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Local churches and salary-paying units are to make their monthly CRSP payments to VUMPI.

Comprehensive Protection Plan (CPP)

The 2012 CPP Contribution from the local churches and/or salary-paying-units for each appointed eligible clergy member under episcopal appointment at that location shall be:

Plan Compensation (base salary plus housing allowance or parsonage rate in accordance with the Internal Revenue Service, up to 200 percent of the Denominational Average Compensation) times 4.4 percent.

CPP Contribution = (Plan Compensation) x (4.4%)

Local churches and salary-paying units are to make monthly CPP payments to VUMPI.

If, for any reason, CPP contributions are more than 30 days in arrears, participation in the CPP is suspended. If contributions are more than six consecutive months in arrears, participation in the CPP is terminated. For terminated participants, readmission into the CPP requires payment of 7 months of contributions and submission of medical statement of good health.

Erroneously enrolled clergy who are ineligible to participate in the CPP have no right to benefits under the CPP. Eligible clergy who have not been properly enrolled in the CPP have no rights under the CPP until after proper enrollment.

A. Disability Benefits

1. For those Clergy disabled on or after Jan. 1, 2002, the 2012 CPP disability benefit equals 70 percent of Plan Compensation, with compensation capped at 200 percent of the DAC. For further details, refer to the CPP Summary Plan Document provided by the General Board of Pension and Health Benefits.

2. For those Clergy disabled prior to Jan. 1, 2002, they will continue to receive the same CPP disability benefit and conference disability supplement per the plan document in-force at the time their disability claim originated. For further details, contact the Virginia United Methodist Pensions, Inc. office at (804) 521-1100 or 1-800-768-6040.

B. Death Benefits

1. The CPP death benefit for all active full-time clergy under Episcopal appointment is $50,000. The beneficiary may choose to have the death benefit paid in 12 equal monthly installments or as one lump sum. Upon retirement, death benefits are reduced to equal 30 percent of the DAC and are payable in a lump sum.

2. The Conference Supplemental Death Benefit for all active full-time clergy under episcopal appointment is $25,000. This Conference Supplemental Death Benefit is payable in addition to the CPP death benefit. During retirement, a $5,000 Conference Supplemental Death Benefit will be payable to CPP participants, in addition to the CPP death benefit. The beneficiary will receive the conference Supplemental Death Benefit payable in one lump sum. The Conference pays the entire cost of this Supplemental Death Benefit.

3. In combination, the CPP and Conference Supplemental Death Benefit provide total death benefits of:

a) $75,000 to beneficiaries of active clergy participants;

b) 30 percent of the DAC + $5,000 to beneficiaries of retired clergy participants.

Gift Benefit

A $1,500 gift is given at the time of retirement or disability (once awarded disability benefits under the Comprehensive Protection Plan) to each clergy person who has served at least 10 years of service in a full-time Virginia Annual Conference episcopal appointment in the Virginia Conference with pension credit. Further, a gift to the families of each clergy person who dies in active service is paid in the same amount as the gift to retired or disabled clergy persons.

RECOMMENDATION 6: APPLY CPP PREMIUMS TO OFFSET INCREASED PENSION COSTS

In August 2009, the GBPHB announced a three-year suspension of Comprehensive Protection Plan (CPP) premiums due from annual conferences, beginning Jan. 1, 2010. The purpose of this action is to provide cash flow relief for annual conferences so that we can use these funds to pay the additional pension payments required by the GBPHB, beginning in 2011.

VUMPI seeks 2011 Annual Conference approval to again continue to collect the amounts ordinarily due under the CPP and apply these funds to offset our increased pension obligations, payable to the GBOPHB in 2012.

RECOMMENDATION 7: REDUCE CPP LONG-TERM DISABILITY FROM70 PERCENT TO 60 PERCENT

In 2002, the General Board of Pension and Health Benefits of The United Methodist Church increased the Long Term Disability benefits provided under the Comprehensive Protection Plan from 40 percent income replacement to 70 percent income replacement. A 70 percent income replacement ratio is higher than industry averages and subjects the plan adverse selection. Since this change in 2002, the denomination has experienced a marked increase in overall long-term disability claims.

Virginia United Methodist Pensions, Inc., in its capacity as "plan sponsor" for the Virginia Annual Conference, recommends to the Annual Conference that it recommend to General Conference that it reduce the long-term disability income replacement ratio in the Comprehensive Protection Plan from 70 percent to 60 percent.

RECOMMENDATION 8: ADOPTION OF DEFINED CONTRIBUTION PLAN

The General Board of Pension and Health Benefits of the United Methodist Church has communicated to the denomination that our current defined benefit pension plans are no longer sustainable. Additionally, defined benefit plans create future liabilities and funding obligations for annual conferences.

Virginia United Methodist Pensions, Inc., in its capacity as "plan sponsor" for the Virginia Annual Conference, recommends to the Virginia Annual Conference that it recommend to General Conference that the denomination change to, prospectively effective on Jan. 1, 2013, a defined contribution pension plan containing an 8 percent defined contribution as its base, plus a one-for-one match up to 2 percent, in order that the Participant may recognize a total 12 percent contribution to his/her account per calendar year, without creating an unfunded pension liability.

RECOMMENDATION 9: ELIMINATE DIFFERENTIAL PENSION ACCUMULATION BASED ON HOUSING

Current pension and welfare plans provide a differential in the amount of monthly pension income upon a clergy person's retirement based solely on where a clergy person served throughout his/her ministry, not tenure, not income, but simply where one lived throughout his/her ministry.

Virginia United Methodist Pensions, Inc., in its capacity as "plan sponsor" for the Virginia Annual Conference, recommends to the Virginia Annual Conference that it recommend to General Conference that the denomination adopt a policy that utilizes a uniform approach in establishing the housing component of compensation for use in pension accumulations and calculations, effective Jan. 1, 2013.

RECOMMENDATION 10: EXTEND PRE-1982 PENSION PLAN AMORTIZATION SCHEDULE

Currently unfunded liabilities of the Pre-82 pension plan are amortized over a period of years from the current date until 2021. However, expectations are that this plan will continue to exist until the 2050s. Thus, under the current amortization policy, gains and losses occurring subsequent to 2021 will have to be funded in full each year as they occur.

Virginia United Methodist Pensions, Inc., in its capacity as "plan sponsor" for the Virginia Annual Conference, recommends to the Virginia Annual Conference that it recommend to the General Conference to direct the General Board of Pension and Health Benefits of the United Methodist Church to study and devise a policy for extended amortization of Pre-82 pension liabilities for application beyond 2021, and that such policy be presented to the 2016 General Conference for adoption.

RECOMMENDATION 11: 2012 HOUSING ALLOWANCE / EXCLUSION

Housing allowance and exclusion for retired and/or disabled clergy:

Whereas, the religious denomination known as The United Methodist Church has and functions through Ministers of the Gospel who are duly ordained or licensed; and

Whereas, the practice of The United Methodist Church is to provide a parsonage or rental exclusion as part of the gross compensation for each of its active ordained or licensed clergy; and

Whereas, pensions paid to retired ordained or licensed clergy of The United Methodist Church are considered as deferred compensation and are paid to said retired ordained or licensed pastors in consideration of previous, active service; and

Whereas, the Internal Revenue Service has recognized that the Virginia Annual Conference is the appropriate organization to designate a housing/rental exclusion for retired ordained or licensed pastors who are members of this conference; and

Whereas, the disabled pastor has the same legal relationship to an annual conference as does the retired pastor and, thus, this annual conference is also the appropriate organization to designate a housing/rental exclusion for a disabled ordained or licensed pastor who is a member of this conference;

NOW THEREFORE BE IT RESOLVED:

1. An amount equal to 100 percent of the pension payments received by a retired clergy, or 100 percent of the disability benefit payments received by a disabled clergy, during the year of 2012 be and is hereby designated as a housing allowance and exclusion respectively for each retired or disabled, ordained or licensed clergy of The United Methodist Church who is or was a member of the Virginia Annual Conference at the time of his or her retirement or disability; and

2. The pension or disability payment to which this housing allowance and exclusion applies shall be the pension or disability payment resulting from all service of such retired or disabled, ordained or licensed clergy from all employment by 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 The United Methodist Church, or from any other employer who employed the clergy to perform duties related to the ministry and who elected to make contributions to the pension or benefit funds for such retired clergy's pension or disabled clergy's benefits.

Note 1. The housing exclusion which may be excluded from a clergy's gross income is limited to the lesser of (1) the amount of the housing allowance designated by the clergy's employer or other appropriate body, (2) the amount actually expended by the clergy to provide his or her housing, or (3) the legally determined fair rental value of the parsonage or other housing provided.

Note 2. Per the Internal Revenue Service, the housing allowance and exclusion is available to clergy, not the clergy person's spouse or surviving spouse.

Betty J. Forbes, Chair