



**Wespath**

BENEFITS | INVESTMENTS

OCTOBER 2017

# Pension Plans Update

AUMCPBO

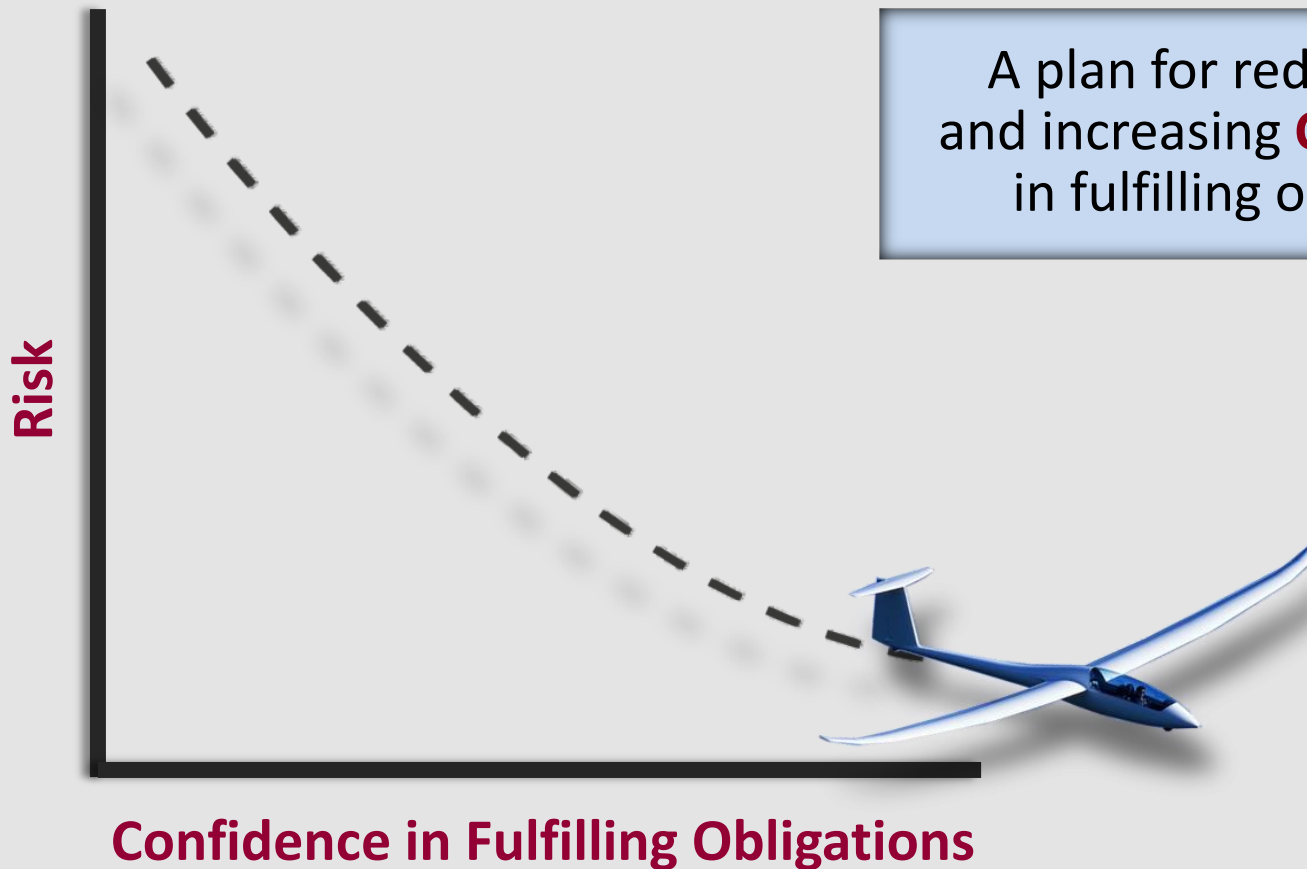
# Agenda

- Pre-82 Glide Path
- January 1, 2017 Valuation Results
- Bishops' Summary Letter



Pre-82 Glide Path

# What Is a Glide Path?





# Factors Influencing Glide Path



# Two Methods for Determining Assets



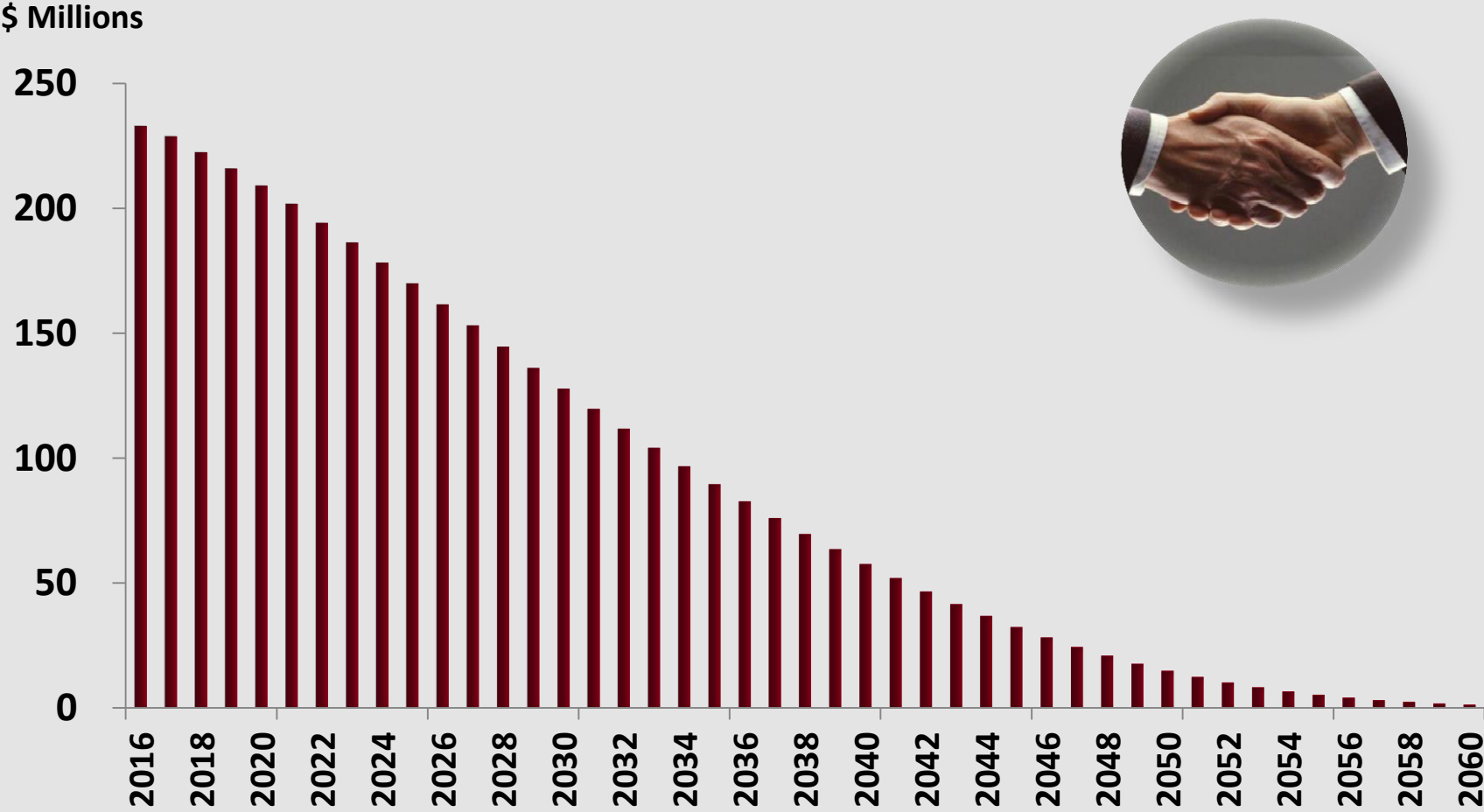
1.



2.



# Liabilities—Forecasted Benefit Payments



# Two Types of Discount Rates



**Funding Discount Rate**

**6.625%**

**January 1, 2017**



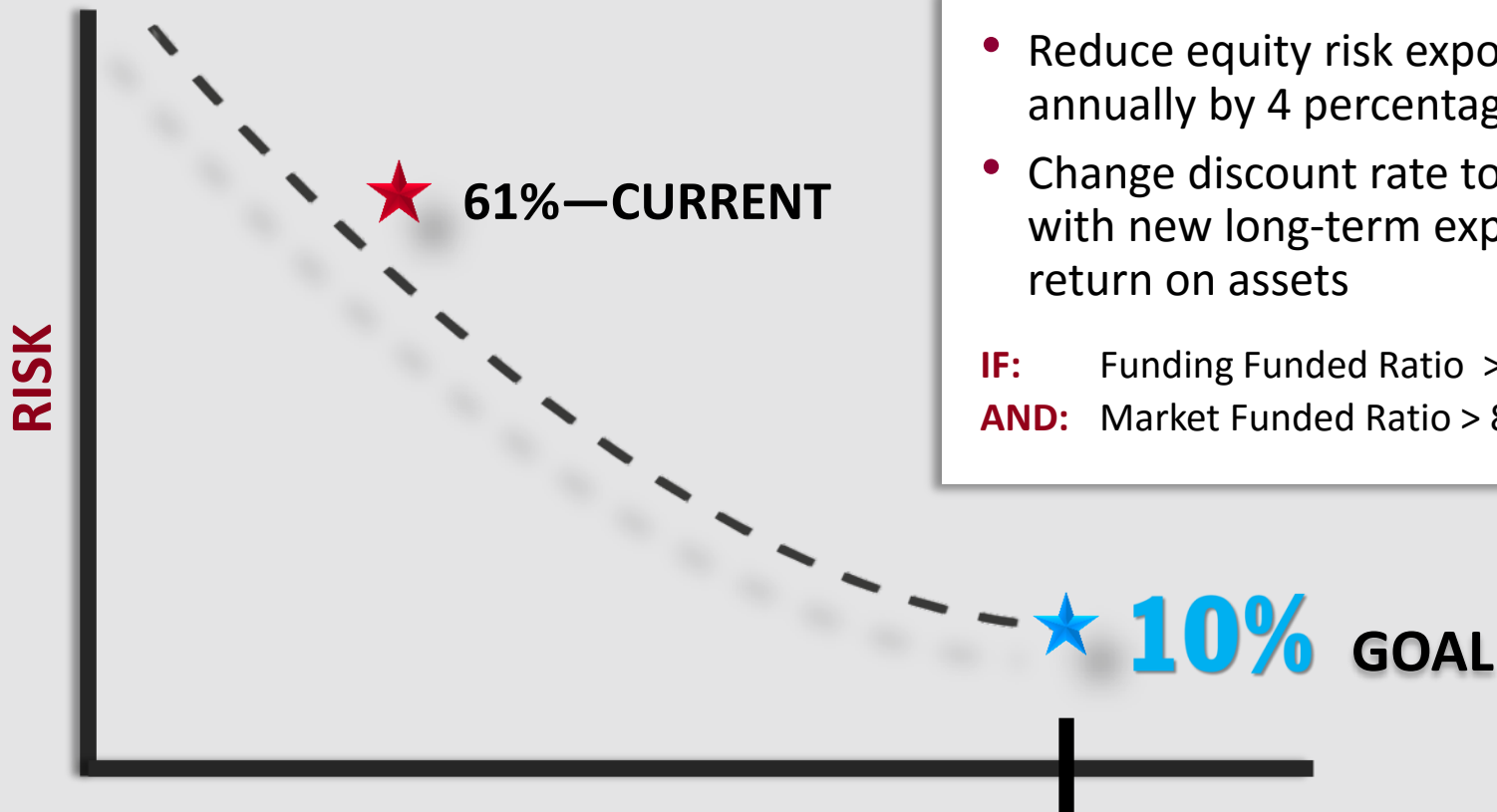
**Market Discount rate**

**3.58%**

**January 1, 2017**



# Pre-82 Plan Glide Path



- 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%

# Glide Path Funded Ratios

$$\text{Funding Funded Ratio} = \frac{\text{Smoothed Assets (excluding surplus)}}{\text{Liabilities Discounted with Funding Discount Rate Assuming a Step-Down Glide Path}} = 95.4\%$$

Estimated January 1, 2017

**Funding Funded Ratio at least 90%?**



# Glide Path Funded Ratios

$$\text{Market Funded Ratio} = \frac{\text{Market Assets}}{\text{Liabilities Discounted with Market Discount Rate}} = 79.7\%$$

Estimated January 1, 2017

Market Funded Ratio at least 80%



# Glide Path Funded Ratios

**Funding Funded Ratio at least 90%?**



**Market Funded Ratio at least 80%**



**Go down the glide path?**



# Actions in 2017

Equity allocation—**remain at 61%**

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





# Valuation Results

# Asset Returns

	2015 Returns		2016 Returns	
	Actual	Expected	Actual	Expected
CRSP DB	-2.56%	7.000%	8.33%	7.000%
MPP Annuities	-0.80%	6.250%	6.98%	6.250%
Pre-82	-2.50%	6.625%	8.06%	6.625%

# CRSP DB and MPP Annuities

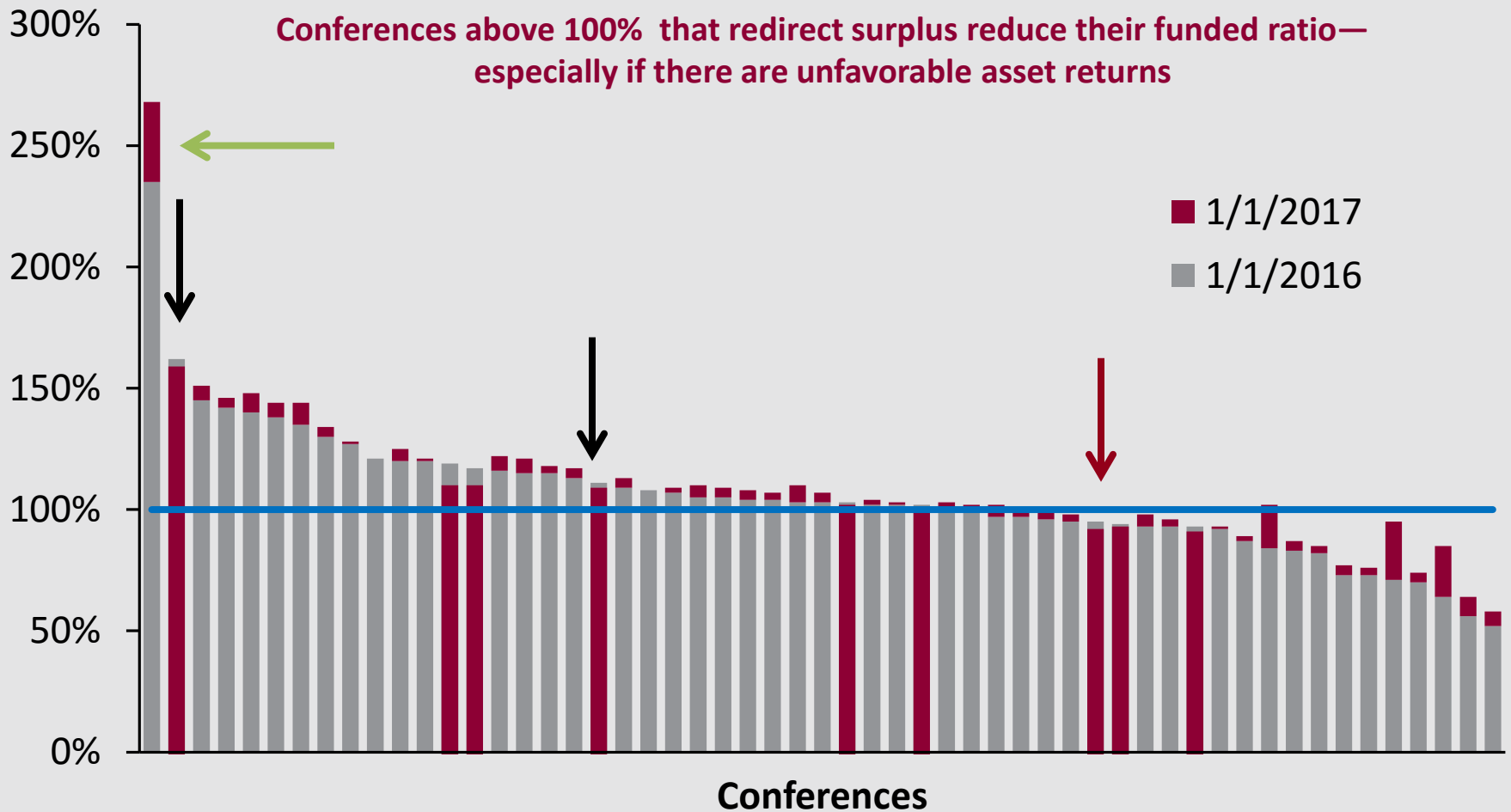
## Funded Ratio—Funding Basis

	January 1, 2016	January 1, 2017
<b>CRSP DB</b>	<b>108%</b>	<b>107%</b>
<b>MPP Annuities</b>	<b>105%</b>	<b>105%</b>
<b>Combined</b>	<b>106%</b>	<b>105%</b>

# Pre-82

## Funded Ratio\*—Funding Basis

Conferences above 100% that redirect surplus reduce their funded ratio—especially if there are unfavorable asset returns



\* Assuming no change in Past Service Rate (PSR)

# 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	104%	94%
2017	2019	108%*	96%*

\* Assumes no change in Past Service Rate (PSR)





# Bishops' Summary Letter

# Bishops' Summary Letter

- Summarizes key information about each conference's defined benefit plans
- Revised in 2017—cleaner and more concise

# Bishops' Summary Letter—Section 1

## Defined Benefit Pension Summary—2017 Sample Conference

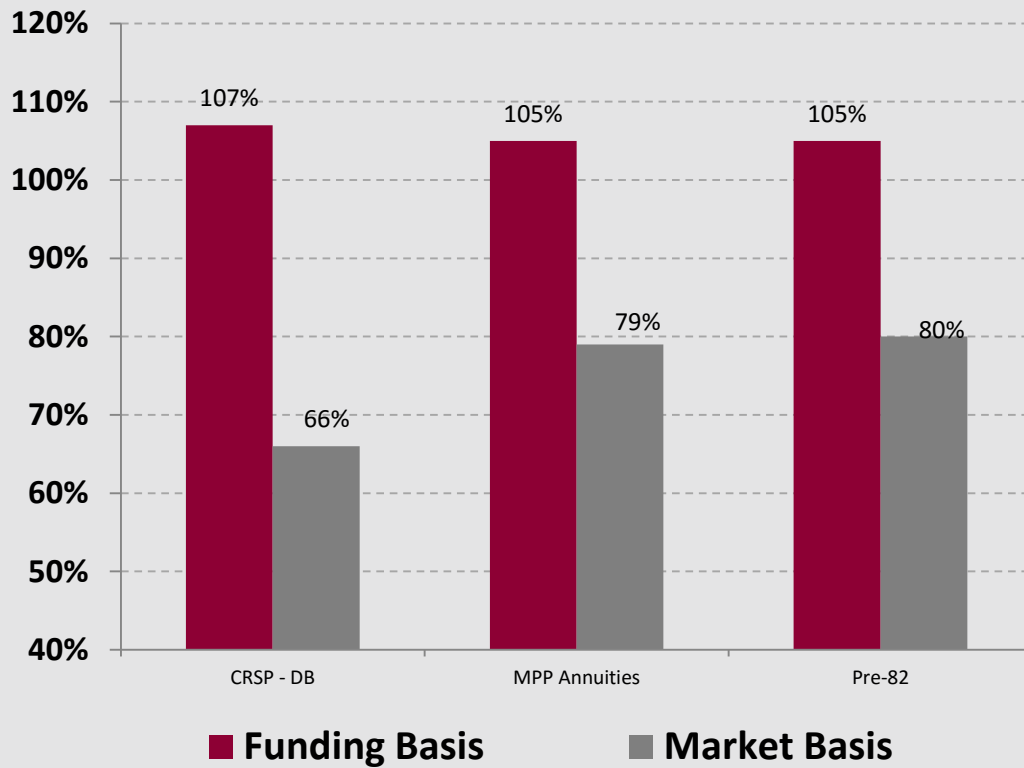
Conference Contribution Details	2018	2019
Conference CRSP DB Contribution	\$1,423,203	\$1,423,478
Conference MPP Annuities Contribution	0	0
Conference Pre-82 Contribution <sup>1</sup>	801,252	605,125 <sup>2</sup>
Total Conference Contribution	<u>\$2,238,455</u>	<u>\$2,028,603</u>

Funding sources for 2019 contributions will be evaluated in the 2019 Comprehensive Benefit Funding Plan, available in early 2018.

- **Conference-specific DB pension contribution requirements for 2018 and 2019**

# Bishops' Summary Letter—Section 2

Based on January 1, 2017 Valuation Results



- DB Funded Ratios
- Denominational for CRSP DB and MPP Annuities
- Conference-specific for Pre-82
- Shown on both a market and funding basis

# Bishops' Summary Letter—Section 3

## <Conference Name> Pre-82 Plan Information as of January 1, 2017 (for 2019 contributions)

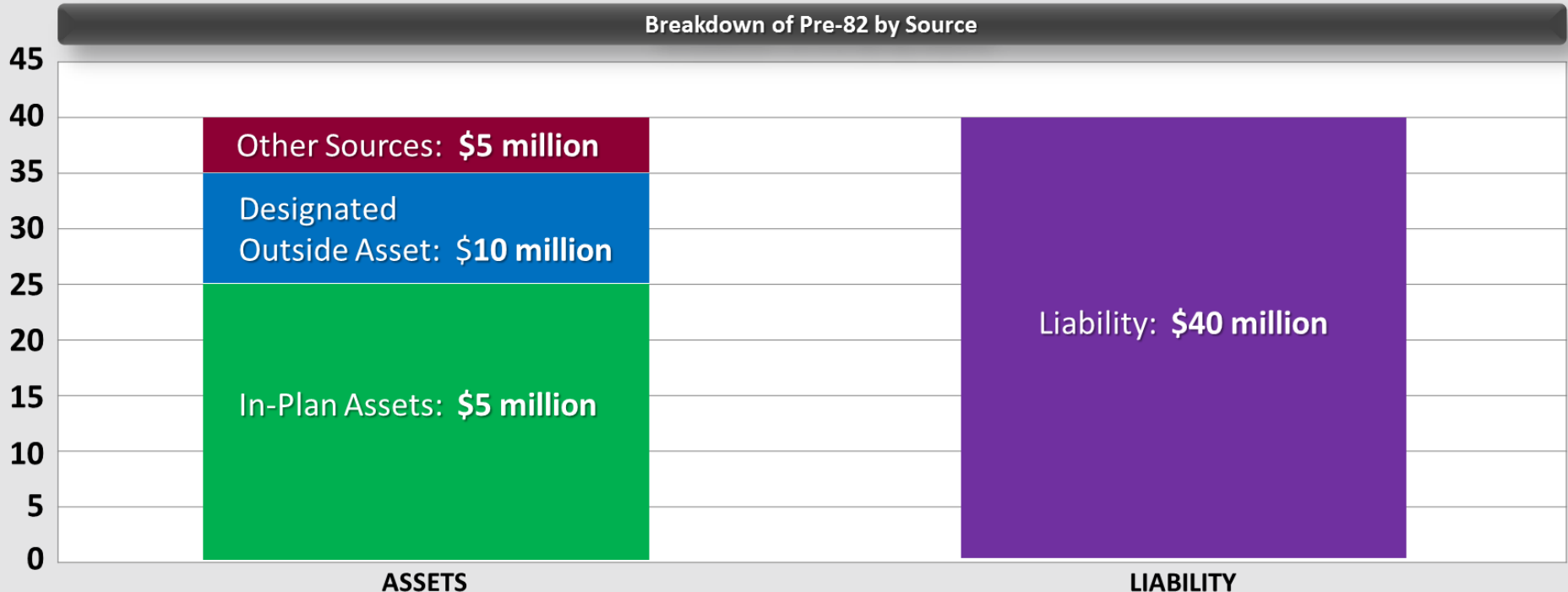
<b>Pre-82 funding plan liability:</b> <b>\$X.XM</b>	As of January 1, 2017 your conference's Pre-82 funding plan liability is <b>\$X.XM</b> , which is X.X% of the denomination's total Pre-82 funding plan liability. The funding plan liability assumes each conference's Past Service Rate (PSR) increases at the rate reported on their most recent completed CBFP.
<b>2018 PSR:</b> <b>\$XXX</b>	Your conference's 2018 PSR is <b>\$XXX</b> . The average PSR for the denomination is #. Your annual conference's PSR is greater than/less than the PSR offered by # conferences.
<b>Contingent annuitant percentage:</b> <b>XX%</b>	Your conference has elected a contingent annuitant percentage of <b>XX%</b> . For reference, 43 of 55 conferences elected a contingent annuitant percentage of either 70% or 75%.
<b>Participants covered:</b> <b>at least</b> <b>XX% FTE</b>	Your conference has elected to cover participants in CRSP DB who are at least <b>XX%</b> Full-time Equivalent (FTE). For reference, of 55 conferences: <ul style="list-style-type: none"><li>• 34 elect to cover 50% FTE and above</li><li>• 11 cover 75% and above</li><li>• 10 cover 100% and above</li></ul>

- Conference's Pre-82 liability on a funding basis with future PSR increases
- Compares conference's Pre-82 elections to other conferences



# Bishops' Summary Letter—Section 4

## XYZ Conference—2018 Pre-82 Funding Plan Sources



- **“In-Plan Assets”**—held in the plan trust
- **“Designated Outside Assets”**—designated for Pre-82 benefits on the 2018 CBFP
- **“Other Sources”**—future incoming money



**Wes**path

BENEFITS | INVESTMENTS