

REPORT OF 2009 ANNUAL CONFERENCE TASK FORCE

by Henry L. Bowden, Jr., Chair
Presented to the North Georgia Conference of the United Methodist Church
June 15, 2011

BACKGROUND

The 2009 Annual Conference recommended and approved the appointment by Bishop Michael Watson of a Task Force “for the purpose of conducting a comprehensive analysis of the functions of the North Georgia Conference of the United Methodist Church to define a better coordination, efficient and effective array of programs and ministries to facilitate the mission of the United Methodist Church in making Disciples of Jesus Christ for the Transformation of the World.” The resolution identified the scope of the work of the Task Force to include, among other issues, the following:

1. The future role and financial support of the Simpsonwood Conference Center.
2. The administration and funding of equitable compensation.
3. The financing of clergy health insurance benefits for both active and retired clergy and what portion of the insurance premium they pay.
4. The functions, structure, location and costs of the Annual Conference session.
5. The functions and structure of the budget processes of the Conference Council on Finance and Administration.
6. The amount and funding of adequate Conference reserves.
7. The structure of the administration of the Annual Conference.

The Task Force was directed to submit an interim report at the 2010 Annual Conference, with a final report due at the 2011 Annual Conference.

At the 2010 Annual Conference, Henry L. Bowden, Jr., Chair of the 2009 Task Force, presented both a written and an oral report of the Task Force's recommendations on the Simpsonwood Conference Center, and stated that the Task Force would deliver its report on the other issues contained in the 2009 Annual Conference resolution on or before the 2011 Annual Conference. The following is provided in compliance with the 2009 Annual Conference resolution.

SIMPSONWOOD CONFERENCE CENTER

As reported at the 2010 Annual Conference, the financial operation of the Simpsonwood Conference Center is at best only a break-even proposition, with no funds from operations available to pay down the \$6 million in mortgage debt associated with Simpsonwood, and no funds from operations available to renovate or improve the Conference Center facilities. While the mortgage debt associated with Simpsonwood was refinanced in April 2010, taking out SunTrust Bank as the lender, and substituting the Georgia United Methodist Foundation as lender, thus enabling all debt service to be repaid to a Methodist institution rather than to a commercial lending institution, the North Georgia Conference nevertheless allocated approximately \$900,000 in its 2010-11 budget to pay down this debt, continuing the substantial apportionment burden cast upon local churches. Very little if any of these apportionments would be used for much needed renovation of the Conference Center, furthermore.

At the 2010 Annual Conference, the Task Force recommended that the Conference employ outside legal counsel regarding its options should the Conference decide to sell Simpsonwood either to a public entity, or to a private developer. The Task Force confirmed that in the deed by which Ms. Ludie Simpson conveyed the property to the Conference in 1973, there are restrictions on the subsequent sale of the property by the Conference, as well as precatory language which would direct the Conference to convey the property to Wesley Homes, Inc. should it decide to dispose of the property.

Legal counsel rendered an opinion to the Conference on July 30, 2010, confirming prior legal opinions that the language in the deed from Ms. Simpson to the Conference could well impose substantial restrictions upon the conveyance of the property by the Conference to third parties, but stating that a conveyance to a public entity could potentially be completed without regard to the deed restrictions.

Based upon this legal opinion, the Task Force proceeded with engaging a real estate consultant (the same consultant who had advised the Task Force regarding its options relating to Simpsonwood during the first year of the Task Force's operations) to explore whether there would be interest in purchasing Simpsonwood by various public entities, such as the National Park Service and Gwinnett County, for park land.

At the same time, the Task Force entered into serious discussions with the Board of Trustees and administration of Wesley Woods Senior Living, Inc. ("WWSL"), the successor to Wesley Homes, Inc., regarding its desire to own or develop all or a portion of Simpsonwood as a continuing care retirement community ("CCRC"). While the Task Force has made no

recommendation to date regarding WWSL's desire to own or develop a CCRC on the Simpsonwood property, the WWSL Board has communicated informally with the Task Force that if the entire Simpsonwood property were conveyed to third parties, it would support such a conveyance if WWSL and the Conference were to share in the proceeds from such a sale in an equitable manner, consistent with Ms. Simpson's original intent.

In lengthy discussions with both appointed and elected officials from Gwinnett County, representatives of the National Park Service ("NPS"), and representatives of the Trust for Public Land ("TPL"), the real estate consultant employed by the Task Force reported at the end of May 2011 that there continues to be serious interest on the part of both the NPS and Gwinnett County, with the Trust for Public Land being an intermediary for both public entities, for the potential acquisition of Simpsonwood. In a letter to the Conference's consultant from the TPL program manager, dated May 25, 2011, the TPL program manager stated, in part:

As you know, the Trust for Public Land (TPL) has been working diligently with both the National Park Service (NPS) and Gwinnett County staff to explore options for the potential acquisition of the Simpsonwood property from the North Georgia Methodist Conference for the creation of a jointly-owned, publicly accessible green space. We strongly believe that the assembled partnership can bring about Ms. Simpson's vision, as described, to keep the property, preserved and intact, in perpetuity.

Nevertheless, financial constraints which the NPS is facing under current federal budget negotiations, and issues regarding Gwinnett County's acquisition of land which have been widely covered in local media, have conspired to delay the ripening of negotiations between the Task Force and the TPL, on behalf of the NPS and Gwinnett County. In one of the concluding paragraphs of the aforementioned letter from the TPL program manager, she stated:

Therefore, at this juncture we cannot proffer any kind of term sheet or offer to you or your client. **But I do want to say, in as robust language as I can, without hesitation, that the NPS and potentially Gwinnett County, remain highly interested in the acquisition of the Simpsonwood property.** So, if circumstances allow, we would like to pick up this conversation again with you and your client in the coming months. (Emphasis added.)

As a consequence, the Task Force recommends to the Conference that the Simpsonwood Conference Center continue its operations as in the past, and that the Task Force be allowed to continue in existence at least until 2012 Annual Conference, working with representatives from the TPL, the NPS and Gwinnett County, in order to determine whether a transaction favorable to the Conference and to WWSL can be negotiated and then brought back to the Conference, either at the 2012 Annual Conference or in a special session of the Annual Conference called between now and June 2012.

PENSION BENEFITS AND HEALTH INSURANCE

1. Pre-1982 Pension Liability

The General Conference of United Methodism adopted a pension plan for elders with total service or partial service that pre-dates January 1, 1982. As of January 1, 2010, the unfunded liability for elders participating in this plan in North Georgia stood at \$33.8 million. As of December 31, 2010, the unfunded liability in this plan for North Georgia was \$27.8 million.

The General Conference has enunciated a requirement that the unfunded liability for each Annual Conference must be reduced to zero by 2021. In furtherance of that enunciation, the General Conference has given the North Georgia Annual Conference an annual apportionment which for this past fiscal year was \$3.9 million. The Conference pays each qualifying pastor \$684 for each year of service prior to 1982, which amount typically is adjusted upward each year (for example, it was raised 1% this year, although there is no requirement that the Conference make an annual adjustment). Other Conferences average closer to \$600 for each year of service for retired pastors, so North Georgia actually pays a few dollars more than other Conferences.

The Task Force has concluded that there is really no need to address issues related to the pre-1982 pension plan underfunding situation. The matter is already being addressed by the Conference; funds are required by the General Conference to be set aside each year between now and 2021 in order to reduce the unfunded liability to zero. The Task Force recommends that no more time or effort be spent to discuss this issue at this time.

2. **Clergy Retirement Security Plan (“CRSP”)**

The General Conference has also adopted a combined defined benefit/defined contribution plan, which it imposed upon North Georgia four years ago. Because the CRSP is a denominational plan, rather than a Conference plan, the Task Force really has no ability to affect the implementation or funding of the plan. The Task Force understands that the General Conference is considering modifications to the CRSP even though it is only four years old, perhaps reducing the defined benefit component of the plan. As a consequence, the Task Force makes no recommendation regarding the CRSP at this time.

3. **Retiree Supplemental Medical Insurance Plan**

The Annual Conference has adopted a retiree supplemental medical insurance plan which had a liability of \$69 million in 2009, with \$21 million invested against this liability, resulting in a \$48 million shortfall. Prior to the creation of the Task Force, another Conference task force had been charged with determining how to reduce the underfunding of this plan, and that task force employed Watson Wyatt Worldwide to assist in making recommendations to the Annual Conference regarding the reduction of the unfunded liability on this plan.

Watson Wyatt Worldwide recommended to the 2010 Annual Conference, and the 2010 Annual Conference adopted, a \$5,000 premium cap on individual participants in the plan, and a \$10,000 cap for participants with dependents. Merely by imposing this cap, which began on January 1, 2011, the unfunded liability was reduced by \$20 million, meaning that the shortfall as of the beginning of this fiscal year stood at \$28 million.

Because there is already another Conference task force dealing with this issue, and because that task force has already employed a competent actuary to help make future decisions regarding this unfunded liability, the 2009 Task Force is not making any recommendations regarding the unfunded liability on the retiree supplemental medical insurance plan.

4. **Equitable Compensation**

Paragraph 342 of the Book of Discipline provides in pertinent part as follows:

To strengthen the effectiveness of the connectional system, assumption of the obligation of the itinerant ministry required upon admission to the traveling connection places upon the Church a counter obligation to provide adequate support for the entire ministry of the Church. The Church shall provide, and the ordained ministers are entitled to receive, not less than the equitable compensation established by the Annual Conference for clergy members . . .

The Task Force understands that local churches which are unable fully to compensate their appointed clergy have a claim against the Conference Equitable Compensation Fund in accordance with Paragraph 624 of the Book of Discipline. In the 2011 Conference budget, the Conference allocated \$470,000 to cover equitable compensation for clergy whose local churches are unable to compensate them in full.

The Task Force understands that the recommended budget for the Equitable Compensation Fund for 2012 is only \$300,000, and that according to the most recent Cabinet projections, \$300,000 should be more

than enough to pay in full clergy whose local churches are unable to compensate them in accordance with Conference minimums. As of the preparation of this report, there were only five (5) churches within the North Georgia Conference receiving equitable compensation, with the total financial exposure to the Conference for 2011 of less than \$200,000.

Since equitable compensation is a denominational issue, and since the equitable compensation shortfall facing the Conference represents less than one-tenth of one percent of the Conference's annual budget, the Task Force makes no recommendations regarding modifications to the system of equitable compensation as it now exists.

A second issue relating to equitable compensation is the accrued benefits "balance due" of approximately \$2 million which the Conference is obligated to fund representing non-salary benefits which our local churches have been unable to fund over the past 15 years for their appointed clergy. The Task Force makes no recommendation regarding this unfunded benefits arrearage.

FUNCTIONS AND STRUCTURE OF CONFERENCE BUDGET PROCESS

No issue was reported to the Task Force subcommittee charged with investigating the budget process which would require modification or adjustment at this time. Therefore, the Task Force makes no recommendation regarding the Conference budget process as currently designed.

STRUCTURE OF CONFERENCE ADMINISTRATION

The Task Force understood its charge to include a review of the staffing and organization of the Conference administrative staff. A previously appointed task force had reviewed the structure of the Conference, with emphasis on the number and structure of districts and the duties of the district superintendents. The Task Force understands that this previous task force did not make any recommendations regarding modifications to the number and structure of the districts, or the duties of the district superintendents.

After due investigation by one of its subcommittees, the Task Force recommends that the Annual Conference give the Bishop the authority to review the Conference administrative staff (both lay and clergy) in order to determine if there are opportunities to streamline and create a more efficient administrative structure for the Conference, taking into consideration interview feedback and other input as appropriate. The Task Force recommends that the Conference authorize the Bishop to implement changes to the administrative staff he believes will be in the best interest of the Conference, from an operational, financial and missional standpoint, with any such changes or modifications to be implemented no later than July 1, 2012. Assuming the Conference is willing to authorize the Bishop to implement such changes, the Task Force recommends that its work continue through the implementation phase, and that it serve as an ongoing advisory committee and design consultant to the Bishop as he analyzes the steps which will need to be taken to carry out the Conference mandate.

Assuming further that the Conference is willing to authorize the Bishop to implement modifications to the Conference administrative staff, the Task Force recommends that the Bishop review once again the number and structure of the districts and the duties of the district superintendents, so that if changes to the administrative staff have an impact on the district structure, the number of districts or the superintendents' duties, the Bishop will be able to make recommendations to the Conference regarding modifications to the district number and structure, or superintendents' duties, accordingly. The Task Force recommends that it continue in existence at least until 2012 Annual Conference so as to be able to provide the Bishop with advice and consultation on this aspect of its recommendations.

AMOUNT AND FUNDING OF ADEQUATE CONFERENCE RESERVES

While reserves are being set aside in modest amounts under the 2012 budget, the Task Force recognizes that the Conference will be unable to set aside substantial reserves unless and until the Simpsonwood Conference Center has been sold, assuming such a sale is approved by the Conference, and funds from that sale can be set aside as a reserve. Therefore, the Task Force makes no recommendation regarding Conference reserves at this time, pending a resolution of the Simpsonwood issue which has been addressed hereinabove.

TASK FORCE CONTINUANCE

The Task Force recommends that it be allowed to continue functioning on the ongoing, unresolved issues described in this report, and as an advisory committee to the Bishop, at least through 2012 Annual Conference.

Respectfully submitted by
2009 Task Force Members

Henry L. Bowden, Jr., Chair