

# JOURNAL

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## Virginia Annual Conference

THE UNITED METHODIST CHURCH

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2014 VIRGINIA ANNUAL CONFERENCE

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of what is referred to as Defined Benefit Service Money (DBSM), which is the defined contribution feature of the Pre-1982 Plan. At the time that a participant retires, the DBSM account is converted to a life-based benefit. At that point the participant's benefit is the greater of the PSR benefit or DBSM benefit. As the conference increases the PSR, the participant's benefit is recalculated. The DBSM based benefit does not change.

The 2015 Past Service Rate (PSR) recommended to the Virginia Annual Conference will be \$562.00, representing a .18% increase from the 2014 rate. The conference expects future increases to be approximately .50%, which is a rate of increase that recognizes the reality of inflation while demonstrating appropriate stewardship of the conference's financial resources.

The contingent annuitant percentage is recommended to remain at the 70% level.

Based on the final actuarial valuations from the General Board of Pensions and Health Benefits as of Jan. 1, 2013 for 2015, the portion of the Pre-82 liability attributable to the Virginia Conference and funded status is, as of 1/1/2013, as follows:

Funding Plan Liability	\$68,808,909	
Assets in the Plan	\$56,109,020	
Funded status	\$(12,699,889)	represents an 82% funded ratio
Funded Status as of 12/31/2015	\$(10,436,570)	

The funded ratio is recalculated each year based on economic and demographic changes. This creates the possibility that Pre-82 contributions may be required at a future date (even after 2021).

In addition to the assets in the Plan it is anticipated that amount will be funded through the following funding sources:

Present value of incoming new money \$11,263,615

Defined benefit plan liabilities (Pre-82, MPP and CRSP-DB) continue until the last benefit is paid to participants and their surviving spouses irrespective of the funding level of the plan. That is, even if the assets in the plan are larger than the liabilities in the plan, the conference still has a liability (obligation) with the plan.

#### **Active Health Benefit Program**

Plan Overview: The Virginia Conference offers a self-insured program health benefits program to active participants.

During 2013, the total cost of the program was \$11,519,322 and was funded by apportionments and direct billing to local churches. The projected average increase for future years is expected to be 5%. Plan design strategies will be pursued in order to mitigate trend increases and maintain an annual increase averaging approximately 5%.

#### **Post-Retirement Medical Benefit Program (PRM)**

Plan Overview: The Virginia Conference post-retiree medical plan currently offered is a Medicare coordinating plan.

The current annual cost is anticipated to be \$7,527,413 with the funding sources to be apportionments and direct billing to participants.

Based on the most recent PRM valuation dated 1/1/2013, following is the funded position of the post-retiree medical benefits:

Accumulated Post Retirement Obligation (APBO) or net conference cost	\$94,821,405
Expected Post Retirement Obligation (EPBO) or net conference cost	\$115,131,039
Service Cost (SC) or net conference cost	\$1,526,045
Assets designated for PRM	\$0

These values are based on a 5.70% long term discount rate, 7.00% long-term expected return, and a current increase trend of 8.00% decreasing to 5.00% by 2017.

#### **Comprehensive Protection Plan (CPP)**

Plan Overview: The Comprehensive Protection Plan (CPP) provides death, long-term disability and other welfare benefits for eligible clergy of The United Methodist Church and their families and is an Internal Revenue Code 414(e) "church plan" funded by plan sponsor insurance premiums. Generally, you are eligible to participate in CPP if your conference or salary-paying unit sponsors the plan and you satisfy the eligibility requirements which include full-time episcopal appointment and plan compensation equal to or greater than 60% of the Denominational Average Compensation, or the Conference Average Compensation (whichever is less). The Virginia Annual Conference has also elected to make some clergy who are appointed at least 50% eligible for CPP.

For 2015, the Virginia Conference anticipates a required contribution to the Comprehensive Protection Plan of \$1,513,297, which will be funded by direct billing to local churches. The anticipated average increase in future years is expected to be 2.00% per year due to the expected rate of increase in overall compensation.

#### **United Methodist Personal Investment Plan (UMPIP) for Lay and Clergy**

Plan Overview: The United Methodist Personal Investment Plan (UMPIP) is an Internal Revenue Code section 403(b) defined contribution retirement savings plan for clergy and lay employees of The United Methodist Church and affiliated organizations. Participants may make before-tax and/or after-tax contributions through payroll deductions. Participant contributions, contributions the plan sponsor may make on the participants' behalf and investment earnings comprise the individuals' retirement account balance.

#### **Other Conference Defined Contribution Type Obligations**

Plan Overview: The Virginia Conference currently offers a supplemental life insurance (DC-type obligation) plan made available to clergy enrolled in CPP. The contribution for 2015 is estimated to be approximately \$240,000 with the funding sources to be direct billing to local churches. There is no anticipated required contribution increase in future years because the cost of this obligation is based on mortality assumptions, and no changes are expected to those assumptions.

#### **Conclusion:**

The 2015 Comprehensive Benefit Funding Plan and the above outlined summary document incorporates, to the best of our understanding, the Virginia Conference's obligations and funding requirements of the benefits provided to the Clergy and Laity of the Virginia Conference.

#### **Recommendation 6: 2015 Housing Allowance/Exclusion**

Resolutions Relating to Rental/Housing Allowances for Retired, Disabled, or Former Clergypersons of the Virginia Conference

The Virginia Conference (the "Conference") adopts the following resolutions relating to rental/housing allowances for active, retired, terminated, 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 active, retired, terminated, and disabled Clergypersons are considered to be deferred compensation and are paid to active, retired, terminated, and disabled Clergypersons in consideration of previous active service; and

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

NOW, THEREFORE, BE IT RESOLVED:

THAT an amount equal to 100% of the pension, severance, 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 period January 1, 2015 through December 31, 2015 by each active, retired, terminated, 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, severance, or disability payments to which this rental/housing allowance designation applies will be any pension, severance, 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 an active, a retired, a terminated, or a 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 an active, retired, terminated, or disabled Clergyperson's pension, severance, or disability plan benefit as part of his or her gross compensation.

NOTE: The rental/housing allowance that may be excluded from a Clergyperson's gross income in any year for federal (and, in most cases, state) income tax purposes is limited under Internal Revenue Code section 107(2), and regulations thereunder, to the least of: (a) 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; (b) the amount actually expended by the Clergyperson to rent or provide a home in such year; or (c) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year. Each clergyperson or former clergyperson is urged to consult with his or her own tax advisor to determine what deferred compensation is eligible to be claimed as a housing allowance exclusion.

*The Rev. Dr. Clarence Brown Jr., Chair*

## RESOLUTIONS

### **Resolution 1: "Change Book of Discipline Reference to Homosexuality"**

Whereas, as stated in the opening sentence of ¶161F in *The Book of Discipline of The United Methodist Church*, "We affirm that all persons are individuals of sacred worth, created in the image of God."

Whereas we declare that the following statement found later in ¶161F in the *Book of Discipline* "The United Methodist Church does not condone the practice of homosexuality and considers this practice incompatible with Christian teaching" is inconsistent with the first statement.

Whereas medical science has established that homosexuality is a state of being and not a choice and therefore homosexuals are part of God's creation. [See Amicus Brief filed by American Medical Association, American Psychological Association, American Academy of Pediatrics and other related organizations, *Hollingsworth vs Perry*.]

Whereas Scripture is not referring to the loving, consensual, victimless relationships we speak of today.

Whereas the words used by Paul as applied to homosexuality are the result of translations and interpretations, these passages are therefore open to alternative interpretations.

Whereas Christian marriage is offered to sinners, even when the sin is extreme, but we do not offer it to homosexuals who are living out their lives in love as created by God.

Whereas the General Conference has failed to explain why a loving, monogamous relationship is inconsistent with Christian teaching.

Whereas the current policies, laws, doctrine and practices of the United Methodist church as documented in the *Book of Discipline* relating to homosexual relationships creates a double standard thereby promoting discrimination and creating the circumstances that lead to the very behaviors among homosexuals that are abhorred in the Bible, both of which are in direct conflict with Jesus' teachings. ["Judge not lest you be judged" (Matthew 7:1); "Let the one without sin among you cast the first stone" (John 8:7); "Love the Lord your God with all your heart and with all your soul and with all your mind. This is the first and greatest commandment. And the second is like it: Love your neighbor as yourself. All the Law and the Prophets hang on these two commandments." (Matthew 22: 37-40); and many other references.]

Therefore, be it resolved that the Virginia Annual Conference petition the 2016 General Conference of The United Methodist Church to expunge the sentence "The United Methodist Church does not condone the practice of homosexuality and considers this practice incompatible with Christian teaching" and the attendant references to and penalties for homosexuality detailed in ¶¶341.6, 2702.1 and 304.4 from the *Book of Discipline* and all people be accepted into The United Methodist Church to truly embrace "Open Hearts. Open Minds. Open Doors." as Christ would have us live.

*-Submitted by Craig Searls, The Church of the Good Shepherd UMC*

*Co-signers: Jody Bilas – Floris UMC; Greg Bingham – The Church of the Good Shepherd UMC; Glenn Birch – Duncan Memorial UMC (Ashland); Marilyn Bursch – The Church of the Good Shepherd UMC; Kristen Carter – The Church of the Good Shepherd UMC; Debbie Caspari – Floris UMC; Heather Cogdell – Church of the Good Shepherd UMC; Peg Coll – The Church of the Good Shepherd UMC; Marian Davis – The Church of the Good Shepherd UMC; Darlene Dickerson – The Church of the Good Shepherd UMC; Fielden Dickerson – The Church of the Good Shepherd UMC; Jane Euler – The Church of the Good Shepherd UMC; Joan Fletcher – The Church of the Good Shepherd UMC; Diane Frost – The Church of the Good Shepherd UMC; Jim Frost – The Church of the Good Shepherd UMC; Lyn Hanke – The Church of the Good Shepherd UMC; Myron Hanke – The Church of the Good Shepherd UMC; Bob Harkness – The Church of the Good Shepherd UMC; Tina Harkness – The Church of the Good Shepherd UMC; Lyn Hodnett – Duncan Memorial UMC (Ashland); Patty Icke – The Church of the Good Shepherd UMC; Ginny Johnson – The Church of the Good Shepherd UMC; Charlotte Jones – Duncan Memorial UMC (Ashland); Laurie Juliana – The Church of the Good Shepherd UMC; Bev Kinego*