislative section (Legislative Section #5) was to review the minimum salary schedule as it pertained to clergy with over 20 years of service. The feeling of some was that it was not fair that those with over 20 years of service that were receiving the minimum salary were not being compensated for each additional year of service as others with less than 20 years were.
106. The commission recognized that there can be many factors that are involved in a well-tenured pastor (over 20 years of service) receiving the conference’s

mandated minimum salary and that the number of clergy in this situation may not be large. It also recognized that to revise the salary schedule to a significant degree all at once in the current climate could be a burden on some churches. Therefore it is the recommendation of this commission to add one additional step to the minimum salary schedule for 2010 (21+ years of service) and to review annually the feasibility of adding additional steps.

- 107.** It is also the recommendation of this commission that those clergy under part-time appointment be entitled to a prorated portion of the minimum salary schedule.

RECOMMENDATIONS:

- 108.** That the Equitable Salary Fund be set at \$170,000. This represents a \$10,000 increase from 2009.
- 109.** That the Salary Adjustment Fund be set at \$70,000. This represents a \$10,000 decrease from 2009.
- 110.** That the Professional Reimbursement Account for a pastor under full-time appointment be a minimum of \$5,500 for 2009. Persons serving in part-time appointments are to receive a minimum of \$1,375 for each $\frac{1}{4}$ -time increment. This represents a \$500 increase from 2009 for pastors under full-time appointment.
- 111.** That pastors serving additional churches are to receive their choice of an additional \$150 professional reimbursement OR an additional \$150 salary for each church after the first church on their circuit, whether serving in a part-time or full-time appointment.
- 112.** To add one additional step (21+ years of service) to the Minimum Salary Schedule.
- 113.** That pastors under part-time appointment be entitled to a prorated portion of the minimum salary schedule.
- 114.** The Equitable Compensation Commission's Minimum Salary Schedule for all persons serving under full-time appointment is as follows: (see minimum salary schedule)

2010 MINIMUM SALARY SCHEDULE
(2009 Figure Shown in Light Type)

Yrs. Svc.	Local Pastor	Probationer	Associate Member	Elder/ Perm. Deacon
0	32,850 32,850	\$34,825 34,825	\$35,275 35,275	\$35,775 35,775
1	33,350 33,350	35,350 35,350	36,300 36,300	36,325 36,325
2	33,550 33,550	35,575 35,575	36,575 36,575	36,625 36,625
3	33,800 33,800	35,900 35,900	36,900 36,900	36,925 36,925
4	34,050 34,050	36,225 36,225	37,175 37,175	37,300 37,300
5	34,275 34,275	36,500 36,500	37,500 37,500	37,650 37,650
6	34,525 34,525	36,725 36,725	37,800 37,800	37,925 37,925
7	34,725 34,725	37,025 37,025	38,075 38,075	38,250 38,250
8	34,925 34,925	37,300 37,300	38,350 38,350	38,625 38,625
9	35,200 35,200		38,675 38,675	38,925 38,925
10	35,450 35,450		38,975 38,975	39,250 39,250
11	36,650 36,650		39,275 39,275	39,600 39,600
12	35,875 35,875		39,600 39,600	39,925 39,925
13	36,125 36,125		39,900 39,900	40,225 40,225
14	36,350 36,350		40,200 40,200	40,550 40,550
15	36,575 36,575		40,475 40,475	40,900 40,900
16	36,825 36,825		40,775 40,775	41,225 41,225
17	37,050 37,050		41,075 41,075	41,550 41,550
18	37,250 37,250		41,375 41,375	41,900 41,900
19	37,500 37,500		41,675 41,675	42,175 42,175
20	37,725 37,725		42,000 42,000	42,550 42,550
21+	n/a 37,950		n/a 42,325	n/a 42,900

BOARD OF PENSIONS AND HEALTH BENEFITS

William S. Shillady, President

INTRODUCTION

- 101.** For 100 years, The General Board of Pensions and Health Benefits has a simple mandate that has been central to all that they do: care of our clergy through good stewardship of all possible benefits. The GBPHB is a not-for-profit administrative agency of The United Methodist Church, responsible for the general supervision and administration of the retirement, health and welfare benefit plans, programs and funds for more than 74,000 active and retired clergy and lay employees of the Church.
- 102.** In the 101st year this mandate has experienced a crisis. The collapse of the financial markets in the fall of 2008 has created an emergency situation within our Pension program and will affect the HealthFlex program as well. Both our pension plan and our insurance plan costs are tied to reserves that were well funded before the collapse of the world markets which was triggered last September.
- 103.** “Many events contributed to the current market downturn, including a deteriorating housing market, troubled lending practices in the sub prime mortgage area and material reduction of borrowed funds by institutions with limited access to alternative financing (also known as deleveraging).. This action threatened chaos in the global financial system.” From the 2008 investment report from GBOPHB.
- 104.** Who would have believed that the good news that the General Board reports to us is that, in some cases, the funds of the Board lost less money than their benchmark indexes.
- 105.** Everyone is painfully aware of this financial crisis, whether already retired, planning to retire, or many years from retirement. So many people saw significant loss of value in their savings and investments.
- 106.** This year at Annual Conference, we will have far fewer retirees than in previous years because of the change in mandatory retirement age and the reality that clergy cannot afford to retire because their pension accounts have dropped so significantly.
- 107.** Many clergy are unaware that the General Board of Pensions and Health Benefits website is an incredible resource in up to date information. You can view you retirement accounts, plan for retirement, receive projections and see a vast array of benefits that are provided though the General Board. www.GBOPHB.org. It not only has great informational value, but through

this site a clergy person can access their own pension account, WebMD, Blue Cross-Blue Shield, Virgin Healthmiles, Ernst and Young Financial Planning, and other wonderful resources to help them in planning for good health and retirement.

- 108.** The New York Annual Conference Clergy have been at the lower end of the spectrum on using the web resources of the Board.
- 109.** I think we would all agree there is a Healthcare and Pension Benefits crisis in our country. We cannot continue to pay the amounts necessary for the benefits of this annual conference without cutting other programs and ministry. If you add up all our benefit costs for the year, it comes to over \$9,000,000.

4.49 Million	Active HealthFlex
2.05 Million	Retiree HealthFlex
2.1 Million	Defined Benefit CRISP
<u>1.6 Million</u>	CPP & Defined Contribution
10.24 Million	Total Benefits billing

- 110.** We must ask CF&A and the Bishop and the Cabinet to pay attention to the payment of our current benefits and the Integrity in Pension program as fastidiously and conscientiously as they do the payment of apportionments.
- 111.** In summary, it has been a challenging and difficult year for our benefits program and it could get worse.

OUR BENEFITS MINISTRY:

- 112.** We are fortunate that the staff and investment advisors, more knowledgeable than us, at the General Board, are doing their best on behalf of the clergy and lay staff of the New York Annual Conference to help us provide our ministry of health, wellness and retirement.
- 113.** Caring for those who serve and those who have served lies at the heart of what we do as a Conference Board of Pensions and Health Benefits. However, we also need to be good fiduciary stewards of what has been entrusted to us.
- 114.** In our meetings throughout the year, as we deal with the complex issues and costs surrounding the provision of these benefits, we seek always to remember that we are caring for real people, people in ministry in our connection, both active and retired. And we do our best at trying to communicate that caring.

115. With this new quadriennium we hit a few bumps along the road, or should I say, sink holes.
116. In the fall there was a major breakdown in communication concerning the fact that MVP (an HMO provider) would no longer be available to the clergy of the NYAC for their health benefits. We apologize and ask forgiveness.
117. We recognize how difficult it was to be told this at the last minute, through email communications.
118. There is some good news in this change, in that it will provide a savings of about \$100,000 in this year's HealthFlex payment of \$3,890,436 for active clergy.
119. We are planning to give a discount to all churches in the Conference who have paid their direct bill in full this year. In January or February of 2010, each church will receive a \$250 discount on their HealthFlex bill and the pastor will have \$25 credit given to their share of the payment.
120. Now, when did you know the Annual Conference to give you a discount on billing? We are committed to this and realize it seems far away from the current reality, but because the NYAC churches shared in the higher payment of premiums on MVP, we will all share in the reduction.
121. One of our major difficulties is the **non-payment, or under payment of our clergy benefits**. I am hopeful that all the members of the Annual Conference, both clergy and laity, will be able to remind their churches that the payment of the health premiums and pension premiums in full will help us move forward with integrity. And begin to solve some of the fiscal crisis of this year.
122. We will begin a new billing process in July that will show the past due amounts of these benefits for churches who did not pay in full. It will show the church portion, the pastor's portion, the MRA-DCA withholding and any buy up the pastor has chosen.
123. Our new committee assumed leadership in July of 2008 and saw the fiscal crisis erode away all of our funded pension programs. We hope you will join us in praying for a full recovery so that we can once again move forward in our projections and planning for this caring ministry in a positive, upbeat manner, rather than the apprehensive way we currently feel. More so, many people are hurting on a day to day basis.
124. We must plan in partnership with the Cabinet and CF&A, how the loss of our over- funding will need to find creative solutions to the financial crisis for our

plan in the year 2011. We are now under-funded in our pre-1982 plan and our other plans as well.

125. One way to begin to deal with that crisis now is to move toward full payment of benefits in this year and in 2010.
126. During recent years we have shared with the Annual Conference the serious fiscal difficulties caused by late payments of pension and health benefits contributions from the local churches. A church's late payment causes an immediate negative impact on the conference budget, forcing the drawing of funds away from other programs and delaying payment of other current obligations. During 2008 some churches formerly paying late began making their pension and HealthFlex contributions on time. For this effort we are grateful.
127. Still, at the end of the year, 73 churches had paid less than 100% of their HealthFlex contribution, leaving a balance of \$168,108.
128. 89 Churches paid less than 100% of their CRSP/PPP pensions and comprehensive protection contributions, leaving \$151,952 unpaid.
129. On HealthFlex, 6 churches paid \$0. Our plan asks the pastors to make a 10% contribution and in these six churches, the pastors did not even pay their share. Or if the pastor's paid their local church, the church did not forward the payment. Our covenantal relationship is a two way street. Eight churches paid less than 50% toward their billing. We have, at the request of Bishop Park, not enforced a termination of benefits policy that currently exists.
130. Our new monthly bill will show past due amounts in addition to the pastor's contributions.
131. On the new pension and disability program, referred to as CRSP/PPP, ten churches paid \$0 and eleven churches paid less than 50%. Yet our full payment is due to the General Board and we have no more reserves.
132. Our total deficit in 2008 was \$320,060. Under the NYAC benefits our shortfall in 2007 was \$276,291 in benefits payments to the Conference, a shortfall of \$300,452 in benefits payments in 2006, leading to a deficit for the last three years of \$896,803. I was afraid to look further back.
133. As far as I know the NYAC has not started to print money like the Federal government, so I hope everyone realizes we have a major crisis. The financial security of our benefits program demands timely payment, each and every month by every church.

PENSIONS REVIEW

- 134.** Clergy Retirement Security Plan (CRSP): The Clergy Retirement Security Plan, which replaced MPP on Jan. 1, 2007, includes two components: a Defined Contribution (DC) and a Defined Benefit (DB). The DC component requires that each church with a full-time or part-time pastor contribute 3% of the pastor's compensation. The DB component is actuarially calculated by the General Board. Our required payment from the NYAC of \$2,012,186 in 2008 was paid in full from an actuarial over-funded position even though our market value was below funding. Our CPP payment is approximately \$579,000 and our Defined Contribution payment is \$579,000 for a total of \$1.158 million. In total receipts for CRSP, CPP and DC we received \$2,843,187 toward a bill of about \$3,170,186.
- 135.** In 2009 our payment for the Defined Benefit component is \$2,107,314 in 2009. This figure is based on actuarial tables based on market and interest rate results that lag two years. In 2010, the payment will be \$2,164,000. So put your hat on, the estimated contribution for 2011 is \$2,546,000, an increase of 438,686. That is a 17.5% increase in the pension payment for 2011. This is due to the two year lag in values established as part of the General Board Pension plan so that in 2011 is when the financial crisis of year 2008 will reveal itself in payments due.
- 136.** The funding of our CRSP obligation for this year was based on a formula of 10.4% of pastoral compensation from each church. In addition, the Comprehensive Protection Plan (CPP), with death, disability and survivor benefits, requires a payment of 3%, based on pastoral compensation up to twice the DAC. The total CRSP/CPP contribution rate, 3%+10.4%+3%, totals 16.4% of pastoral compensation, which is billed on a monthly basis to each local church.
- 137.** Unfortunately, our salary base is not enough to cover this full funding for the Defined Benefit plan. For 2010, our CRSP Defined Benefit figures are as follows:
- Contribution due 12/31/10 = \$2,164,193.00
Divided by 344.25 Full Time Equivalent = \$6,286.68/FTE.
- 138.** Our salary base is shrinking; therefore the 10.4% is not able to fund this in full. Therefore we need to increase the CRSP Pension contribution to 11.4% to cover this full payment in 2010. We cannot change the amount due, only General Conference will be able to amend this plan.
- 139.** Pre-1982 Ministerial Pension Plan: Over the last few years, the Board was able to increase the Past Service Rate (PSR) each year by 3% to address increases in the cost of living for our retired pastors receiving benefits under

the plan. This was done in a time when our pre-1982 plan was fully funded. That no longer exists.

140. The PSR in 2008 was \$518. The PSR in 2009 will be \$534.
141. In our report in 2008, we reported that the NYAC Pre-1982 plan at the end of 2007 carried a funded status of +\$10,804,779 using an assumption that future PSR increases would continue at 3% per year. This funded ratio was 136%
142. At the end of 2008, our pension accounts have fallen, all due to market value, to a 91% funded value. Our Liability for the pre-1982 Pension is approximately 42.5 Million dollars. We are under funded by approximately 4 million dollars based on preliminary actuarial figures.
143. Our Pension plan has the requirement that the *Past Service Rate Amount* for each Conference will automatically increase by an amount equal to the Greater of: 2% of the *Past Service Rate* for the previous Plan Year; or The amount necessary for the *Past Service Rate Amount* to equal 0.8% of the "*Conference Average Compensation*" for such Conference for such Plan Year.
144. With that as the background:
The *Conference Average Compensation* for New York in 2010 will be \$58,244.00 — 0.8% of that is \$465.95, averaged up to \$466.00. We are already above that with the 2009 Past Service Rate of \$534.00. A 2% increase on \$534 would give you a new rate of \$544.68 which rounds to \$545.00.
145. Our unfunded liability overall would be reduced by 1.4 million dollars if we change to a 2% rate for the foreseeable future from the 3% rate of the last few years.

UNFUNDED RETIREE HEALTH BENEFITS

146. Over the last few years we have been able to draw upon the surplus funds to make our CRSP payment and have been able to build a Retiree Health Benefits Reserve Deposit Account to begin to address the unfunded medical liability for retirees.
147. Because of this fund the Board of Pensions and Health Benefits contributed \$380,000 to the NYAC conference budget in 2009 for apportionment relief on the Ministerial apportionment. Our contribution went specifically for the conference share of the retiree medical benefit. This should have reduced your apportionments by \$800 to \$1,000 on the Ministerial Benefits apportionment. It was our goal to provide apportionment relief. Unfortunately,

CF&A increased the Conference Budget by \$400,000 in other areas. And the Annual conference voted that budget into place.

148. For 2010, even though our value has diminished considerably, the Board has voted to contribute \$370,000 (5% of the value of our special retiree medical benefit funding) toward the retiree health insurance cost. We hope each local church will be able to receive apportionment relief from our continued action.
149. For the future, we may need to re-think our goal of the Retiree Health Benefits Reserve because of the lack of full funding in the overall plan, a new \$1.5 million dollars in pension payments will need to be made in 2011 based on the requirements of our current pension plan.
150. Integrity in Pensions: A key component in the funding of the pre-1982 plan has been our Integrity in Pensions program, a 30-year funding program by the churches of the New York Conference that was inaugurated in 1982. With the program scheduled to conclude in the year 2012, we have only three years remaining to complete the obligation. At this time, 27 years into the program, over 300 of the approximately 500 churches in the conference have paid their commitment in full.
151. An additional 97 churches are keeping pace and will complete their share by 2012. In 2008, the amount contributed by these churches was \$231,001. Thirty-seven congregations made partial payments on their Integrity in Pension fair share. This amounted to \$49,736.
152. We are grateful for this record of faithful stewardship which has strengthened the promise to our retired clergy who served before 1982.
153. Unhappily, however, there remain 57 churches that have fallen far behind or who made no payments to Integrity in Pensions in 2008. We would ask those congregations to remember the retired pastors who served them during the years before 1982 and for their sake to complete their commitment to Integrity in Pensions during these final four years.
154. At the end of 2008, the total outstanding balances of these 57 churches amounts to \$1,391,609.
155. Some pastors and churches, it appears, heard that our pensions were over funded and chose not to make payments to the integrity in pensions program. Well, we are now under-funded. There is no excuse not to share in our covenant of caring for our retirees.

156. Please tell your congregations to fulfill this obligation. It may be one way to cover some of our added pension benefit costs in 2011 if we have healthy payments of the Integrity in Pensions Program.
157. There is a willingness on behalf of the conference board to forgive past due interest if the congregation pays monthly the balance remaining on their fair share amount from the original figures of the program. For some churches, that could save those thousands of dollars. We cannot reduce the original fair share.
158. Pre-Retirement Seminar: For the past few years, the Board of Pensions and Health Benefits has sponsored pre-retirement seminars for clergy and spouses who are approaching retirement age. Resource persons from the General Board of Pension and the Social Security Administration have helped participants understand and plan for their retirement benefits.
159. The General Board sponsors such an event in different parts of the country. Many from our area attended a sold out event in Lake George in November of 2008.
160. Also, free to every active clergy is a financial planning program through Ernst and Young the General Board has once again arranged to offer Ernst & Young Financial Planning Services in 2009 at no charge to active participants with an account balance, surviving spouses with an account balance, and terminated and retired participants with an account balance of at least \$10,000.
161. Ernst & Young's financial planners can provide confidential, objective guidance on making investment decisions, saving for retirement, managing debt, understanding tax issues, evaluating insurance needs and options, buying a home, and more! To take advantage of this valuable resource, just call Ernst & Young directly at 1-800-360-2539 between 9:00 a.m. and 8:00 p.m., Eastern Time, Monday through Friday.

HEALTH BENEFITS REVIEW

162. Wellness Incentives: GOOD NEWS. Last year we had the nearly 40% of our clergy participate in the wellness incentive program. We sent out checks of \$276 to 106 participants who (both spouse and clergy if married) took the HQ on line and who also had a wellness exam. Where did we get the \$29,256 to pay for this? The conference received a rebate from the HealthFlex plan for \$36,700 because we met certain quotas in our wellness participation. Also in 2008 251 participants received \$100 Visa cards for taking the HQ on line in Web MD last year. And you can get the same rebate this year if you complete by June 30th.

- 163.** All rebates this year are provided through Virgin Health Miles.
- 164.** The Procheck Blood screening at AC, which replaces the wellness exam, will take place on Friday morning of Annual conference. A \$25 Virgin Healthmiles credit will be given, and a \$25 Cokesbury gift card will be given to every active HealthFlex participant. You must enroll in Virgin Health Miles first.
- 165.** HealthFlex Premium Projections for 2010:
- 166.** Preliminary projections indicate that HealthFlex costs for actives in 2010 will increase by 11.09 %. The new premium, which will be confirmed in August, will be \$12,664. Please remember that in 2007, we had a premium of \$11,400. In 2008, it was reduced to \$11,040, in 2009; we are back to \$11,400. So an increase in this difficult time will be hard, but is necessary since we have had very little increase recently.
- 167.** The total amount of our HealthFlex billing is \$4,419,832. We must pay the HealthFlex bill of \$370,000 per month. **TIMELY PAYMENT IS ABSOLUTELY NECESSARY.**

Retiree Health Benefits

- 168.** The Retiree HealthFlex costs for 2010 will be \$4,512 per participant. Each retiree is required to contribute 25% (\$1128 annually, \$94 per month) of this amount.
- 169.** The total billing of our retiree health care is \$ 2,050,476. The retirees contribute \$512,619 toward this cost. We need to budget \$50,000 for a shortfall for those retirees who do not pay their fair share.
- 170.** This will mean that CF&A will need to budget \$1,587,857 for the retiree health benefits costs. The Conference Board will contribute \$370,000 toward that cost from our Benefits Reserve Fund so that the net expense to the conference is \$1,217,857
- 171.** We recommend the continuation of the following Administrative Policies for Health Benefits Program: The guidelines by which our health benefits program is administered are presented here for the sake of clarity and understanding by all:
1. Uniform Rate – Since our health benefits plan covers all full-time and three-quarter time clergy, our connectional responsibility requires that every church served by a fulltime or three-quarter time pastor pay the uniform rate. The uniform rate is NOT an insurance premium for the

individual currently serving as the church's pastor. It is each fulltime or three-quarter time church's equal share of the total Annual Conference premium that provides health benefits for active clergy, conference staff and their families throughout our diverse conference. The uniform rate is determined by the total annual cost for active pastors in fulltime or three-quarter time appointment and conference staff, divided by the number of clergy under fulltime and three-quarter appointment and conference staff. The local church pays 90% of the uniform rate and covered clergy pay 10%. For conference staff, the Annual Conference pays 90% of the uniform rate and staff members pay 10%.

2. PPO Buy-Up – Active participants may buy up to the Preferred Provider Organization (PPO) network. Those who choose the PPO buy-up must pay the uniform rate plus the additional premium for the PPO option.
3. Clergy Couple Under Appointment – Clergy couples, in which both ordained spouses serve under appointment in separate fulltime churches, are treated in the HealthFlex census as separate units. Each church, per section 1 above, is responsible for paying its 90% of the uniform rate. The clergy couple is responsible for paying a single 10% of the uniform rate. Note: Each partner is given his or her own health benefits card. If there are dependent children, the couple must determine on which one's card to list the dependent children.
4. Churches Served by Retired Clergy: All churches served by fulltime or three-quarter time pastors are responsible for paying 90% of the uniform rate, per section 1 above, regardless of the status, retired or not, of the current pastor. Retired clergy age 65 or above, who serve in fulltime or three-quarter time appointment will continue to be carried as actives in HealthFlex and will, therefore, be responsible for paying their 10% of the uniform rate.
5. Retired Clergy: Retired clergy not under fulltime or three-quarter time appointment, age 65 or above, must be signed up with the Social Security Administration for coverage under Medicare, Part A and Part B, before they can be enrolled in the HealthFlex Medicare Supplement Plan. Retired clergy are responsible for paying 25% of the premium cost. The Annual Conference pays 75% of the premium.
6. Surviving Spouse of Clergy: The covered surviving spouse of a clergy member enrolled in HealthFlex may continue in the plan at his or her expense. A surviving spouse who is not yet 65 will pay the premium cost for a single individual and any applicable dependents. A surviving spouse 65 or over whose primary coverage is Medicare will pay 25% of the premium cost for the HealthFlex Medicare Supplement.

7. Retiree Eligibility: A Retired Participant eligible for the HealthFlex Medicare Supplement is defined as a former Active Participant in the New York Annual Conference Health Benefit Plan with at least five years of continuous coverage at the time of retirement, and whose primary coverage at retirement is through Medicare Part A and Part B. Retirees with 15 years or more of service in the conference prior to retirement are required to pay 25% of the premium. Retirees with fewer than 15 years of full-time service will be covered at higher levels of personal contribution to the cost, per the following schedule:

LENGTH OF SERVICE	LEVEL OF CONTRIBUTION
15 years plus	25% of cost
11 to 14 years	50% of cost
6 to 10 years	75% of cost
1 to 5 years	100% of cost

8. Clergy who retire Before the Age of 65: Clergy who retire before the age of 65 must continue, at their expense, their coverage in HealthFlex as if active until their 65th birthday. If such early-retired clergy choose not to continue in the conference HealthFlex program they may not re-enter conference coverage and they will be ineligible for coverage in the HealthFlex Medicare Supplement Plan at age 65. Eligibility for the conference HealthFlex Medicare Supplement Plan requires at least five years of continuous coverage in the conference “actives” plan before age 65.
9. Retired Clergy with Spouse Younger than Age 65: A retired clergy member with a spouse younger than age 65 may have the spouse covered in the active HealthFlex plan at his or her expense. Eligibility for coverage in the conference HealthFlex Medicare Supplement Plan when the spouse reaches age 65 requires at least five years of continuous coverage in the conference actives plan before age 65.
10. Termination for Non-Payment: A new termination policy will be presented at annual conference. The written policy of the last few years has not been enforced at the request of Bishop Park and the Cabinet is reviewing the policy.

RECOMMENDATIONS – HEALTH BENEFITS:

172. Participation in Costs — Actives: It is our recommendation that every full-time and three-quarter time active participant in the HealthFlex plan in 2010 pay 10 % of the uniform rate, billed monthly, and the local church with full-time or three-quarter time clergy pay 90% of the uniform rate, also billed monthly. For conference staff, the Annual Conference pays 90% of the uniform

rate, and staff members pay 10%. Those who buy up to a PPO network pay, in addition to 10% of the uniform rate, the amount by which the cost of the PPO exceeds that of the basic plan. Also on this bill will be any Medical Reimbursement Account-Dependent Care Account *Section 125* pre-tax contributions.

- 173.** Participation in Costs – Retirees: It is our recommendation that every retired participant in the Medicare Supplement Plan who has at least 15 years of full-time or equivalent service under appointment in the NYAC pay 25% of the actual premium cost in 2009 with 75% of the cost paid by the Annual Conference.

RECOMMENDATIONS — PENSIONS:

- 174.** Local Church Contribution for Retiree Benefits: It is our recommendation that the 2010 total monthly billing for retiree benefits be based on an annual rate of 17.4% of pastoral compensation, which includes 11.4% of all pastoral compensation to cover CRSP-DB costs, 3% of all pastoral compensation to cover CRSP-DC costs, and 3% of up to twice the Denominational Average Compensation (DAC) to cover CPP costs.
- 175.** Receipts to Retiree Health Benefits Reserve Deposit Account: It is our recommendation that receipts for CRSP-DB (11.4%) be deposited each month into our Reserve Deposit Account at the General Board, and that the required 2010 payment be paid from either the Deposit Account or our Pre-1982 account based on the determination by the Conference Board of Pensions and Health Benefits in consultation with the conference treasurer and the General Board staff,
- 176.** CRSP-DB Cost for Disabled Pastors: It is our recommendation that the CRSP-DB cost for disabled pastors be put into the apportionment base.
- 177.** Past Service Rate: It is our recommendation that the PSR in the Pre-1982 Plan be set at \$545.00 for 2010, which represents a required 2% increase.
- 178.** Reserve for Emergency CPP: It is our recommendation that the reserve for emergency CPP payments remain unchanged at \$10,000 in the 2010 budget.
- 179.** Special Grants: It is our recommendation that the payment of special monthly grants, as established in previous years and as provided for in *The Book of Discipline*, be continued to the following persons:

Jean Arthur	\$39.50
Elsa Myers	\$198.65
Eva N. Alvira	\$45.78

- 180.** Rental/Housing Allowances for Retired or Disabled Clergypersons: The New York Annual Conference (the “Conference”) adopts the following resolutions 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;

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 the General Board of Pension and Health Benefits (“GBOPHB”), during the year 2010 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 the GBOPHB and from a commercial annuity company that provides an annuity arising from benefits accrued under a GBOPHB 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.

NOTE: The rental/housing allowance that may be excluded from a Clergy-person's gross income in any year for federal income tax purposes is limited under Internal Revenue Code section 107(2) and regulations there under to the least of: (1) the amount of the rental/housing allowance designated by the Clergy-person'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 Clergy-person 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.

It is our recommendation that an amount equal to 100% of pension payments received by a retired minister, or of disability payments received by a disabled minister during the year 2010 be and is hereby designated as a rental/housing allowance respectively for each retired or disabled minister who is ordained or licensed in the United Methodist Church and is or was a member of the New York Annual Conference at the time of his or her retirement or disability; and that such payments represent service in any local church, annual conference, general agency or institution of the United Methodist church or of any former denomination that is now a part of said denomination, or any other employer whose employment of said ministers, who elected to make contributions to the pensions and benefit funds of the United Methodist Church; and that the Internal Revenue Service's limits shall apply only to ordained or licensed ministers, and no more than the lesser of fair rental value, the actual cost of owning a home, or the amount of taxable pensions or disability benefits received may be claimed.

181. 2009 Formal Funding Plan for Supplement One to the Clergy Retirement Security Program (Pre-82 Plan) for the New York Annual Conference of the United Methodist Church Board of Pensions and Health Benefits:

182. Our current Past Service Rate for the calendar year 2009 is \$534 per service year, an increase of 3% over the 2008 rate of \$518. Because of the continuing market crisis we anticipate the required 2% increases in the Past Service Rate in each future year, to partially compensate for increases in the cost of living for retired pastors.

183. The 2009 funding plan information based on January 1, 2007 figures because of the two year lag in our actuarial tables are summarized below. (from GBOPHB actuarial report for NYAC.

Present Value of Benefits*	\$42,894,417
Assets -01/01/2007	\$58,561,681
Funded Status	\$15,667,264

*Assuming 7.0% interest and the RP-2000 Mortality Table.

184. Unfortunately, our plans have a two - year lag. This means the market crisis will be reflected in our 2011 payment figures.
185. There may need to be a request for apportionments to meet future needs in 2011 and beyond unless we choose to invade the funds in the Retiree Health Reserve deposit account which has been generated because of the over funded position of previous years. If the market improves our annual investment earnings might be available to cover these costs. If insufficient funds exist in that account we shall ask the Conference Council on Finance and Administration to add a line item to the Conference budget to cover these expected costs.
186. The Pre-'82 Plan is one of two defined benefit (DB) components within the larger Clergy Retirement Security Program (CRSP). Pensions are provided for service after 2006 by the other DB component, referred to as CRSPDB. By votes of the New York Annual Conference, part of the January 1, 2006, funded surplus of \$10,804,779 in the Pre-82 Plan has been earmarked to cover the following amounts of our required contributions to the successor CRSPDB Plan following that date, as permitted by CRSP: \$0 as of 12/31/2006 (since CRSPDB was not effective until 1/1/2007), \$1,893,771 as of 12/31/2007, and \$2,012,186 as of 12/31/2008.
187. As we look to the required payment of \$2,107,314 on December 31, 2009 it is noted that this required payment be paid from either the Deposit Account or our Pre-1982 account based on the determination by the Conference Board of Pensions and Health Benefits in consultation with the conference treasurer and the General Board staff.
188. We retain the right to decide annually whether any funded surplus which may exist within the Pre-82 Plan at that time should be used in a similar manner to cover part or all of our then required contribution to CRSPDB.
189. **RECOMMENDATION FOR A TASK FORCE**
We recommend that the NYAC establish a task force of the Cabinet, representatives from the Conference Board of Pensions and Health Benefits, and the Conference Council on Finance and Administration, in consultation with the General Board of Pensions and Health Benefits to establish a funding plan to cover the massive increases and income shortfalls in the benefits funding for the year 2011 and beyond. As mentioned previously, the 2-year lag in our actuarial reports from the General Board means that the pension benefits crisis generated by the market collapse of 2008-2009, will be evidenced by increase needs for funding of the pension plans of between 1.5 and 2.5 million dollars in 2011. Periodic updates will be shared through the Vision newspaper and a report will be given to the Annual Conference next year.

CONCLUSION:

- 190.** The end of 2008 was a difficult time for our world. The NYAC is experiencing a major fiscal crisis with our payments of the benefits package for our clergy. However in the overall picture of our world and those who suffer in poverty, it seems selfish to even complain. We must be good stewards of all that God has entrusted to us and I am hopeful that the future will be a bit brighter. Even as I write this report, things are improving slightly in the financial markets. Maybe, this year will have been a bump in the road, but we definitely have to check our alignment for the future.

APPRECIATION

- 191.** This is my first year as president of this Board. I am very grateful for the conversations and collaboration that exist with Bishop Park and the Cabinet and CF&A for their shared concern and support in the midst of the financial crisis that has put so many items back on the table for discussion; I am grateful to Conference Treasurer and Director of Administrative Services Ernest Swiggett for his steady hand at the helm of our conference's administrative and financial services; to the conference administrative staff, especially Kim Cartiglia and Pat Perruccio, for their support services; Oscar Destruge-Sandoval, for serving as pensions registrar; cabinet liaison Adrienne Brewington; Stephen Phillips, liaison from CF&A; Eumin Kim, liaison from the Board of Ordained Ministry; William Neuert, liaison from the General Board of Pension and Health Benefits; and board members Anthony Beck, John Fahey, Rev. Sara Goold, Doug Hathaway, Arturo Maine, Archie Maybank, Elaine Williams Nelson, Elliot Oakes, Richard Rice, Stephen Smart, Alpher Sylvester, Jim Van Schaick and Robert Woodcock for their faithful attendance, keen insight and numerous contributions to our work. Unfortunately, Ray Rinfert had to resign for business reasons.
- 191.** This has been an arduous and complex year for our committee. However, the fellowship we experience in the work of benefits ministry is a rich blessing.