

2026 CAL-PAC PRELIMINARY REPORT

REC 26-04 | PENSIONS 2: RETIREE HEALTH CARE

The Board of Pension and Health Benefits is recommending to the annual conference that the 2027 Target HRA be held at the 2026 level of \$2,600 for eligible participants, spouses and surviving spouses age 84 and under. The Target HRA is the amount for pastors serving 40 years at the point of retirement, and under age 85. The actual HRA contributed for each participant is 2.5% of the Target HRA for each year under appointment prior to retirement. For example, a pastor serving 35 years will receive 2.5 percentage points of the target x 35 = 88% of the HRA or \$2,275 for 2027.

The HRA contribution increases to 120% of the Target HRA (\$3,120 for 2027) upon attainment of age 85 for eligible participants, spouses, and surviving spouses.

An analysis of usage of HRA funds since the inception of this program in 2016 revealed that most retired clergy and/or surviving spouses were not using all of the provided HRA funds. If there is an instance of financial hardship, the Board is prepared, and welcomes the opportunity, to provide those individuals with additional funding through the Board's Financial Assistance funds to help meet their health benefit needs.

REC 26-05 | PENSIONS 3: CLERGY HOUSING ALLOWANCE

The California-Pacific Conference (the "Conference") adopts the following resolution relating to rental/housing allowances for retired or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the "Church"), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church ("Clergypersons");

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation;

WHEREAS, pensions, account-based retirement benefits, or other amounts paid to retired and disabled Clergypersons are considered to be deferred compensation and are paid to retired and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as the appropriate organization to designate a rental/housing allowance for retired and disabled Clergypersons who are or were members of this Conference;

NOW, THEREFORE, BE IT RESOLVED:

THAT an amount equal to 100% of the pension, account-based retirement benefits, or disability payments received from plans authorized under *The Book of Discipline of The United Methodist Church* (the "*Discipline*"), which includes all such payments from Wespath Benefits and Investments (Wespath), during the year 2027 by each retired or disabled Clergyperson who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergyperson; and

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1 THAT the pension, account-based retirement benefits, or disability payments to which this
2 rental/housing allowance applies will be any pension, account-based retirement benefits, or disability
3 payments from plans, annuities, or funds authorized under the *Discipline*, including such payments from
4 Wespath and from a commercial annuity company that provides an annuity arising from benefits
5 accrued under a Wespath plan, annuity, or fund authorized under the *Discipline*, that result from any
6 service a Clergy person rendered to this Conference or that a retired or disabled Clergy person of this
7 Conference rendered to any local church, annual conference of the Church, general agency of the
8 Church, other institution of the Church, former denomination that is now a part of the Church, or any
9 other employer that employed the Clergy person to perform services related to the ministry of the
10 Church, or its predecessors, and that elected to make contributions to, or accrue a benefit under, such a
11 plan, annuity, or fund for such retired or disabled Clergy person's pension or disability as part of his or
12 her gross compensation, which includes UMPIP contributions.

13
14 NOTE: The rental/housing allowance that may be excluded from a Clergy person's gross income in any
15 year for federal income tax purposes is limited under Internal Revenue Code section 107(2) and
16 regulations thereunder to the least of: (1) the amount of the rental/housing allowance designated by the
17 Clergy person's employer or other appropriate body of the Church (such as this Conference in the
18 foregoing resolutions) for such year; (2) the amount actually expended by the Clergy person to rent or
19 provide a home in such year; or (3) the fair rental value of the home, including furnishings and
20 appurtenances (such as a garage), plus the cost of utilities in such year.

REC 26-06 | SUPPLEMENT ONE TO THE CLERGY RETIREMENT SECURITY PROGRAM (PRE-82)

23 Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-82 Plan,
24 provides clergy with a pension for their years of ministry with The United Methodist Church prior to
25 1982. The Pre-82 Plan was replaced by MPP effective January 1, 1982. However, if a pastor was eligible
26 to participate and was vested in the Pre-82 Plan, he/she will receive benefits from the plan as before.

27
28 For 2026, the Past Service Rate (PSR) is \$867. For 2027, the conference is increasing its PSR to \$893.
29 This is an increase of 3% over 2026. On average, the conference cautiously estimates future increases to
30 be approximately 2%, and will thoroughly evaluate each year. The contingent annuitant percentage is at
31 the 100% level.

32
33 Based on the preliminary actuarial valuations from Wespath Benefits & Investments as of January 1,
34 2025 for 2027 contributions, the portion of the Pre-82 liability attributable to the California-Pacific
35 Conference and funded status as of 1/1/25 is as follows:

36
37 Funding Plan Liability as of 1/1/25: \$32,775,578

38 Plan Assets as of 1/1/25: \$47,098,646

39 Current funded status is \$14,323,068 for a 144% funded ratio.

40
41 Key assumptions: 6.000% discount rate, using the PRI12TQ Adj (MP20) mortality table.