

M. FINANCIAL REPORTS AND ACTIONS

BOARD OF PENSIONS

Introduction

This is my second year as Chairperson of the Conference Board of Pensions (CBOP), but my 16th year on the board. The board meets twice a year, generally in March/April and November, in addition to conference calls/emails throughout the year to address other issues that may arise. Our Conference Benefits Officer (CBO), Bruce Galvin, continues to serve our conference in his 48th year with the Conference! Bruce has announced that he intends to retire from his duties as the CBO in the summer of 2026, giving him 50 years of service to the Pacific Northwest Conference in various staff capacities. Bruce will be very difficult to replace! We have begun the succession process, and I will have more to report on that transition later in the report (in the CBO Evaluation section). Until he departs, we will continue to ask him to develop a continuity checklist and notes showing the duties of the CBO and the tools he uses so our new CBO can be on the right track from day one. Bruce continues to bring thoughtful recommendations to the board and provides us with enough information to have vigorous discussions as we plan the future—exciting times with a bit of apprehension that we are purposefully managing.

As a board, it is our goal to make the best decisions we can with the best information available. We used to manage our funds in the best interest of the active and retired clergy and the local churches we proudly serve. Doing well with our investments allows us to reduce the costs for the local churches/conference budgets supporting their clergy while ensuring we have managed our funds to cover all our obligations. We have met our goal to fund our reserves to cover up to a 3-year downturn in the market/economy. Having a reserve is crucial so we do not shorten any of our obligations to the various pension funds. We eliminated the Board of Pension Apportionment in 2021 because we can now sustain our own expenses without needing the local churches to subsidize us. This has enabled the local churches to use that money elsewhere in their budgets. In summary and unlike some Conferences, the PNWC Board of Pensions has ensured we can meet all our obligations through our work with Wespath investments and our HealthFlex plans ensure our clergy are one of the healthiest groups in the US. We have incentives that help our clergy stay healthy, thus reducing their healthcare cost, giving us one of the lowest healthcare claims rates in HealthFlex. So far, our process is working, our Board is dedicated, and we are proud of the work we have done to benefit our clergy and local churches, reducing costs as much as possible in a socially responsible way.

COVID impacted our ability to continue the regular rotations on and off the PNWC Board of Pensions for several years. As we reported last year, COVID delayed nominations and required us to ask several board members to extend their tour and stay with us so we could complete our duties and enable us to find the right people to join the board in 2023 and 2024. Most of them stayed, and only a few new members joined us. This year, we have a significant number of boards changing out (about half). While this past year was productive, we were able to give the few new board members who joined last

year some exposure to our processes and some mentoring along the way. Those extended board members have officially left the board after our meeting in March 2024. Now, the challenge begins to put COVID behind us and find the future Board of Pensions Members.

We have the conference nominating committee working hard to fill those vacancies. Our by-laws direct that the board be made of 2/3 lay and 1/3 clergy members, and the search committee is striving to keep that balance. We have successfully maintained that ratio as it brings new ideas from the Conference clergy and those with external business-related experience.

Members of this dedicated board include “*” after the name of those retiring from the board:

<i>Pam Brokaw</i> (Secretary)	Julleen Snyder*
<i>Joyce O'Connor-Magee</i> *	Chuck Natland*
Ilaise Folau*	<i>C. Shane Moore</i> (Vice-Chairperson)
Wendie Hansen	Stan Gent
<i>Sandy Ward</i>	<i>Brook McBride</i>
<i>Elizabeth Ingram Schindler</i>	

Non-voting members: Joe Talbott*, *John Shaffer*, Brant Henshaw, *Mark Galang*, Peter Hang (Wespath Client Relations Manager) and Bruce Galvin.

Pension Board Obligations and Priorities

The PNW Conference Board of Pensions By-Laws clearly define our responsibilities to ensure that we have the funds available to cover our pension obligations to the past and current clergy who have served or are serving this conference. Several pension plans (Pre-82, MPP, CRSP) drive those obligations, which change each year based on many factors, including actuary reports and the performance of the markets. The board must routinely review and take action to manage those factors to ensure we have the required amount of funding to cover the benefits our clergy have earned regardless of which plan or plans they participated in. This is a complicated analysis and one we take very seriously. Bruce, our CBO, constantly reviews and manages the obligations and moves funds around to cover our healthcare bills and retirement plan obligations. He keeps the Pension Board informed of these processes and gets our approvals as necessary. I cannot emphasize how vital the CBO position is to make sure we can do our jobs with the expert help that Bruce provides.

I also wanted to report that we completed the PNW Annual Conference direction several years ago to divest our pension investments from fossil fuels. With the Annual Conference concurrence to allow the Board to conduct that divestment over five years, we completed that change in 2022 and did not lose any funds as we managed that process. I can now report that while the funds we are invested in are different, we have had good results and are in almost as good a place as before divestment. We continue to monitor all

investments, but so far, this has gone well.

Pension Board Subsidies

For many years the Board has provided subsidies to offset some of the benefit costs for local churches, pastors and conference budgets. Five years history is shown below. Endowment earnings and reserves have provided the following funds.

	2020	2021	2022	2023	2024 Budget
Churches Only					
Mission Church Subsidy	\$8,907	\$9,053	\$8,919	\$8,919	\$9,029
HealthFles Exchange Premium Support	\$151,555	\$216,298	\$178,822	\$314,600	\$329,000
CRSP Defined Benefit Support				\$59,750	\$57,000
Well-Being Incentives		\$6,791	\$14,648	\$36,000	\$42,750
Active Pastors					
Medical Leave/ Grants	\$25,696	\$36,170	\$47,366	\$47,515	\$59,725
Retirees					
Health Subsidies	\$96,930	\$88,459	\$90,417	\$82,500	\$74,335
Special Grants	\$18,907	\$14,139	\$11,299	\$9,319	\$11,058
Conf. Treasurer's Off.					
Salary/Benefit support	\$43,339	\$43,481	\$17,927	\$18,635	\$19,300
COVID Emergency Grants		39,889		\$14,550	\$10,000
Total Subsidy	\$345,344	\$454,280	\$369,398	\$591,688	\$612,197

HealthFlex Claims Performance

Our conference HealthFlex claims ratio for 2023 was 82%. When large claims (over \$100,000) are taken out, the claims ratio drops to 61%, so the pooling of large claims (sharing in the costs) with the rest of the HealthFlex Plan Sponsors does benefit us in years with large claims. With good claims experience, the medical/pharmacy rate will increase by 1.4% in 2025. The increase in previous years was 4.1% in 2024, 3% in 2022, and 10% in 2022. Dental rates will remain the same in 2025. We encourage our participants to participate in the numerous well-being programs provided through HealthFlex. Higher participation does impact claims, the resulting rates, and participants' health. In 2023, about 65% of HealthFlex participants completed the three well-being incentives. Each salary-paying unit received a \$500 credit off their health cost in early 2024 when

participants completed the well-being incentives. In 2025, this well-being incentive will be increased to \$1,000.

2023 Financial Highlights (or lowlights): Balance Sheet / Operating Statement

- 2023 was a good year in the financial markets, with the board's funds invested in Wespath, almost returning what was lost in 2022. As of December 31, 2023:
- Health & Claimants Funds Endowments 18.45%
- CRSP Endowment 14.87%
- Pension Endowment and Endowment II 21.14%
- Pension Reserve 5.39%
- Pension Endowment and Endowment II: \$7,637,806
- Pension Reserve Fund: \$872,388
- Clergy Retirement Security Plan Endowment: \$11,003,357
- Conference Claimants Endowment: \$2,910,293
- Health Endowment: \$3,063,306
- Total Assets: \$29,125,574

Building a reserve fund for down market years is one of the primary focuses of this board, which helps us manage the lean earnings we have experienced over the past two decades.

CBO for Alaska Conference

Bruce Galvin continues to be the CBO of the Alaska Missionary Conference and the PNW Conference. The Alaska Missionary Conference has submitted a petition to the 2024 General Conference to remain a missionary conference and not become a district of the PNW Conference as previously planned.

Retirements

Since the last annual conference, 13 clergy serving the PNW Conference have indicated their intention to retire. The appointment year for new retirees is 334.5 years of service. We wish them a happy retirement. See the list of those seeking retirement in the recommendation section of the Preconference Handbook.

Retired pastor Rev. John Shaffer continues to provide capable leadership in ministering to retired clergy. He organizes and hosts the retirees' luncheon at the annual conference (when held) and has authored and sent retirees informative newsletters. He also attends scheduled meetings of the retiree groups through the conference. Once again, we thank John for his dedicated service.

Past Service Rate

The board has historically recommended an increase in the Past Service Rate for the The board has historically recommended an increase in the Past Service Rate for the pre-82

pension plan. The past service rate for 2024 is \$862, or 1.13% of the Conference Average Compensation (CAC). The conference intends to maintain the PSR at 1.0% of CAC. For the past few years, the CAC has not increased by 2%; consequently, a 2% increase in PSR has gradually raised it above 1% of CAC to benefit legacy retired clergy. Under the 2012 General Conference legislation, raising the past service rate is no longer required. Still, the CBOP recognizes how vital this pension income is for those who retired many years ago. We are maintaining the increase at 2% to help keep pension benefits fully funded. 2025, the recommended past service rate is \$879, or 113% of the CAC. Details of historical Past Service Rates are available from the CBO upon request.

CBO Evaluation

opportunity for the CBO to bring concerns to the board and to provide feedback to him. During the main meeting, there will be further discussion about a succession plan for Bruce, along with the needs of the Episcopal Area staff. But to summarize, we are teaming up with the Oregon/Idaho Conference to find a Conference Benefits Officer and Human Relations person who will be responsible for running the programs while reporting separately to each Conference's Board of Pensions. This new person will have assistance from the staff at each conference to manage the day-to-day benefits officer's duties. The goal is to hire the executive person this summer and use the two years we have left with Bruce to mentor this person and the assistants before he retires.

Conclusion

The markets have recovered from their lows of a few years ago and are still climbing to new highs. We are seeing the markets stabilize, but the average person has seen over 17% inflation since 2021. Yes, the inflation percentage has come down, but the cumulative effect of the last three years of high inflation is starting to hit consumers. Since the economy comprises 60% small businesses and depends heavily on consumer spending, we are still determining what this means for the economy's future growth and, thus, our investments. You can be sure that we are watching things constantly and ready to take action as necessary to preserve our funds, but we have a long-term focus. While some parts of the markets are strong, others are a little overvalued. Also, the Federal Reserve raising interest rates has stopped for now, and there may even be a few rate cuts that happen in 2024. The overall economy is strong, but government spending continues to add to our deficit, which is currently at \$34.6 trillion and climbing. We are still determining what that continued deficit spending will do to interest rates or the overall economy in the future, but it requires our continued analysis. Our mantra at the Board remains to build reserves to weather the down-market years and meet our obligations to the retirees now and in the future. The work of this Board will remain integral to meeting the retirement and health needs of the clergy in the coming challenging times. Again, I thank all board members for their faithful attendance, thoughtful deliberations and contributions, and continued support of the PNW Annual Conference.

Respectfully submitted by,

Jeff Johnson, Chairperson, Conference Board of Pensions

TREASURER'S REPORT

As we move into the mid-years of the decade as The United Methodist Church, it is clear that we have changed, are changing, and will need to continue to change as an organization. The past few years have required adjustments and accommodations that put us on a new path. Our annual conference saw changes in leadership, staff, processes, politics, and outlook. There have been departures of faith communities and people. Modernization of systems and updating of processes. Many adaptations are uncomfortable for us due to long-held patterns and habits. Through it all, we are preparing for the future as a renewed faith community.

For the past several years, we have been engaged with a significant overhaul of the work and structure of the administrative life of our annual conference. We have embraced the retirement of long-serving staff, moved to new accounting systems, implemented new payment platforms and processes, and started to organize new structures for serving the local churches. The past 18 months have seen our operations impacted significantly by these changes. It is my hope that over the next 18, we will see things “settle down” a bit and that our services will settle into a more sustainable flow.

I did not anticipate how dramatic an impact long-serving staff retirements layered with a new accounting system would have on our work. Fortunately, we have some very dedicated and caring people working through it with patience and grace. I am so thankful for these wonderful souls who are patient and thoughtful amid pressures to provide answers “now” and figure out new ways to streamline in a world that is forever becoming more complex.

Our local churches have been outstanding partners in ministry in the past year. Their commitment to the connection and the missional work in their local context, at the conference and global levels, is admirable. Our receipts have remained in the low 90% range, with only a few churches choosing not to engage fully. For the last few years, the annual conference has worked very hard to trim the budget as we continue to be pressed for more services. Sharing the work and sharing in the work provides opportunities for continued ministry across our region. It is becoming apparent that more than minor adjustments will be needed in the years ahead. There is upward pressure on the conference budget due to inflation, rising wages, increasing employment complexity, and new initiatives. We find ourselves with an exciting opportunity to reimagine priorities and values and then rebuild ourselves to engage in those challenges.

As conference members, you are being asked to make choices about priorities and then vote on what you will support when you return to your local church. There will be challenges and hard decisions, but we are the leaders for this time, and it is up to us to commit to the values we hold collectively.

I promise you that the Treasurer's office is a partner who will listen and then work to respond to the needs of the local church. We will continue to assist with the benefits of our clergy, consult on property and administrative matters, steward the giving toward our collective ministry in the world, and resource local church committees in their practices