



Conference Council on Financial and Administration (CCFA)

FREQUENTLY ASKED QUESTIONS

1. How much was the PPP loan received by the conference?

The PPP loan received by the conference was for a total of \$1,009,000. \$438,009 was used to cover staff salary and benefits funded by conference apportionments, and the remaining was used for salaries funded by other sources as well as pension and health benefits.

2. Does the conference have resources for applying for forgiveness for PPP loans?

You can find our webinars on PPP forgiveness at umcnic.org/financeadministration.

3. What is the financial savings in going from 6 districts to 5 districts? Where do we see those savings in the budget?

Reducing the number of districts from 6 to 5 as of July 1st will result in a savings of \$76,400 for 6 months in 2021. In 2022 the full year financial savings will be an additional \$76,400 for a total of \$152,800 annually. The financial savings is a reduction in the District Salary and Benefits, which includes the salary, health and pension benefits, and housing, travel and education expenses.

4. Will redistricting reduce a local church's apportionment?

No, the apportionment formula is based on the financial information provided in the local church's statistical report, so it is not related to the number of districts.

5. We currently have 6 district parsonages, what will happen with the parsonages?

We will continue to need a parsonage in each district and expect to sell one parsonage. The choice of parsonage to sell will depend upon how the new districts are drawn.

6. How does reducing from 6 districts to 5 districts help meet the financial challenges of the conference? Where are the savings reinvested in the budget?

Many of our local churches have been struggling and we have seen total local church expenditures fall over the last several years. As a result, the conference apportionment receipts have also declined, which has necessitated cutting expenses. Reducing from 6 to 5 districts allows greater support to program and cabinet ministries such as support for local churches, new faith communities, and church redevelopment.

7. Was there any consideration given to other staff restructuring along with the district superintendent reduction to address our financial challenges?

In addition to the reduction of a District Superintendent, we will also be eliminating two part-time programming positions in 2021, which results in a savings of \$32,600.

8. Have we considered moving the conference office out of Chicago?

We are not planning to move the conference office in 2021, but we continue to look into various options to reduce our rental expense.

9. Why was funding not requested for the upcoming budget for the anti-racism training if this is one our priorities? How can this priority be fully realized without a financial commitment from the AC budget? It seems to diminish the commitment in some way, mindful of the good work already done- how do we support this financially?

Those making the proposal have not presented a formal request for funding. They report being in conversation about how this training will take place, when, at what length, and at whose cost. It's conceivable that the Board of Ordained Ministry may choose to use the current allocation for the Ministerial Education Fund, the Shepherding Team may make money available through the conference programming funding, or the program may be funded through participant fees.. CCFA will continue to work closely with training designers as their financial needs become more clear.

10. Has the conference looked into getting bids from other insurance providers? Is there anything churches can do to reduce our property insurance costs?

We go to bid every year, which is part of why the premiums for the new year come so late in the local church budget year. We have a committee with considerable talent, some 100 years of insurance executive experience, who guide us in finding the best rates and course of action.

Dwayne Jackson is the best resource to help churches learn actions they can take to help reduce their insurance contacts. Dwayne can be reached at 312-783-5945 or djackson@umcnic.org

11. Is the conference financially healthy? Can we continue to exist as an independent conference?

Although we continue to contract the budget as our local church budgets contract, the conference only spends what it receives and can continue doing that as long as we remain a conference and meet the minimal conference expenses. Other than the Red Door program, we do not have debt and we have sufficient income and assets to cover our financial obligations. There may be other reasons to consider merging with another conference, including strategic reasons or to be able to do valuable ministry or programming beyond what our contracted budget will allow. However, the conference continues to only spend what it receives and can continue to meet its obligations as long as we remain an independent conference.

12. It would be helpful to have some clarity in seeing the big picture between funded and unfunded liabilities. All of the different buckets are confusing, and it would be helpful to know the funded or unfunded liabilities and where the reserves are coming from to fill in the gaps.

All the different buckets *are* confusing. And the way we talk about them, sometimes as liabilities and sometimes as expenses, also causes confusion. Here's a status report on our liabilities and corresponding assets as of 1/1/2020.

Red Door Fund. The conference has a loan with Wintrust of \$15,295,670. We used the funds to refinance mortgages with local churches, and the churches owe us a balance of \$15,711,933. Making the funded ratio of 103%.

MPP Pensions. The annuities related to the MPP program, which was the primary pension program for clergy from 1982 until 2007, has a liability of \$63,815,854 attributable to our conference (the assets and liabilities are shared with all conferences) and assets of \$70,835,598. The funded ratio is 111%. Upon retirement the MPP accounts of local clergy convert to an annuity guaranteed by the conference. We predict a future liability of \$45,545,193 when all have retired, but the amount of liability will change to exactly match the account balances of retirees. By definition this future liability is funded at least 100%.

CRSP-DB Pensions. The current pension program of the church has a defined benefit portion. The liability attributable to the conference (it is shared by all conferences) is \$31,862,171 and the offsetting asset funding is \$34,411,145. This obligation is funded at 108%.

Pre82 Pensions. Changes in actuarial assumptions and shifts in the stock/bond balance of the investment portfolio has increased the liabilities of the defined benefit pension program serving clergy who worked in Northern Illinois prior to 1982, even though there is no additional benefit being offered through this program. We anticipate further increases here and the Conference, while suitably positioned to meet current expenses and payments through 2022, will need to create funding to meet the additional costs of these proposed future shifts in how the liability is calculated. Again, the liability is increasing in the future not because of the addition of benefits or beneficiaries, but because of the way the liability is calculated. Our liabilities in this program is \$42,499,045 and the assets are \$37,264,381 realized, plus \$2,346,639 unrealized. We are scheduled to make additional payments on this liability over 5 years beginning in 2022.

Retiree Health Liabilities. The Conference provides HRA accounts to retired clergy to pay premiums and out of pocket expenses for health expenses. The Conference has the authority to change or end this program at any time. The liability to continue the program, as designed, for all known actives and all current retirees is \$21,186,418. We anticipate a need to make changes to this program, as the benefit extended to retired clergy is the highest among the conferences and the benefit amount was set before improvements in the Medicare program.

Clergy Fund Asset. The Clergy Fund is a Conference connected nonprofit who stewards an endowment with the purpose of support of retirement programs of the Conference. The board makes an annual contribution to the conference in excess of \$1,000,000. The net present value of those contributions is \$25,211,156.

Conference Pensions and Health Reserve. The Conference has a reserve of about \$2,700,000 for the pensions and health current costs.

The conference owns 8 parsonages, 4 new church start locations, 2 camps, and 1 campus ministry building, all with no mortgage or financial liability. There are also investments in excess of \$12,000,000, some of which are designated and some are unrestricted.