

Unfunded Pension Obligation Rationale & Calculation

Section 4. (Local Church's Obligations) a. iv. of the Indiana Annual Conference of the United Methodist Church, Inc. Disaffiliation Agreement pursuant to ¶2553 states the following:

“An amount equal to Local Church's pro rata share, as determined by Annual Conference, of Annual Conference's unfunded pension obligations, based on the Annual Conference's aggregate funding obligations as determined by the General Board of Pension and Health Benefits using market factors similar to a commercial annuity provider, totaling _____;”

The Indiana Annual Conference's pension obligations have historically been and are currently determined exclusively on compensation.

The local church's pro rata share of the Annual Conference's unfunded pension obligations is calculated by dividing each local church's appointed clergy compensation effective July 1, 2021* by the total Indiana Conference appointed clergy compensation. This number is then expressed as a percentage to two decimal points.

Example:

Church A. Appointed Clergy Compensation: \$65,000

Total Indiana Conference Appointed Clergy Compensation: \$40,145,996**

$65,000 / 40,145,996 = 0.00161$

$0.00161 * 100 = 0.16\%$

The total unfunded liability is then multiplied by this figure to determine each church's percentage allocation or fair share.

Example:

INUMC Unfunded Pension Obligation: \$88,593,342 Church

A. Percentage Allocation or Fair Share: 0.16%

$\$88,593,342 * 0.16\% = \$141,749$

Notes:

* It is anticipated that the fair share amount determined on July 1, 2021 will remain fixed throughout the disaffiliation period in order to provide an established liability amount for local churches considering disaffiliation.

** In the event that a local church is currently without an appointed clergy person an average of the last three years of actual compensation paid by the congregation will be used or in the event that a local church has not had an appointed clergy person the Conference Average Compensation along with the work hours classification (full time, 3/4 time, 1/2 time, & 1/4 time) will be utilized to estimate clergy compensation.

Retiree Health Insurance Subsidy Obligations Rationale & Calculation

Section 4. (Local Church's Obligations) a. v. of the Indiana Annual Conference of the United Methodist Church, Inc. Disaffiliation Agreement pursuant to ¶2553 states the following:

"An amount equal to Local Church's pro rata share, as determined by Annual Conference using market factors similar to a commercial annuity provider, of Annual Conference's Retiree Health Insurance Subsidy obligations, totaling _____,"

The Indiana Annual Conference's Retiree Health Insurance Subsidy obligations have historically been and are currently funded by the Tithe.

The local church's pro rata share of the Annual Conference's Retiree Health Insurance Subsidy obligations is calculated by dividing each local church's tithable income effective 12-31-2020 by the total Indiana Conference tithe income. This number is then expressed as a percentage to two decimal points.

Example:

Church A. Tithable Income: \$275,000
Total Indiana Conference Tithe Income:
\$146,961,642

$$275,000 / 146,961,642 = 0.00187$$

$$0.00187 * 100 = 0.18\%$$

The total unfunded liability is then multiplied by this figure to determine each church's percentage allocation or fair share.

Example:

INUMC Unfunded Pension Obligation: \$13,407,283.91
Church A. Percentage Allocation or Fair Share: 0.18%

$$\$13,407,283.91 * 0.18\% = \$24,133$$

Note:

* It is anticipated that the fair share amount determined utilizing the tithable income from 12-31-2020 will remain fixed throughout the disaffiliation period in order to provide an established liability amount for local churches considering disaffiliation.