Item __B___

RECOMMENDATION FROM THE CONFERENCE BOARD OF PENSIONS

RE: 2010 'PAST-SERVICE' (PRE-1982 SERVICE) FUNDING PLAN

Submitted by Conference Board of Pensions

Date Adopted: ___3-24-2010_____
Number on Board _15__; Number Present:_12__
Number Voting YES: _12_; Number Voting NO:_0___: Number Abstaining:_0___.

Paragraph 1506.8 of the 2008 Book of Discipline requires each Annual Conference to adopt a formal funding plan for retiring their Pre-1982 clergy pension obligations, within a time frame that ends on or before December 31, 2021. The California-Nevada Annual Conference has developed and followed such a Pre-1982 funding plan each year for over 30 years. The recommendation which follows would be the third annual version of this plan to be formalized and adopted by the Annual Conference, for inclusion in the Conference Journal:

CALIFORNIA NEVADA ANNUAL CONFERENCE
FUNDING PLAN FOR
SUPPLEMENT ONE OF THE CLERGY RETIREMENT SECURITY PROGRAM (CRSP)

As of January 1, 2010

The 2010 Past Service Pension Rate (PSR) for the California Nevada Annual Conference is $828 per year of service. Paragraph 1506.7 of the 2008 Book of Discipline recommends that "such rate be not less than 1 percent of the average compensation of the conference, as computed by the General Board of Pension and Health Benefits…" The 2010 rate of $828 is equal to 1.36% of the 2010 California Nevada 'Conference Average Compensation' (CAC) of $61,028.

Annual increases in our CAC have averaged about 3.5% over the past 5 years, and although slowing somewhat, future increases are likely to be similar over time. Prior to the onset of the new CRSP funding requirements (2007), we would have anticipated PSR increases to average 3.5% to 5% per year or more, as they have in the past, and as market returns and Conference funding sources would permit. However, based on the CRSP funding requirement that the entire cost of any rate increase beyond 2% now be paid in full immediately (and not amortized), we now expect the California Nevada PSR to be increased by *not more than* 2% per year. The rate is presently frozen at $828.

The General Board of Pension and Health Benefits in the Supplement One of the CRSP-DB actuarial valuation has determined that the portion of the pre-1982 plan liability attributable to the California Nevada Annual Conference as of 1/1/2008 for 2010 is $50,235,315, with a 2.0% annual PSR increase, RP 2000 Mortality table and 7% interest assumptions. This figure is based on the 2010 PSR of $828. Plan funds currently held with the General Board of Pension and Health Benefits have a value of $47,032,992 as of January 1, 2008 for 2010.

The difference between the total plan liability and current plan funding ***as of these dates*** is $3,202,323. This represents the unfunded plan liability and will be provided through non-plan funds that are held in various investment accounts. The Conference intends for contributions to be made within the remaining amortization period, ending December 31, 2021. The annual contribution, if paid in equal installments over that period, ***and based on the plan balances shown above***, is estimated to be not more than $320,827, based on 2.0% PSR increases. ***Changes in market values which occurred during 2008 and later will impact the annual cost of this program only after 12-31-2010. Further, electing to forego the 2% annual increase may result in a lower payment during the fiscal year.***

Our conference funds the Pre-1982 plan benefits through several funding sources. Both the interest earnings and principal of non-plan funds may be available for Pre-1982 benefit funding needs. Below is a description of the primary non-plan asset which is available to pay the present value of future contributions:

- The Annual Conference maintains a Deposit Account with the General Board of Pension and Health Benefits that has a value of $16,939,839 as of January 1, 2010. Both the interest and principal from this account are available to meet future contribution requirements for Pre-1982 plan benefits. Pre-1982 Plan benefits are identified as the primary claim upon the funds in this Deposit Account.
- To the extent that it would be prudent and reasonable beyond the needs of the Pre-1982 Plan funding, this Deposit Account may also be used to assist the Conference with retiree health care funding, and with administrative costs related to the operations of the Conference Board of Pensions.
- Although not presently needed or utilized, our Conference also retains the ability to seek annual apportionments from the local churches and other fund-raising efforts as necessary to obtain additional sources for pre-82 pension funding. The Conference would expect to use such funding methods however, only as needed after the Conference Deposit Account, Endowment Board funding and other related resources have been significantly depleted. The Endowment Board gift to the Conference is presently $1.4 Million annually.

- This plan shall be evaluated annually and modified appropriately