

MEETING THE RETIREMENT RESPONSIBILITY GOAL
A new “Way Forward” to build the Bridge of Hope
February 2019

INTRODUCTION

The Presiding Bishopric’s projections indicate that the church will be at least \$34 million (USD) short of achieving the \$115 million (USD) goal for the retirement responsibility by 1 January 2022. The 2019 World Conference will hear an updated plan on how the church can work together to fulfill the retirement responsibility to include considering a resolution redirecting the assets of the General Operating Endowment to the Bridge of Hope Project. This paper provides foundational information for those discussions.

BACKGROUND

In 2017, the Presiding Bishopric shared that the church’s unfunded retirement responsibility had reached a critical level. The retirement responsibility is comprised of three main components:

1. The pension trust, a USA-based defined-benefit pension plan providing benefits to retirees in Western countries.
2. The post-retirement benefit plan that provides non-wage-based benefits to certain eligible retirees and spouses.
3. The multi-nations retirement plans, a series of pension-like plans for retirees in non-Western countries.

Beyond the church’s financial and legal responsibilities, meeting the retirement responsibility represents a commitment to 1,000-plus faithful servants and their families, who sacrificed tremendously through the years to support the church’s mission. Fulfilling this responsibility is a justice issue and is required for the church to embody the Enduring Principles that define us.

In response, the church established the Bridge of Hope project with two main financial objectives:

1. To fully fund the retirement responsibility by raising \$115 million (USD) by 1 January 2022. This is the focus of our current efforts.

2. To raise \$53.75 million (USD) more for endowments in support of future mission after meeting the first objective.

The five-year goal of 1 January 2022 was established to balance the need to minimize cost by quickly and fully funding the retirement responsibility with providing time for the church to understand and financially respond. The \$115 million (USD) is a calculated estimate of the investment amount required by 1 January 2022 to meet all retirement responsibility benefits.

In 2018, the Presiding Bishopric and an advisory team of benefit experts completed a comprehensive review of the church's retirement responsibility. As a result, the Presiding Bishopric hired a single company to provide all retirement-benefit management, including annual actuary work, ongoing investment management, and plan administration. The company provided a tool for forecasting cash-flow needs to fulfill the retirement-benefit payments over time. The simulations created using this new tool confirmed the Presiding Bishopric's 2017 work, which set the timeline and dollar amount of the retirement responsibility goal.

Many have asked: If the church fully funds the retirement responsibility by meeting the \$115 million (USD) goal by 1 January 2022, will this take care of this financial challenge forever?

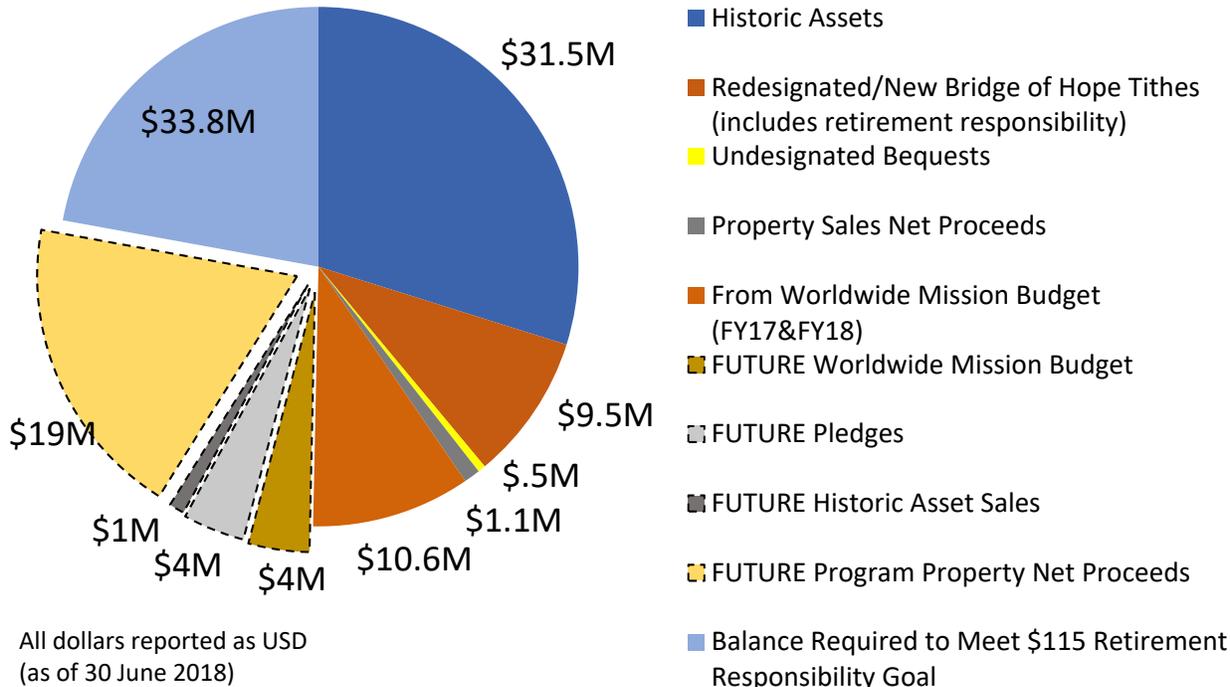
Answer: The goal is based on a calculated estimate, using professional actuaries and best industry standards, of how much must be invested by 1 January 2022 to fulfill all future benefits due to the 1,000-plus retirees and families. If the church achieves the \$115 million (USD) goal by 1 January 2022, the calculations predict it will solve the church's retirement responsibility. However, it remains possible that at some point additional funding could be required based on changes in interest rates, stability of global markets, life expectancies, and other variables that only can be estimated. If the church does not meet the \$115 million (USD) goal by 1 January 2022, the amount needed to fund the retirement responsibility fully will grow.

To clarify, current staff-retirement benefits are funded as part of the fringe-benefit percentage included in the annual Worldwide Mission Budget. They do

not increase the retirement responsibility. The fringe-benefit percentage is reviewed and adjusted as needed during annual budget preparation.

With this background in mind, let’s look at the current situation and the church’s progress in meeting the retirement responsibility goal.

OVERVIEW OF CURRENT SITUATION



The pie chart is based on the fiscal year 2018 audit report. It represents the progress of meeting the retirement responsibility goal of \$115 million (USD) by 1 January 2022.

- The right-hand side of the pie chart represents what was received by 30 June 2018. These five categories total about **\$53 million (USD)**.
- The four dotted-line pie pieces on the left-hand bottom of the chart represent what is projected to be received by 1 January 2022. They total **\$28 million (USD)**. Let’s look at each one:

1. Based on the 2019 approved Worldwide Mission Budget and the projected 2020 budget, \$4 million (USD) is planned in budget

support. However, this amount can be provided only if Worldwide Mission Tithes meet the budget. In calendar year 2018, Worldwide Mission Tithes fell \$600,000 (USD) short.

2. Based on current gift plans, we expect to receive \$4 million (USD) between 1 July 2018 and 31 December 2021. To date, the fulfillment rate on gift plans for Bridge of Hope has been very high, so we remain confident about this estimate.
 3. Based on current opportunities being explored, we forecast only \$1 million (USD) in possible historic asset sales. This is subject to change if unforeseen opportunities arise or current opportunities do not yield results.
 4. A Council of Twelve Apostles evaluation resulted in a goal of \$20 million (USD) to be contributed to Bridge of Hope from the net proceeds of program property sales by 1 January 2022. As a reminder, program properties are underutilized buildings and properties that were bought to support mission. As shown in the chart, \$1.1 million (USD) in net proceeds from program property sales had been received as of 30 June 2018. The remaining \$19 million (USD) is projected to be received by 1 January 2022.
 - Net Proceeds to Bridge of Hope by Country
 - \$15 million USA
 - \$4 million Canada
 - \$1 million Others
- The upper-left-hand part of the chart in the light-blue piece shows nearly **\$34 million (USD)**, the balance needed to meet the \$115 million goal by 1 January 2022. This creates our challenge. With our current plan, we remain nearly \$34 million (USD) short of reaching the goal.

Summary of progress toward \$115 million (USD) Bridge of Hope Tithes goal to meet retirement responsibility

Total Bridge of Hope contributions by 1 January 2022	\$ 115.0 million
Less: Bridge of Hope Tithes received by 30 June 2018	(53.2)
Balance of Bridge of Hope contributions needed by 1 January 2022	\$ 61.8
Less: <i>Projected</i> Bridge of Hope contributions with sources identified to be received by 1 January 2022	(28.0)
<i>Projected</i> remaining unsourced Bridge of Hope Tithes (on 1 January 2022)	\$ 33.8 million

FULFILLING RETIREMENT RESPONSIBILITY BY 1 JANUARY 2022

CURRENT Process

The pie chart shows that with the current process, the sale of a major historic asset or combination of assets before 1 January 2022 is necessary to meet the \$115 million (USD) goal, provided that the other three sources come close to the projections identified in the pie chart. Only \$1 million (USD) from the sale of historic assets currently is identified in the pie chart. This leaves nearly a \$34 million (USD) gap in meeting the goal.

Let’s look at an example.

Current Process—An Example

1. The church achieves the \$28 million (USD) projection (dotted-line pie chart pieces).
2. The Presiding Bishopric sells additional historic assets with net proceeds of \$30 million (USD). This is in addition to the \$1 million (USD) of historic assets included in the \$28 million (USD) projection.
3. The balance remaining is about \$4 million (USD) on 1 January 2022.
4. To fund the \$4 million (USD) remaining balance:

- The Presiding Bishopric would borrow¹ \$4 million (USD) at 0-percent interest from the Affiliate Investment Pool plus other investments outside the USA under World Church control.
 - The 0-percent interest rate does not increase the amount needed to fully fund the retirement responsibility.
 - Previously, the Presiding Bishopric borrowed \$15 million (USD) from the Affiliate Investment Pool. But in that case, interest was paid, based on the rate of return of fixed-income investments. This loan was repaid in September 2017.
- Loan payback would occur, using Bridge of Hope pledges being fulfilled and/or continued net proceeds from program property and/or historic asset sales.
 - As of 30 June 2018, \$33.8 million (USD) has been pledged to Bridge of Hope—use where needed most. Many of these pledges are in the form of bequests. Therefore, these funds will be received over the years and decades after 31 December 2021.
 - The pledge funds, important to the overall Bridge of Hope Project, do not help with the immediate need of meeting the retirement responsibility. However, they do provide the capacity to replenish any investment funds borrowed at 0-percent interest.

MAJOR Concerns with Current Process

Of the four sources used to raise funds for the retirement responsibility, only contributions from pledges are tracking to the plan. There are major concerns about the other three sources as follow:

¹ The use of the words *borrow* and *loan* in this document is for the sole purpose of expressing the Presiding Bishopric’s intent to temporarily reallocate church assets, held in investment accounts established by jurisdictions throughout the church, to address the church’s retirement responsibility. As trustees over all church assets, including those held in investment accounts established by jurisdictions throughout the church, the Presiding Bishopric has the legal authority and responsibility to use all assets to meet all financial obligations of the church, including the retirement responsibility. The use of the words *borrow* and *loan* does not create any legal obligation regarding the future use and control of the funds.

1. Concern is growing that selling major historic assets for the appropriate value will not be accomplished to meet the retirement responsibility by 1 January 2022. The Presiding Bishopric is looking at all possibilities as we continue to explore several potential sales of historic assets to meet the retirement responsibility. We understand the church wants to know specifically which assets are being considered. However, sharing details could disadvantage the church in any potential negotiations. As said previously, all assets of the church are being evaluated for their role in supporting mission. Tradeoffs between negative and positive impacts to the church are considered before any sale.
2. Facilitating conversations in the field to generate \$20 million (USD) in net proceeds from program property sales is difficult and time-consuming, especially with current staffing levels. Even if the Council of Twelve Apostles and jurisdictional leaders successfully meet the goal, the absence of major historic asset sales will cause the church to fall significantly short of the \$115 million (USD) goal by 1 January 2022. Expecting additional net proceeds from program property sales to make up the shortfall created by the absence of major historic asset sales is not realistic. Ideally, the Council of Twelve would be able to talk with jurisdictions about the role specific properties play in meeting mission, with potential net proceeds from program property sales flowing to the retirement responsibility when feasible.
3. Worldwide Mission Budget support for the retirement responsibility likely will not be able to provide the \$4 million (USD) included within the \$28 million (USD) projections, based on Worldwide Mission Tithes given in calendar year 2018. While budget support is not a major factor in the projection, giving through Worldwide Mission Tithes indicates a lack of capacity to make up the significant shortfall that still exists.

WAY FORWARD

As announced in J-2 Notice of World Conference Discussion: Bridge of Hope, World Church leaders are exploring ways to achieve the retirement responsibility goal of \$115 million (USD) by 1 January 2022. With the three major concerns associated with the current process, a new way forward is required.

The Presiding Bishopric has been working with other World Church leaders to create an updated plan to fund the retirement responsibility fully in a timely manner. All church assets are being evaluated to determine the best use to fulfill the retirement responsibility while continuing to support Christ's mission. As already stated, the retirement responsibility is not just a financial goal. It is a commitment to 1,000-plus faithful servants and their families, who sacrificed tremendously through the years to support the church's mission.

Conversations with and input from World Conference delegates on emerging plans are important in determining the way forward. The process to fully fund the retirement responsibility will require making major decisions together while remaining focused on living Christ's mission. It will take intentionality and the whole church (congregations, mission centers, and World Church) working together to succeed.

One major decision will be made at the 2019 World Conference as delegates consider D-4 Terminating the General Operating Endowment Fund of the Community of Christ. This resolution, if passed, would support discontinuing the church's General Operating Endowment Fund to free assets for the retirement responsibility. Specifically, it would enable the Presiding Bishopric to move around \$4 million (USD) of assets designated for the endowment by previous World Conferences into the Bridge of Hope, where they would help reduce the church's retirement responsibility.

Further, the resolution would support legal steps to move almost \$4 million (USD) of donor-designated assets from the endowment into the Bridge of Hope. Once the retirement responsibility is met, it would require all remaining Bridge of Hope assets to be transferred to the Temple Endowment and Worldwide Mission Endowment.

These are portentous times and will require courageous actions as we work together to respond as faithful disciples who proclaim Jesus Christ and promote communities of joy, hope, love, and peace.