



Wespath

BENEFITS | INVESTMENTS



CONFERENCE FORUM

Estimated 2019 Pension Plan Contributions

Agenda

- Factors Impacting Valuation Results
- Assets
- Discount Rates-Market
- Mortality Update
- Corridor Funding (CRSP DB* and MPP*)
- Pre-82 Funding
- CPP Premium Redirection

* CRSP DB: Clergy Retirement Security Program Defined Benefit
MPP: Ministerial Pension Plan

Factors Impacting Valuation Results

- Census data
- Assets: Returns and methodology
- Liabilities (key assumptions)
 - Discount rate: Funding basis and market basis
 - Mortality

Asset Returns

	2015 Returns		2016 Returns	
	Actual	Expected	Actual	Expected
CRSP DB	-2.560%	7.000%	8.410%	7.000%
MPP Annuities	-0.800%	6.250%	6.870%	6.250%
Pre-82	-2.500%	6.625%	8.060%	6.625%

Asset Smoothing

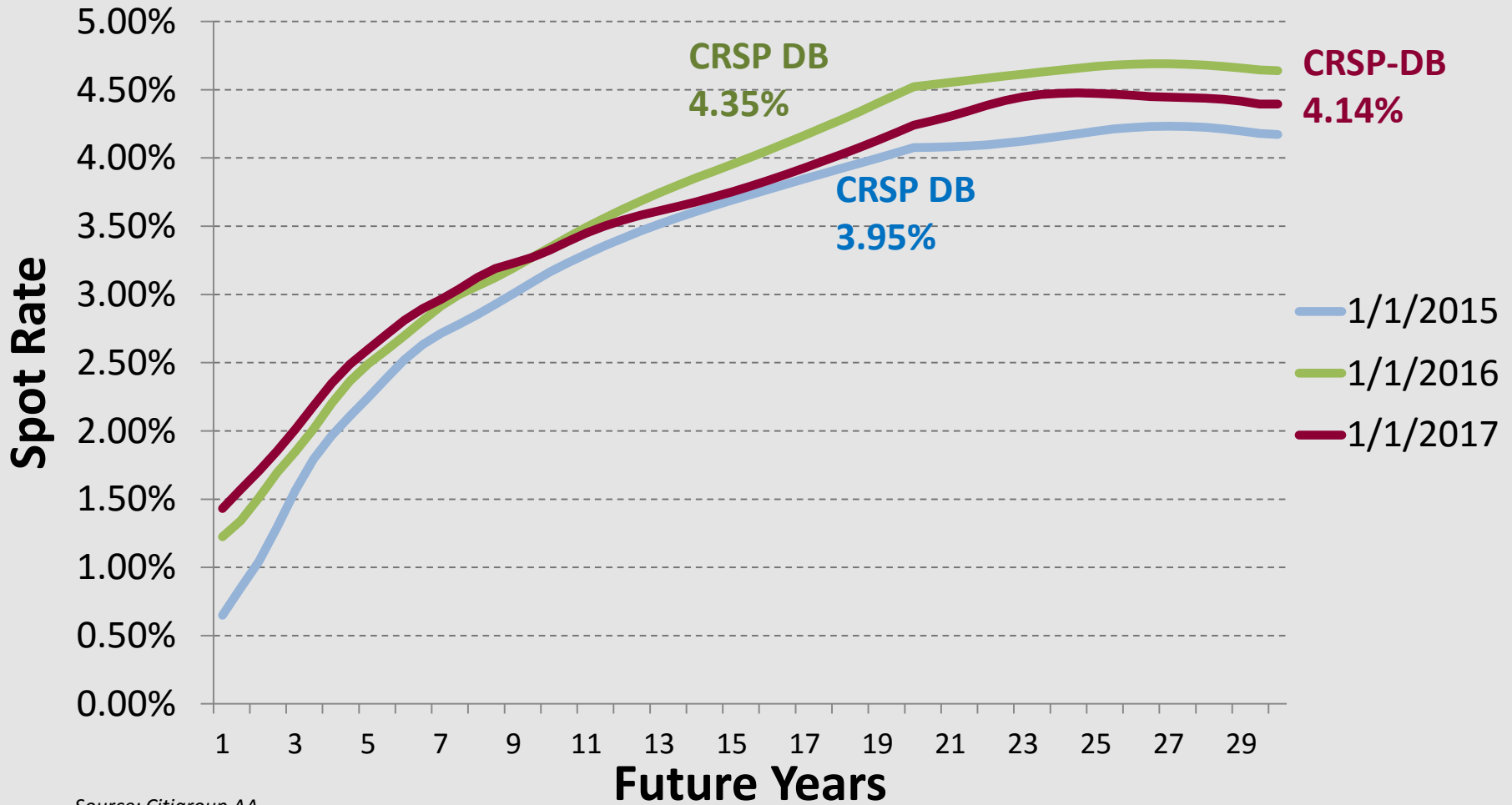
- Smoothing of assets for contribution purposes
 - **MPP**: Began with January 1, 2014 valuation
 - **CRSP and Pre-82**: Began with January 1, 2016 valuation
- Actuarial gains and losses on assets—now recognized incrementally in smoothed assets over five years
 - Actuarial gain or loss on assets is the return **above or below the expected return**
 - 20% of actuarial gain or loss will be recognized in each of the five years following the gain or loss
- Smoothed asset value—not allowed to go **below 80% or above 120%** of the market value of assets

Asset Smoothing Estimated Impact on January 1, 2017

<i>In \$ millions</i>	Market Assets	Smoothed Assets	Impact
CRSP DB	1,641	1,701	60
MPP Annuities	3,554	3,701	147
Pre-82	2,134	2,208	74

As of January 1, 2017, asset smoothing resulted in higher asset values for all plans. However, there is potential for smoothing to result in lower or higher assets in future years.

Discount Rates—Market



Source: Citigroup AA

Mortality Update

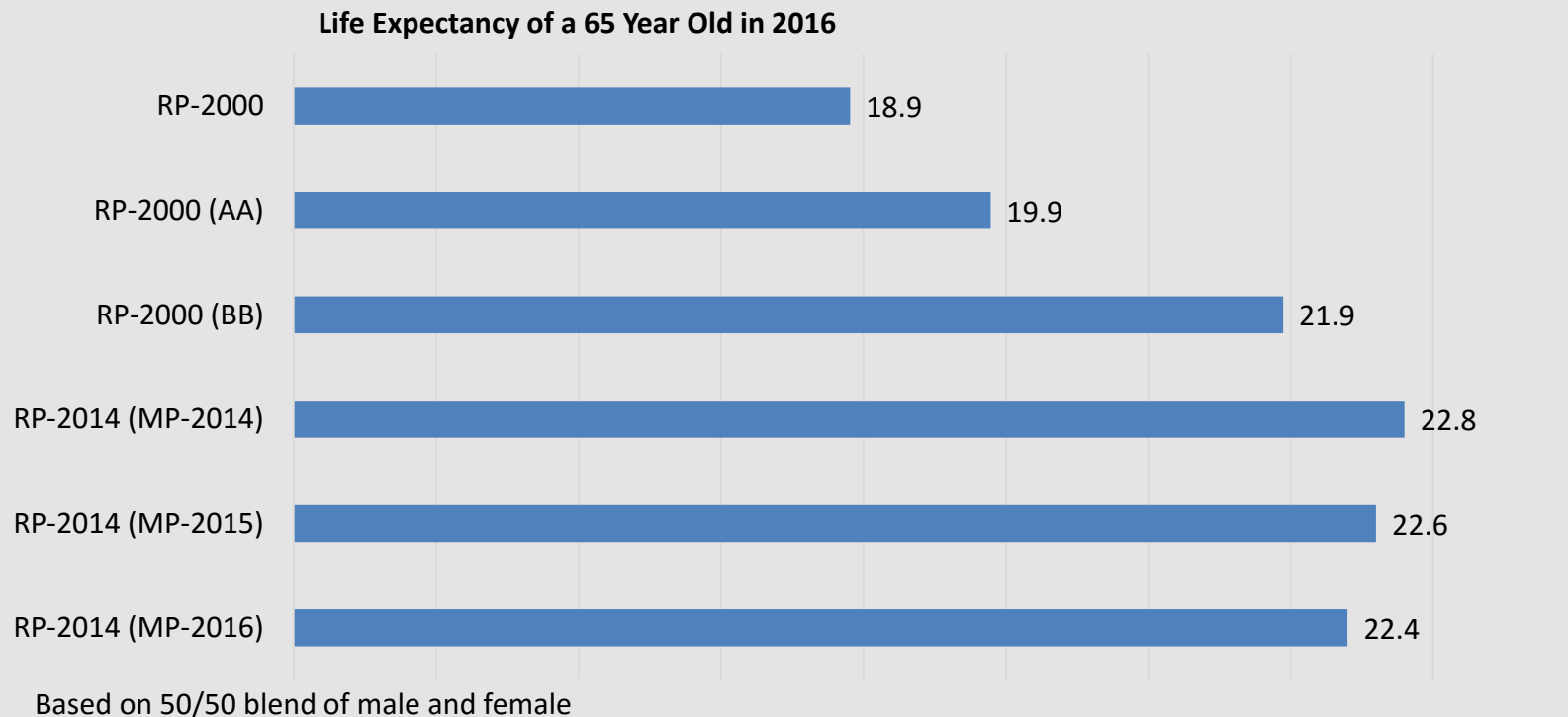
- The Society of Actuaries (SOA) intends to publish annual updates to the mortality improvement scale for the mortality tables issued in 2014 (RP 2014 tables with MP 2014 scale)
 - MP 2015 scale published in 2015
 - MP 2016 scale published in 2016
- The UMC clergy valuations currently use MP 2014
- MP 2016 has lower rates of mortality improvement than MP 2014

Mortality Update

- Wespath plans to only update the mortality assumption at the time of a quadrennial assumption study
- An assumption study is currently being completed with changes effective January 1, 2018
 - The mortality assumption will change to use the MP 2016 improvement scale
 - Overall, this update to MP 2016 is likely to create a small decrease in liabilities and, therefore, a slight improvement to the funded statuses. Note: The improvement can easily be offset by other demographic changes as of January 1, 2018

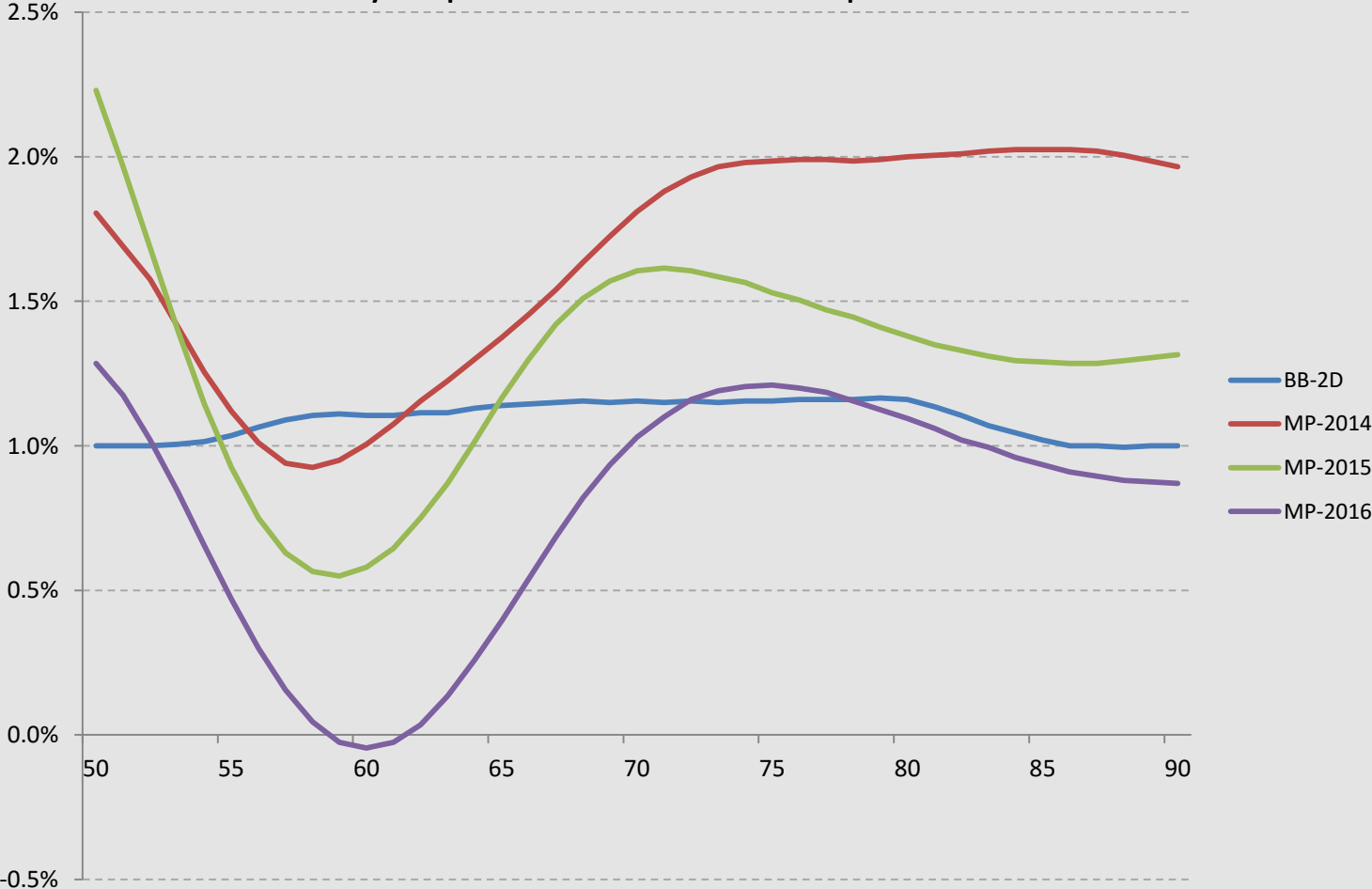
How Much Has Mortality Changed Over the Years?

Updates to mortality tables have increased life expectancies, but uncertainty remains about the long-term



Mortality Improvement Scales

Mortality Improvement Scale Comparisons for Lives in 2016

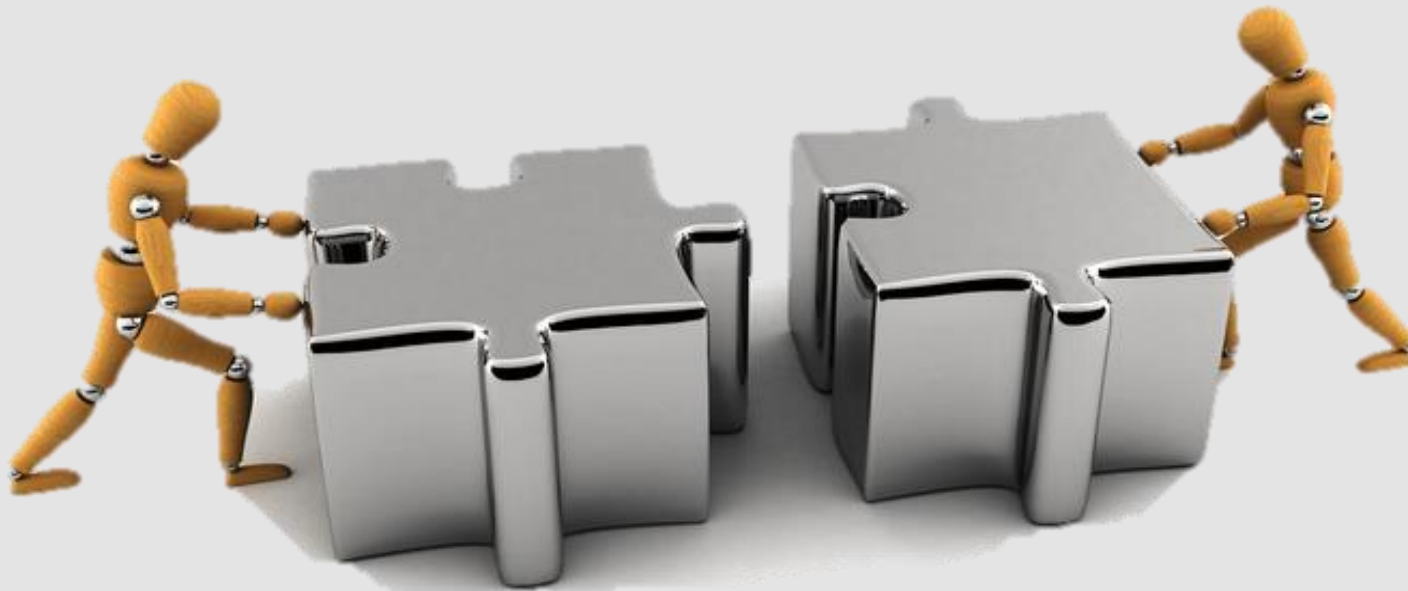


Based on 50/50 blend of male and female

Valuation Results



Corridor Funding



Valuation Assumptions—January 1, 2017

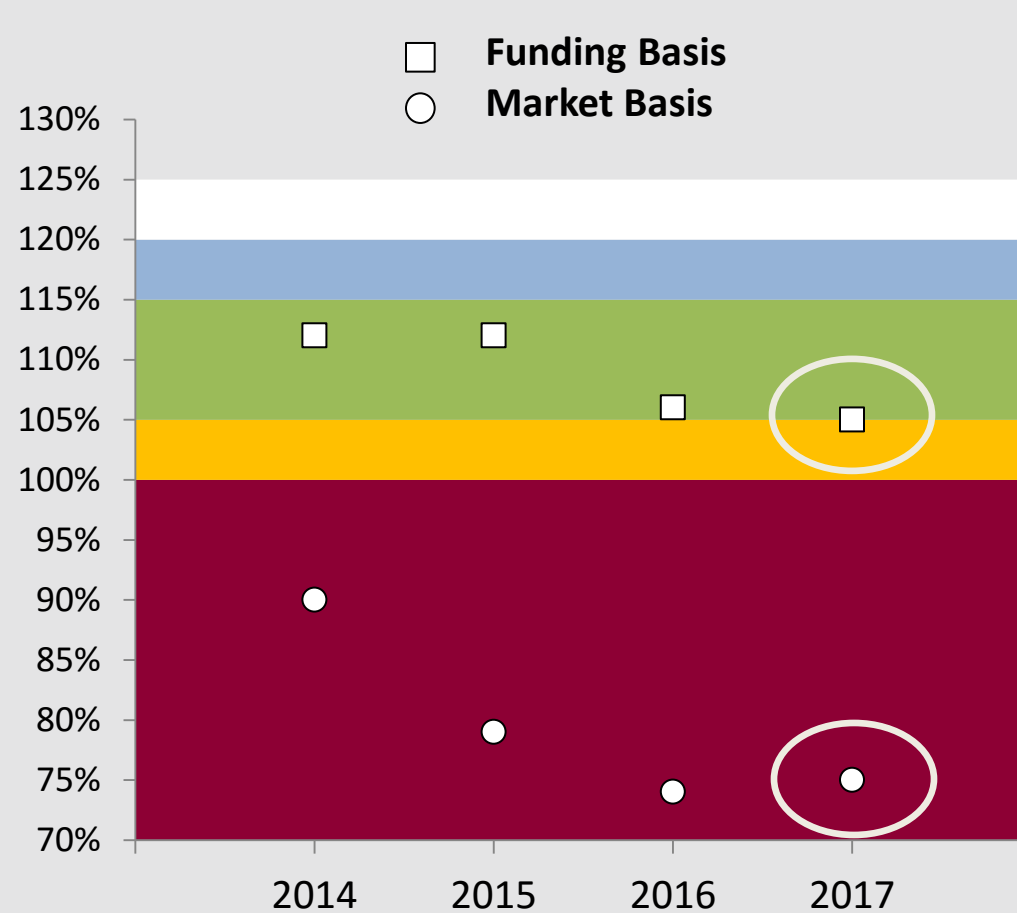
	Funding		Market	
Discount Rate	CRSP DB	7.00%	CRSP DB	4.14%
	MPP Annuities	6.25%	MPP Annuities	3.73%
Mortality	RP2014 gen.	MP2014	RP2014 gen.	MP2014

Corridor Funding Guidelines

Market Basis Funded Ratio	Funding Basis Contribution Method	MPP Annuities Equities
120% +	None	10%
115-119.9%	Reduced	20%
105 – 114.9%	Normal Cost¹	30% – 40%
100 – 104.9%	Normal Cost¹	40%
Under 100%	Normal Cost¹ Plus Payment on Unfunded Liability	40%

¹ Normal cost reflects the cost of current benefit accruals and applies only to CRSP DB.

Corridor Funding Estimated Results



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CRSP-DB and MPP Annuities

Estimated Funded Ratio—Funding Basis

	January 1, 2016	January 1, 2017
CRSP DB	108%	108%
MPP Annuities	105%	103%
Combined	106%	105%

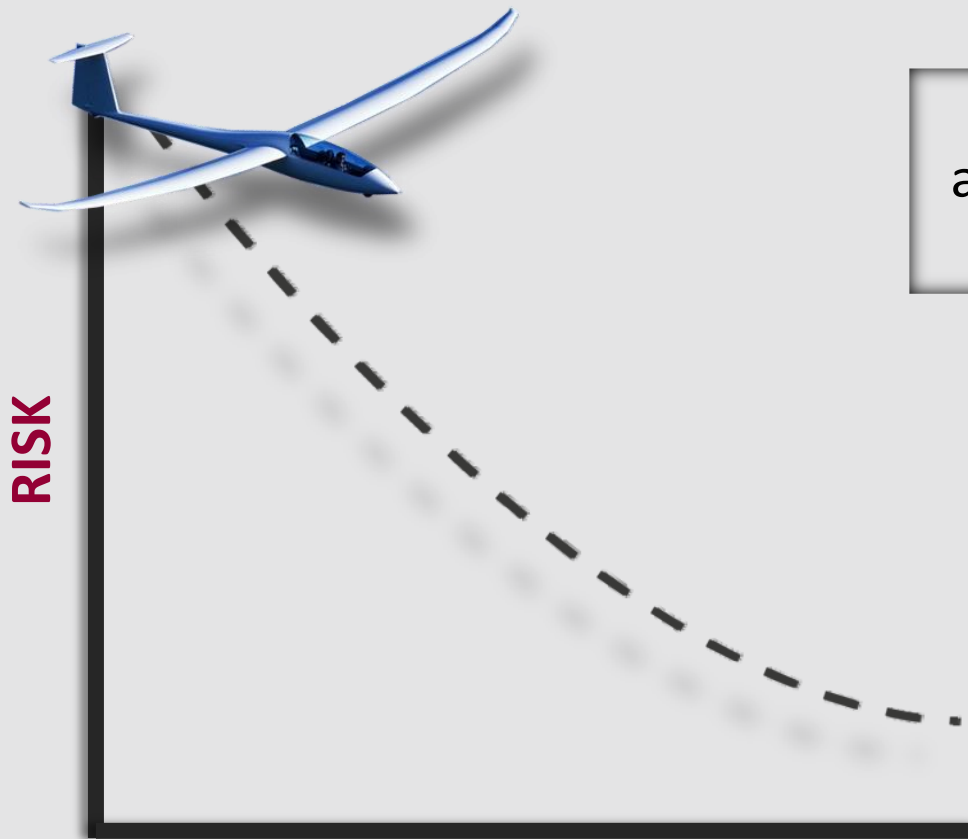
Pre-82 Funding





Pre-82 Glidepath

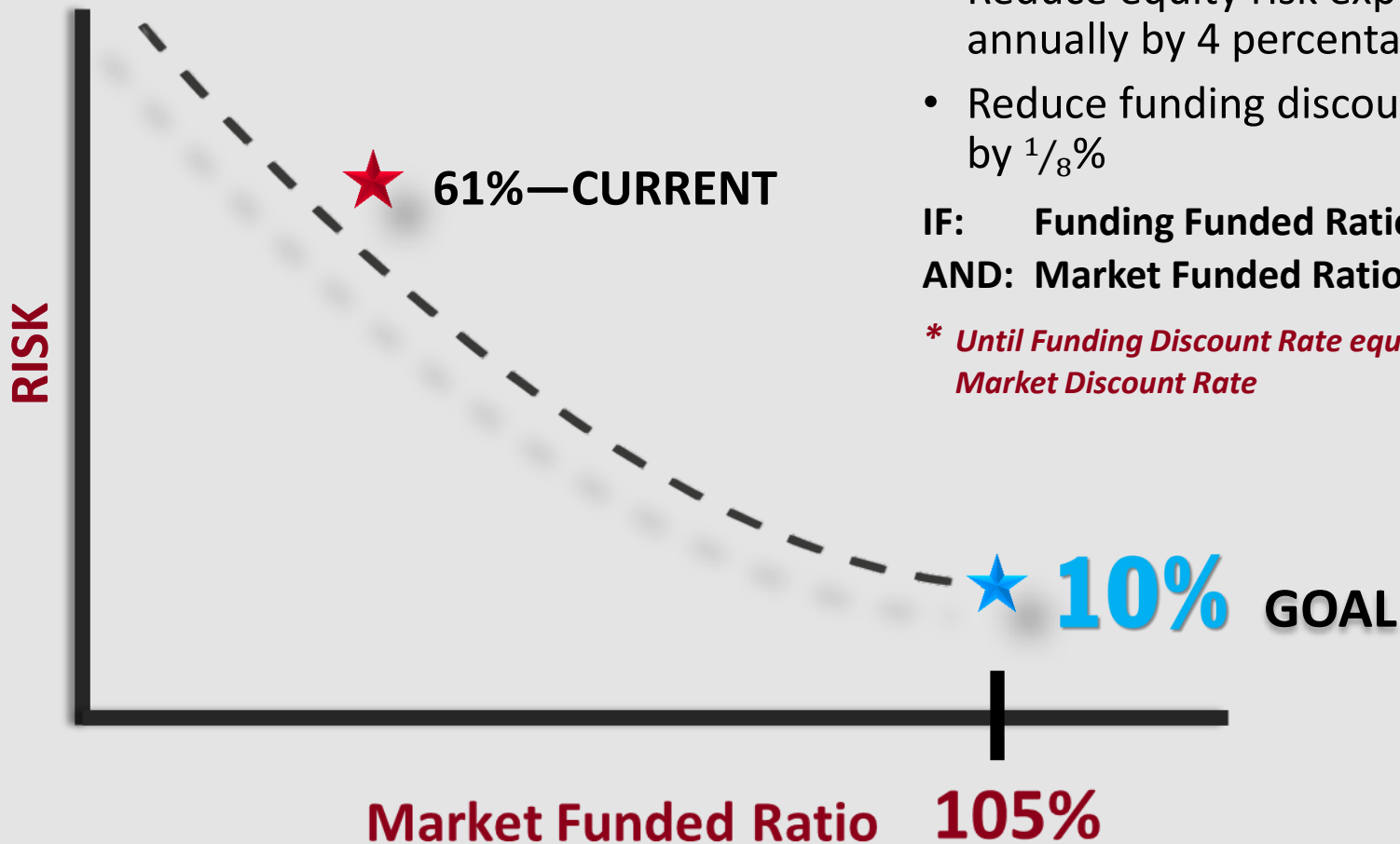
What Is a Glidepath?



A plan for reducing **RISK**
and increasing **CONFIDENCE**
in fulfilling obligations

Confidence in Fulfilling Obligations

Pre-82 Plan Glidepath



- Reduce equity risk exposure annually by 4 percentage points
- Reduce funding discount rate* by $\frac{1}{8}\%$

IF: Funding Funded Ratio > 90%
AND: Market Funded Ratio > 80%

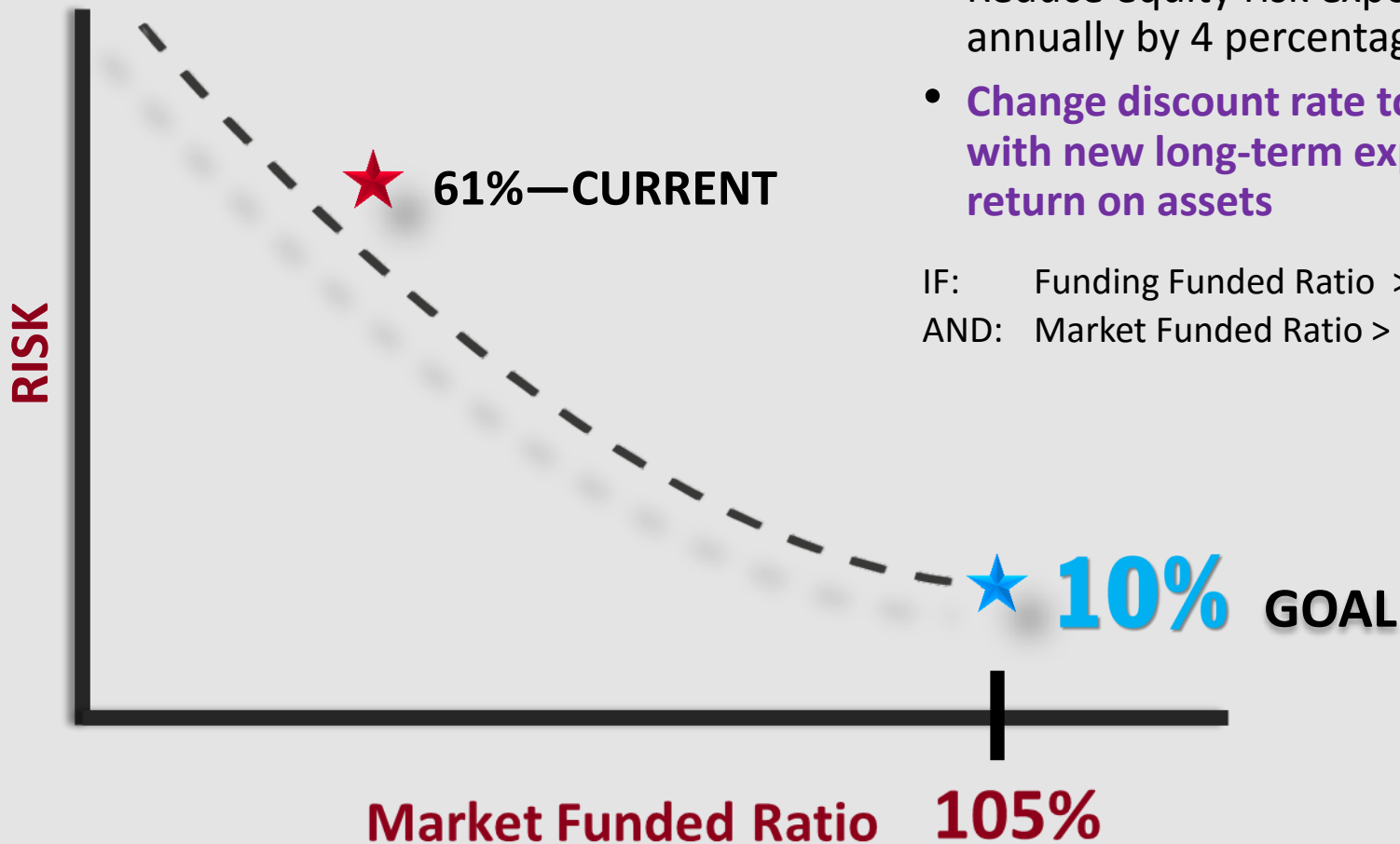
** Until Funding Discount Rate equals Market Discount Rate*

Glide Path Strategy

Fiduciary Committee—annually reviews economic environment; determines change in discount rate and equity exposure for the coming year by considering:

- Estimated funded ratio at new lower discount rate
- Estimated change in contribution requirements
- Expected reduction in volatility

Pre-82 Plan Glidepath



- Reduce equity risk exposure annually by 4 percentage points
- **Change discount rate to align with new long-term expected return on assets**

IF: Funding Funded Ratio > 90%
AND: Market Funded Ratio > 80%

Pre-82 Estimated Funded Ratios—January 1, 2017 (Excluding Surplus)

In \$ Billions	Funding Basis 6.625% Discount Rate	Funding Basis 6.50% Discount Rate	Market Basis
Assets	\$1.98	\$2.00	\$2.10
Liability	(2.07)	(2.09)	(2.64)
Funded Status	\$(0.09)	\$(0.09)	\$(0.54)
Funded Ratio*	95.7%	95.4%	79.7%

Funding Funded Ratio at least 90%



Market Funded Ratio at least 80%



Go down the glide path?



* Values may be off due to rounding.

Actions in 2017

Equity allocation—**remain at 61%**

Discount rate for January 1, 2017 liabilities—
remain at 6.625%

Estimated Change in Pre-82 Plan

Funded Ratio* —Funding Basis

Conferences above 100% that redirect surplus reduce their funded ratio



* Assuming no change in Past Service Rate (PSR)

Valuation Results

Pre-82 Funded Ratio History—Funding Basis

Valuation Year	Contribution Year	Funded Ratio Using All Assets	Funded Ratio Excluding “Funding Surplus”
2011	2013	113%	93%
2012	2014	106%	93%
2013	2015	105%	93%
2014	2016	112%	95%
2015	2017	114%	96%
2016	2018	105%*	95%*
2017	2019	107%*	96%*

*Assumes no change in Past Service Rate (PSR)

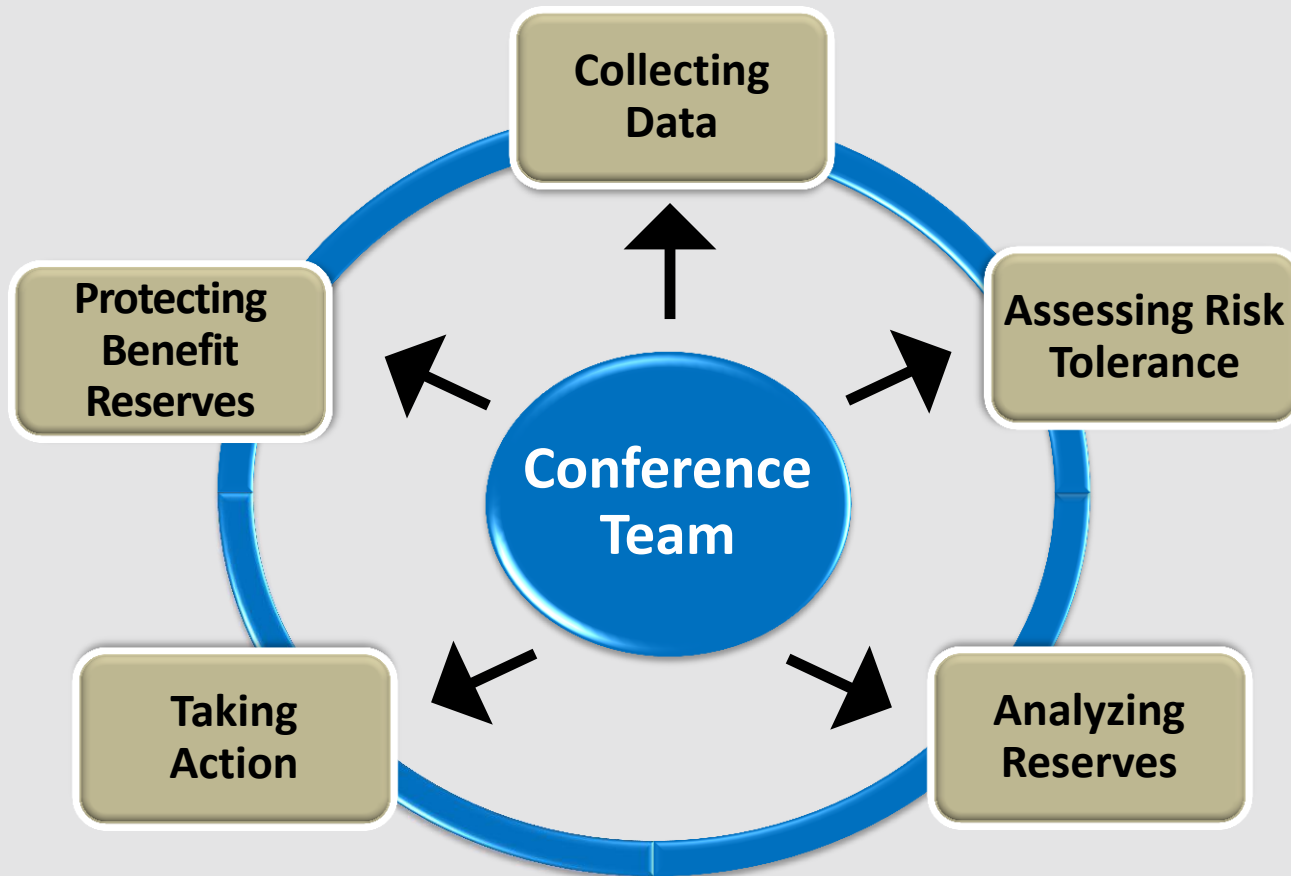
Summary

- Corridor funding—Estimated to continue at above 100% as of January 1, 2017 on a funding basis
 - Therefore: December 31, 2019 contribution due will be the Normal Cost
- For the denomination, Pre-82 estimated to continue at above 100% as of January 1, 2017 on a funding basis



Reserves!

The Path to Defining Reserve Levels





CPP Premium 'Redirection'



2015 Board of Directors Action

- Reduce Comprehensive Protection Plan (CPP) premiums to \$0 for at least two years (2018 and 2019)
- Reduction will be re-evaluated for 2020

Rationale

- Help offset the reduction of the funded status of Pre-82 due to longevity increases
- Acknowledge the funding gains occurring in CPP due to the longevity increases

Intention

- Conferences continue to collect contributions toward CPP from local churches
- “Redirect” for benefit obligations of the conference, either for increased Pre-82 contributions or to offset the reduction of surplus



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