

VIII. REPORTS

[Note: The proposals in the following reports are printed in the form in which the conference adopted them, which is not in every case identical to the form in which they were originally proposed.]

A. COUNCIL ON FINANCE AND ADMINISTRATION

The purpose of the Council on Finance and Administration is "to develop, maintain, and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures, and management services for the annual conference" (§ 609.1, 2000 *Discipline*). The council has adopted this theme for its work:

Empowering Financial and Administrative Leadership.

Receipts on apportionments for 2003 were \$18,531,368, or 92% of the total apportioned. For 2004, the charge conferences accepted only 94.7% of the total approved budget of \$20,803,480. The proposed budget for 2005 is \$23,354,201, an increase of 12.26%.

The Council on Finance and Administration has received the report of the Quadrennial Budget Planning Committee, which is printed following this report. If the New Funding Paradigm proposed in the report is adopted by the conference, the proposed operating budget for the conference would be \$6,735,156. Other FairShare Askings are presented as ministry opportunities for mission-minded United Methodists to support. The theme for the next few years must be to prioritize the work to secure the greatest value for the conference.

The council hopes that the petitions to the 2000 General Conference concerning general church funding which the annual conference approved in 1998 have brought with them a sense of unity and community. We are looking to the future to be able to do more for Christ, being empowered by responsible choices and responsible financial planning.

Proposals: 2005 Apportioned Funds and Financial Policies

**(All proposals referred as Petition 1 to Forum Group 23)
(Adopted by conference on June 11, 2004)**

The Council on Finance and Administration proposes:

1. That each of the funds described in the section of this report headed "New Funding Paradigm: Conference Funds for 2005" be approved and that three formulas for determining the apportionments and FairShare Askings for 2005 for each church/ charge be approved, as follows:
 - a. The traditional **decimal** formula for determining the apportionments and FairShare Askings for the following funds:

<i>Apportioned Funds</i>	<i>FairShare Askings</i>
Conference Operating Costs:	Conference Ministry:
Episcopal Fund	Conference Benevolences
District Superintendents' Fund	Higher Education and Campus Ministry
Equitable Compensation Fund	Health and Human Services
Health Benefits	General Church:
Conference Support	Africa University Fund
Administrative Staff Support	Black College Fund
Administrative Office Support Items	General Administration Fund
	Interdenominational Cooperation Fund
	Jurisdictional Administration Fund
	Lake Junaluska Dam and Lake Restoration Fund
	Ministerial Education Fund
	World Service Fund

The formula shall be based on the average of the amounts paid during 2001, 2002, and 2003 on the following items:

Item	Lines
Total Conference Apportioned Funds Paid	Line 37B
District/County Mission Society	Line 47
District Administration/Expense Fund	Line 55
Pastor(s) Health Insurance Premiums	Line 62

Salaries, Housing, Utilities, Travel, and Other Cash	
Allowances Paid to Pastor and Associate(s)	Lines 63-67
Compensation of Deacon(s)/Diaconal Minister(s)	Line 68
Compensation of All Other Church Employees	Line 69
Local Church Expenses for Program	Line 70
Other Local Church Operating Expenses	Line 71

(Notes: Line numbers refer to corresponding entries on Table 2 of the year-end reports of the pastors and local churches.)

Provided, however, that, upon request by the Cabinet and with the approval of the Council on Finance and Administration, apportionments to a newly merged church and/or relocated church ("Renewal Church") shall be calculated as if the church were a new congregation.

- b. **Direct costs** for pastors' insurance and pension funds:
 - (1) The direct cost of each eligible pastor's individual health insurance premiums shall be apportioned according to the per-capita cost thereof, determined by dividing the total estimated costs for 2005 by the number of eligible clergy. Each church/charge shall pay the per-capita cost as thus determined for each eligible clergy person appointed to that church/charge.
 - (2) The direct cost of each pastor's pension support shall be apportioned according to its actual cost as billed by the General Board of Pension and Health Benefits. The calculation of actual cost per pastor is based on the pastor's Plan Compensation as defined in the Plan Document. During the years 2005-09, an absorption rate will be provided to all churches/charges at 10% for 2005, 30% for 2006, 50% for 2007, 70% for 2008, and 100% for 2009. The difference in the direct cost and the traditional way of calculating the pension apportionment will be absorbed by each church on the same rate.
 - c. A **per-member** formula: The Congregational Development FairShare Asking shall be determined for each church on the basis of the number of full members of the church at the end of the calendar year next preceding annual conference approval of the total amount of the asking.
2. That the following policy be approved and observed:
 At the beginning of the calendar year, the Council on Finance and Administration shall determine which portions of the Conference Ministry FairShare Askings are "fixed costs" (salaries, benefits, etc.) and shall thus be authorized to be paid at 100% of the approved budget. On the basis of prior-year receipts to these funds and the acceptance reports from the charge conferences, the council shall then determine a percentage of the approved budget to be authorized for expenditure in the remaining items of each budget, so that expenditures shall not exceed income.
 - a. The Conference Operating Costs and the Clergy Insurance and Pension Direct Costs are "fixed costs," consisting primarily of salaries, benefits, and direct operating costs. Each church, therefore, is encouraged to support these items at 100% of the apportioned amount.
 - b. Churches shall designate on the charge conference acceptance sheets the Conference Operating Costs, Clergy Insurance and Pension Direct Costs, and Conference and General Church FairShare Askings they intend to support, and in what amounts. The churches are permitted to make payments thereon aggregately, with the understanding that the conference treasurer will allocate to each fund the appropriate percentage due to it from each remittance.
 3. That an Unrestricted Fund Balance Account be maintained by the annual conference at a level of 20% of the current total of the Conference Operating Costs and Conference Ministry FairShare Askings and that any undesignated interest income plus unused balances in budget accounts be transferred to the undesignated fund balance at the end of the fiscal year. Reserves are created by earnings, while budget amounts are wholly designated for ministries.
 4. That all apportioned funds and FairShare Askings, both receipts and disbursements, be managed through the office of the conference treasurer and that all boards, agencies, committees, and commissions use the conference treasurer as fiscal agent.
 5. That the group medical insurance plan be continued and that all churches be asked to participate through the payment of premiums through the office of the conference treasurer.
 6. That the following prior claims be paid at the lesser of the budgeted amount or actual cost, using undesignated fund balances as needed:
 - a. Equitable Compensation Fund,
 - b. Pension and Benefits Fund,
 - c. Episcopal Fund,
 - d. District Superintendents' Fund, and
 - e. Conference Support and Administration Fund.

This, however, does not relieve the churches from their obligation to observe the rule of proportional payment (§§ 620 and 636.4, 2000 *Discipline*), and § 636.4(c) shall be observed by the statistician in reporting apportionments and payments to the Pension and Benefits Fund.

7. That, for 2005 and beyond, the salary of district superintendents be set by the following formula: The Conference Average Compensation (CAC), as calculated by the General Board of Pension and Health Benefits, for the most recent year for which data are available, times 1.47. On the basis of this formula, and with the 2005 CAC at \$58,801, the salary of the district superintendents for 2005 shall be set at \$86,437. For six years, the conference had a formula which set the Cabinet compensation at 1.66 times the Conference Average Compensation of all clergy serving local churches. In 2002, the formula lost its relationship to the cost of living when the General Conference changed the calculation. So, a new formula was proposed but has not been implemented due to all the changes in the budget and economic times. It is, therefore, time to have a formula in place that will work for years to come.
8. That the salaries of the bishop's administrative assistant, the conference director of connectional ministries, the conference treasurer-director of administrative services, and the conference secretary-ordained ministry registrar be the compensation level of the district superintendents, plus a \$3,000 utilities allowance. All of the conference clergy staff will receive additional compensation in varying amounts not to exceed \$17,000 as a portion of the housing allowance described in proposal 9 of this report.
9. That the amount of compensation designated as housing allowance for ordained staff members and district superintendents of the conference be set by an annual resolution of the conference Council on Finance and Administration after consideration of a statement of amounts to be used during the year.
10. That church-related travel expenses of all members of conference boards, agencies, committees, and commissions; conference staff; district superintendents; and local church clergy be paid by voucher on a mileage basis at the rate of 37.5¢ per mile or at the amount allowed by the Internal Revenue Service. This will be considered as a church-related business item and will not be factored into any compensation package by the Cabinet.
11. That the governing boards of Aldersgate United Methodist Retirement Community, Inc. (Epworth Place and Asbury Care Center); Arbor Acres United Methodist Retirement Community, Inc.; Givens Estates United Methodist Retirement Community, Inc.; The Children's Home, Inc.; UMAR, Inc.; The United Methodist Foundation of Western North Carolina, Inc.; Camp Tekoa; Bennett College; Brevard College; Greensboro College; High Point University; Pfeiffer University; the Western North Carolina Conference Brotherhood/Sisterhood; the Western North Carolina Conference Historical Society; approved counseling centers of the conference; Disciple Bible Outreach Ministry; and Church Extension, Inc., be granted the privilege of soliciting and receiving funds from churches, individuals, and other sources (but not from conference-wide offerings except as indicated in the list which follows) in keeping with *The Book of Discipline*; that one conference-wide capital cam-be approved for 2005 for the Mission Response Center; and that the following, and only the following, conference-wide offerings be approved for 2005:

<i>Offering</i>	<i>Authorized by</i>
Human Relations Day	General Conference
UMAR Sunday	Annual Conference
One Great Hour of Sharing	General Conference
Native American Awareness	General Conference
Golden Cross	General/Annual Conferences
Mother's Day (Aldersgate, Arbor Acres, Givens)	Annual Conference
Rural Life Sunday	General/Annual Conferences
Peace with Justice	General Conference
Children's Home Sunday	Annual Conference
World Communion	General Conference
United Methodist Student Day	General Conference
12. That funds appropriated for the above agencies (item 11) be used exclusively for supplementary care for members of United Methodist churches of the Western North Carolina Conference, except in the case of The Children's Home, Inc.; UMAR, Inc.; and The United Methodist Foundation. Any local church wishing to give to any of these agencies funds in excess of the amount apportioned may do so by forwarding such funds to the conference treasurer with proper advisement as to their disbursement, or by direct giving to the appropriate agency.
13. That clergy be reimbursed for moving expenses in the following manner, effective upon adjournment of the 2004 conference session:
 - a. IN-CONFERENCE MOVES: The conference shall pay \$500, plus \$2.50 per mile, on those moves which are required as pastors are moved from one appointment to a new appointment, on a one-way basis.

- b. MOVES INTO THE CONFERENCE: The conference shall pay on the same basis as in item 18a above. The moving allowance will apply to the number of miles on the most direct route traveled from the conference boundary to the pastoral appointment.
 - c. MOVING AT RETIREMENT: Retiring clergy, surviving spouses of active clergy who died during the year, and clergy who go on incapacity leave during the year shall receive a moving allowance of \$750, plus \$2.50 per mile, from the pastoral appointment to the retirement residence or the conference boundary. A retiree who moves to a parsonage and serves a pastorate in retirement is eligible for an in-conference moving allowance upon approval of the district superintendent.
 - d. MOVES OUT OF THE CONFERENCE (moving to another conference, withdrawing from conference membership, leave of absence, etc.): No allowance will be paid.
 - e. SABBATICAL LEAVE: No allowance is granted when the leave begins; however, an allowance will be given when the leave is completed and the clergy person is again available for appointment by the bishop. The amount will be consistent with items 13a and 13b above.
 - f. In many instances, the moving allowance will not cover the total expense of the move. This reimbursement is given to help with the over-the-road cost of the move. Each church/charge receiving a new pastor is strongly urged to pay any out-of-pocket expenses incurred by the new pastor as a result of the move. The district superintendent will negotiate the request with the church/charge well in advance of moving day.
 - g. The district superintendent is asked to make a very special appeal that each church/charge be especially sensitive to both parsonage families during this stressful time. The appeal should include assistance with meals, packing, unpacking, loading, and unloading where helpful and appropriate for the parsonage family.
14. That the total 2004 compensation of clergy in appointments extending the ministry of the church and beyond the local church and the 2005 salaries of all clergy appointed to local churches be published in the 2004 Journal, Volume II.
 15. That the president, vice-president, and secretary of the conference Council on Finance and Administration, the conference treasurer-director of administrative services, and a Cabinet representative constitute the executive committee of the conference Council on Finance and Administration.
 16. That the Council on Finance and Administration be authorized to appoint a conference auditor.
 17. That each local church make a very special effort to undergird the meal, transportation, and lodging expenses of annual conference members in attending annual conference. The district superintendents are asked to encourage such support at each charge conference. The conference per diem for 2005 shall be set at \$34.00 per day.
 18. That conference agencies receiving funds from the Conference Benevolences Fund or the Conference Support and Administration Fund not be permitted to carry over unspent funds from one conference year to another unless specifically authorized by the Council on Finance and Administration. Agencies receiving funds from sources other than apportioned funds may carry over such unspent funds into the next year.
 19. That 5:00 P.M., Friday, January 7, 2005, be the cutoff time by which all payments from local churches must be in the office of the conference treasurer in order to be applied to the 2004 year.
 20. That each conference board, agency, or institution receiving or disbursing funds not managed by the conference treasurer maintain adequate financial records and prepare and submit annual audit reports to the conference treasurer and the conference Council on Finance and Administration. All treasurers should be properly bonded.
 21. That the conference fiscal year begin on January 1, 2005, and end on December 31, 2005.
 22. That the conference Council on Finance and Administration be responsible for designating depositories for conference funds.
 23. That the ministerial moving expenditures be supplemented by funds from the Unrestricted Fund Balance Account in the event those expenditures exceed the budgeted amount.
 24. That a professional consultant be engaged by the Council on Finance and Administration to assist in the exploration of options available for revising the current formula by which funds are apportioned to the local churches and that the council prepare a comprehensive report and recommendations to be presented to the 2005 session of the annual conference.

James C. Windham, Jr., *President*

Conference Quadrennial Budget Planning Committee

(Adopted by conference on June 10, 2004)

The following is a report of the Conference Quadrennial Budget Planning Committee for a New Funding Paradigm for the collective ministry and administration of the Western North Carolina Annual Conference. It is directed to the 2004 session of the conference, the conference Council on Finance and Administration (CFA), and to other conference boards, agencies, and ministries which will be affected by the sum total of the proposal. The work represented here is the result of over 18 months of study, reflection, and visioning from the Bishop's Quadrennial Budget Planning Committee, including serious dialogue with the Cabinet and a series of district meetings held around the conference in January and February of 2004. This is a critical first step on the long journey to financial viability and health for the Western North Carolina Annual Conference. The outline follows:

Section One: Background and Rationale

- Bishop's Charge to the Quadrennial Budget Planning Committee
- Discoveries Along the Way
- Mechanics of the Quad Committee Process
- The Future Is Now — A New Funding Paradigm

Section Two: Guiding Themes

- Direct Costing
- Choice Empowerment
- Accountability

Section Three: The New Funding Paradigm

- Direct Clergy Costs — Health Insurance and Pensions
 - Move Health Benefits Committee to Board of Pensions
- Fundamental Conference Operating Cost
- Conference Ministry FairShare Askings
- General Church FairShare Askings

Section Four: Implementation of Direct Clergy Pension Funding

- The Rationale Behind the Current Plan (Apportionment Funding on the Decimal Basis)
- Shortcomings of the Current Plan
- Direct Clergy Pension Funding
 - Cost Responsibility Borne Where Expense Incurred
 - The Transition Plan
 - Mechanics of Direct Clergy Pension Funding
 - Examples of the Impact at the Local Level
- Conclusion

Section Five: Implementation of the New Funding Paradigm

Section Six: Christian Stewardship

- Stewardship of Giving and Stewardship of Managing
- A Stewardship of Giving Strategy for the Next Quadrennium
- Guiding principles for Stewardship of Managing

Section Seven: Conclusion and Resolutions

Appendices

Section One: Background and Rationale

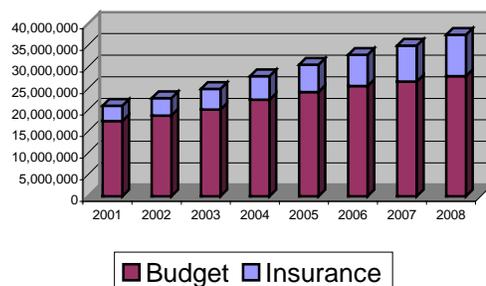
In the spring of 2002, the conference Council on Finance and Administration asked Bishop Charlene Kammerer to appoint a select committee on quadrennial budget planning. This request was included in the CFA report to the 2002 annual conference. Bishop Kammerer subsequently appointed a Quadrennial Budget Planning Committee ("Quad Committee") and issued the following charge to said committee:

Future budget forecasts present challenges for the annual conference: Retiree Health Benefits, Pensions, Missional Priorities, Conference Programming, and Congregational Development. The charge to the committee is 'to identify sources of funding and to determine funding priorities in light of available resources.'

As the Quad Committee began its study of the pertinent issues, the following discoveries were made:

- Rapid escalation of pension costs and retiree health-benefit costs are driving the conference budget up at a rate that is unbearable for many of the churches in the annual conference. In 2002, the pension cost for the Ministerial Pension Plan and Comprehensive Protection Plan (MPP/CPP) was budgeted at \$5.5 million. For fiscal year 2003, spending was \$5,814,000. The current forecast for 2004 is \$6.7 million, rising to \$7.1 million in 2005. By all indications, these forecasts may be low. (Note: Pending General Conference 2004 action, a revised pension plan would take effect January 1, 2007. At this time, it is too early to predict with any certainty what impact that will have on MPP/CPP for the years 2007 and following.)
- Earnings on conference pension reserve funds have been almost non-existent in recent years.

Budget and Insurance Costs



- The conference budget and insurance costs are expected to increase dramatically over the next quadrennium, 2005-2008, as the above chart illustrates.
- As efforts were made to prepare the budget for 2004, these rising costs were directly responsible for a projected 11.3% increase in the conference budget, which CFA found unacceptable. Hence, the 2004 budget presented a reduction of funding in ministry areas in the amount of \$1,355,296, spread proportionally through the budgets of conference benevolences, higher education and campus ministry, and health and human services.
- In an effort to help these affected ministries, the reduced amounts were presented to the annual conference as “below-the-line” askings for 2004, under the heading, “Ministries First.”
- We already know that if serious action is not taken in future budget processes, similar cuts will have to be made to prevent double-digit increases in the conference budget.
- The result of this is that clergy benefits and ministry areas are in competition for ministry dollars in the apportioned budget, and the priority status of benefits means ministry/mission areas are losing out.
- The conference does not have any control over pension costs or general church askings, as these figures are passed directly to the churches. In fact, the pension cost is a fixed cost; the annual conference is obligated by *The Book of Discipline* to pay it in full.
- If change does not happen soon, the conference budget will include only clergy benefits and General Conference requests. If radical changes are not made in our funding philosophy and strategy, the conference will exist only to be a benefit-funding agency, with no cooperative ministry funding.
- Large and small churches are feeling pressure from the rising apportionments that are restricting their ability to do ministry at the local level.
- We can no longer perpetuate the myth that large equals rich and that small equals poor.
- We cannot continue a funding mechanism that will not work.

The Quad Committee undertook a lengthy study of issues that are driving the budget of the conference and began to look at how other conferences are addressing similar issues. One of the early discoveries was that this problem is not unique to the Western North Carolina Annual Conference. In fact, there are already other models in use and being developed in other conferences that have been quite helpful to the Quad Committee in efforts to develop a plan to move us forward in a proactive way. In particular, the committee reviewed the Detroit Conference’s “Full-Choice” model and the report of the South Carolina Annual Conference Task Force on Benefit Funding. Members of the Quad Committee met with the South Carolina task force as early as the fall of 2002, and representatives of that task force met with the full Quad Committee in June of 2003.

Various sub-committees were created to expedite the work of the Quad Committee, including a Budget Statistics and Forecasting Sub-Committee, a Budget Philosophy Sub-Committee, and a Pension Funding Sub-Committee.

What began in response to a forecast of rapidly increasing benefit costs and a conference funding crisis in the immediate future has resulted in a recommendation from the Quad Committee that the Western North Carolina Annual Conference set a course that fundamentally changes how we seek funding for all the elements that have made up our conference budget in years past. This New Funding Paradigm is undergirded by a set of themes that run throughout.

Section Two: Guiding Themes

Three guiding themes run throughout this entire change process, leading to a New Funding Paradigm for the Western North Carolina Annual Conference:

1. Direct Costing
2. Choice Empowerment
3. Accountability

Direct Costing

Fundamentally, the Quad Committee believes that costs should be borne where they are incurred. For clergy benefit costs, including health care and pension support, the cost should be borne at the level of the salary-paying unit. For conference ministry and administration, costs should be borne in the respective areas where expense is incurred. Administrative costs related to pension and health benefits should be borne by those areas. Salaries and related costs of conference staff should be carried by respective administrative and ministry areas.

Many local church apportionments are growing significantly faster than local budgets, impacting their financial viability. The Quad Committee believes that financial viability of local congregations should be a core value of the annual conference. Direct costing fairly presents the true cost of ministry and ministerial deployment throughout the conference and will only encourage financially viable churches, districts, and ministries.

Choice Empowerment

Increasingly, churches large and small in the Western North Carolina Annual Conference are making negative choices about their support of the apportioned budget of the conference. For some churches, the issue has been non-support of various ministries or budget lines due to deeply held philosophical divisions. In such cases, the choice is negative: "We will not support this item." For a growing number of churches, negative decisions are made due to lack of financial resources. This is true even in churches that have always looked with pride upon their ability to support the work of the annual conference and the general church through the apportioned budget. The consequence of negative choice is a sense of defeat and, in some cases, division.

Choice empowerment is the cornerstone of ministry funding in the New Funding Paradigm. Local churches and charges are encouraged to choose proactively to participate in ministry at the annual conference and general church levels because they see the clear value added by their participation. No longer should churches feel that they are being forced to accept a budget they do not understand. Instead, churches will be asked to consider supporting ministry at various amounts, with their acceptance based on choice.

When you allocate out direct clergy benefit costs (pensions and health benefits) and basic operating costs of the annual conference, what remains are missional choices: (1) Mission and ministry funding for conference benevolences, (2) Health and Human Services, (3) Higher Education and Campus Ministry, (4) Congregational Development, and (5), General Church Askings. Choice empowerment will enable local churches to be a part of the decision-making process that sets ministry priorities for the annual conference and the general church.

Accountability

What actually is the ministry of the conference? What is the conference about? What value is added to a local church's ministry by its participation in conference ministries and general church ministries? How do churches evaluate value added by participation in and support of conference and general church ministries? How do items funded show their relevance, effectiveness, and efficiency in the mission of making disciples?

Accountability is the thread that holds the New Funding Paradigm together. Accountability is a two-way street. Local churches/charges will need to be better informed to make the decisions which choice empowerment naturally calls for. Accountability also means that conference ministries and missions, as well as general church boards and agencies, will have to be accountable to local churches/charges in new ways. If local churches are going to be asked to support conference and general church funding, a new connection needs to be built to help churches/charges see where value is added. In those places where such a connection cannot be established, funding sources will begin to dry up. Boards, agencies, and mission and ministry groups will have to account for how precious resources are used and will, by necessity, have to re-present themselves more clearly to the local level.

Section Three: A New Funding Paradigm

Funding requests in this New Funding Paradigm would be presented to the annual conference in the following broad categories:

- Direct Clergy Costs
- Conference Operating Costs
- Conference Ministry FairShare Askings
- General Church FairShare Askings

This New Funding Paradigm was presented at a series of seven district cluster meetings in January and February of 2004. Total attendance was over 3,000 and included pastors, lay members of the 2004 annual conference, chairpersons of staff-parish relations and finance committees, church lay leaders, and church treasurers. These meetings allowed the Quad Committee to refine this recommendation, based on what was heard in them. The most significant change to the plan to come out of these cluster meetings relates to the direct costing of clergy pensions. The Quad Committee recommends making the transition period longer and moving to what we describe as a "self-balancing plan." The changes are described later in this document. The Quad Committee's recommendation to the Western North Carolina Annual Conference is for implementation of the New Funding Paradigm beginning in 2005.

Direct Clergy Costs

The concept here is that every local church will pay the direct clergy costs associated with clergy assigned to that church. True clergy cost includes salary, housing and related costs, travel, continuing education, health insurance, and pension support. In a sense, the Western North Carolina Conference already has a head start in the use of direct clergy costs, since this is the current funding method in place for health insurance premiums for active clergy. Like health insurance, clergy pension costs are a benefit cost of assigning clergy to local churches/charges and extension ministries.

Our current practice of apportioning pension costs based on the decimal formula has the unintended effect of disguising the true cost of clergy deployment. The recommendation of the Quad Committee is movement to a model utilizing direct clergy pension costs, with the years 2005-2009 as the transition period.

Presently, the conference Insurance Committee exists as a sub-committee of the conference Council on Finance and Administration. In order to more closely align the structure of the conference to that of the general church, the Quad Committee recommends that the Insurance Committee become a sub-committee of the conference Board of Pensions and that, as soon as practicable, the name of this board be changed to the Western North Carolina Conference Board of Pension and Health Benefits, doing business as "Board of Pensions, Inc., Western North Carolina Conference, The United Methodist Church." This will have the additional benefit of placing collection of all direct clergy benefits by the conference under one umbrella.

Conference Operating Costs

These costs represent the minimum amounts needed to run the annual conference, as mandated by *The Book of Discipline* and the conference plan of organization and rules of order. These include the conference treasury office, the conference secretary's office, the administrative assistant to the bishop, the conference director of connectional ministries, the director of communications, the Cabinet, various conference boards and agencies essential to the operation of the conference, the Commission on Equitable Compensation, retiree health benefits, and the Episcopal Fund. While opportunities may exist to improve the efficiency of these operations, they remain core elements that must be funded for the conference to exist. In the current nomenclature, we have called these prior claim items. Their status would be similar in the New Funding Paradigm.

This is the only funding section that will be totaled out for local churches, representing a threshold that must be paid. The decimal formula will be used to determine the cost assigned to each local church. The Quad Committee recommends that CFA use the most recently available year-end receipts level as the target for the next budgeting cycle, indexed for cost of living and growth. In other words, if the receipt level for 2003 was 99%, or \$4,800,000, then the target for the 2005 budget would be \$4,800,000, plus cost of living (1.43%) and growth (in membership) index. While we believe this to be particularly applicable in the area of operating costs, it could be useful in all areas.

Conference Ministry FairShare Askings

When you allocate out the direct clergy benefit costs of pensions and health benefits and the basic operating costs of the annual conference, all that remains is mission and ministry funding for conference benevolences, health and human services, higher education and campus ministry, congregational development, and general church ministry priorities.

Conference Ministry FairShare Askings will be presented to local churches on a challenge level, based on the decimal formula, for each of the respective components. The New Funding Paradigm encourages churches to make proactive choices to be involved in ministry because value is added to the local level by such participation. Each of these ministry areas would have a detailed schedule explaining the overall budget.

Our current practice of apportioned budgeting of conference ministries may indeed have an unintended effect: Artificially holding down potential support from the churches of the annual conference. Choice empowerment will allow decision-making about what the ministry priorities of the conference are to occur at the grassroots level.

Under the New Funding Paradigm, the requests from conference benevolences, health and human services, and higher education and campus ministry will not be divided between apportioned budget lines and a "below-the-line" asking for "Ministries First." Their entire request will be presented, and local churches will be called upon to make proactive choices about ministry involvement.

The first year in which CFA began to emphasize categories of support and individual outreach funds, Africa University support grew by 1.73%; Black College Fund support, by 1.26%; and World Service Fund support, by an outstanding 2.73%. The proactive choices of United Methodists increased mission funding.

General Church FairShare Askings

According to the *Discipline* of The United Methodist Church, the budget of the general church must be passed on to the member churches of each annual conference without reduction. The ever-increasing amounts asked of the conference are beyond the immediate control of the conference. For many churches and conferences alike, this has been negatively viewed as "the denominational tax." The New Funding Paradigm passes the requests on to local churches, as mandated by *The Book of Discipline*,

but choice empowerment enables local churches to make ministry support choices based on value added, not out of obligation based on a requirement beyond control.

Section Four: Implementation of Direct Clergy Pension Funding

The conference has operated successfully for years employing an apportionment system with current clergy pension costs shared connectionally. The plan was thoughtfully and intentionally constructed so that larger churches could help smaller churches. At the time the current plan was developed, there were fewer clergy appointed to churches on a full-time basis, and more multi-church charges. It was also at a time when benefit costs were far lower in proportion to the local church and conference budgets, and apportionments were viewed and explained to local congregations as missional in nature.

The current system of apportioning pension costs based on the decimal formula has several shortcomings in today's environment:

- a. The current system disguises the real cost of clergy compensation.
- b. Pension costs have increased dramatically and currently approach 33% of the conference budget, thus diluting the missional character of the apportionment system.
- c. A detailed study of the relationship between actual pension costs and apportioned pension costs reveals that, for many churches in the conference, the amount apportioned for pensions is less than the actual cost of the benefit, while, in other cases, the amount apportioned far exceeds the actual cost of the benefit.
- d. The current system penalizes congregations with expanding ministries by assigning apportionments that grow faster than the local budget and the conference. This strains the ability of the local church to continue to grow ministry at the local level.
- e. The current system does not encourage churches to be financially viable. Financially viable churches are able to support themselves and generally have revenues sufficient to cover the costs of resources consumed.
- f. There are churches that already report having to cut programs and reduce staff at local levels to meet the challenge of conference and district apportioned funds.

The Move to Direct Clergy Pension Funding

Fundamentally, the Quad Committee believes that costs should be borne where they are incurred. For clergy benefit costs, including health care and pension support, the cost should be borne at the level of the salary-paying unit. The Quad Committee proposes a move to direct clergy pension funding, beginning January 1, 2005, with full implementation by January 1, 2009. The practical implication of this move is that some churches/charges will experience a significant increase in pension cost under the new plan, others will experience a significant reduction in pension cost, and others still will not experience significant change. To ease the conference into this new pension funding method, the Quad Committee proposes a five-year transition period.

Transition from Apportionment Basis to Direct Costing

Throughout the district cluster meetings, the Quad Committee heard loudly and clearly the concern that the transition period was too short and the grants too small. Furthermore, we heard that larger churches wanted to see some relief sooner. The transition plan now recommended incorporates what we define as a "self-balancing" plan, where churches of all sizes will absorb the actual cost of pensions over a five-year period through relief grants and reduction grants. In any given year, the total amount of relief grants will exactly equal the total amount of reduction grants. Each church would receive annually the actual cost of clergy pension support in the direct costing method and the apportioned cost for that year. Churches would then absorb any increase or decrease over the transition plan at the following rates: 10% in 2005, 30% in 2006, 50% in 2007, 70% in 2008, and 100% in 2009.

The years 2005-2009 will be transition years from the current apportionment system for pension support to full implementation of direct clergy pension funding in 2009. In 2009, all churches/charges will pay the actual costs of clergy pension support.

The need for the transition period arises because many churches in the conference will necessarily incur an increase in the amount of pension support they will be expected to provide under the direct costing method. To soften the impact of this change, the Quad Committee proposes a "self-balancing" transition plan, whereby actual clergy pension costs would slowly be absorbed by churches/charges over a five-year period. In this self-balancing plan, there will be no need for churches to apply for relief grants, as they will be automatically included in the amount churches/charges will be expected to pay in the transition to direct costing. Churches/charges that will experience a net decrease in clergy pension costs under the direct costing method will see a corresponding reduction in pension costs during each year of the transition period. Again, the relief and reduction grants would be automatically applied to churches throughout the transition period.

In the "self-balancing" model, relief and reduction grants would be factored in, based on a common absorption rate. The Quad Committee proposes the absorption rates be set as follows:

2005	10%
2006	30%
2007	50%
2008	70%
2009	100%

The concept of an absorption rate is really quite simple in the self-balancing plan. Churches which would experience an increase in the move to direct costing would be expected to absorb 10% of the increase in 2005, 30% of the increase in 2006, 50% of the increase in 2007, 70% of the increase in 2008, and the full actual cost of pension support in 2009. Churches which would experience a decrease in the move to direct costing would absorb 10% of the total decrease in 2005, 30% in 2006, 50% in 2007, 70% in 2008, and 100% in 2009.

The self-balancing transition does not freeze the apportionment amount at 2004 levels, but must recalculate the apportioned amount each budget year, so absorption rates are applied to actual pension costs for each succeeding year.

*Illustration of Financial Model Used During the Transition Period
(assumes 3% rise in pension costs each year)*

	2005	2006	2007	2008	2009
Church One					
Apportioned Cost	\$3,000	\$3,100	\$3,200	\$3,300	N/A
Direct Cost	6,000	6,200	6,400	6,600	6,800
Increase	3,000	3,100	3,200	3,300	N/A
Absorption rate	@ 10%	@ 30%	@50%	@70%	@100%
Increase absorption	300	930	1,600	2,310	N/A
Net Cost	\$3,300	\$4,030	\$4,800	\$5,610	\$6,800
Church Two					
Apportioned Cost	\$20,000	\$20,600	\$21,218	\$21,854	N/A
Direct Cost	8,000	8,240	8,487	8,741	9,003
Decrease	(12,000)	(12,360)	(12,731)	(13,114)	N/A
Absorption rate	@ 10%	@30%	@50%	@70%	@100%
Decrease absorption	(1,200)	(3,708)	(6,365)	(9,179)	N/A
Net Cost	\$18,800	\$16,892	\$14,853	\$12,675	\$9,003

Worksheets to compare direct clergy pension funding and apportionment method, plan rules to calculate the clergy plan compensation, plan rules to calculate the pension cost for MPP and CPP, and actual calculations have been provided in multiple formats to every church in the conference and are not included in this report. Persons seeking further information should contact Barbara Rouse in the Department of Treasury Services at the Conference Memorial Center.

Determination of the total cost of pension support for the Western North Carolina Conference cannot be known in its entirety until clergy compensation is set for any particular year. This means that the actual direct cost of pensions cannot be known until clergy compensations are recorded following the completion of charge conferences. In order to provide churches/charges with information related to direct costs of clergy benefits (health insurance and pensions), the conference treasurer's office will send to each church/charge on or about July 15 an estimate for the direct costs of health insurance and the direct cost of pension support for the next year, based upon the best available information at the time. By the time January statements are sent out from the treasurer's office, the actual direct costs of clergy pensions and health insurance will be known in real-time dollars and thus may be shared with respective salary-paying units. While this is a slight departure from past practice, it will allow collection of direct clergy benefits more in line with actual costs.

The cost to each local church/charge for direct clergy pension funding will be shown at the top of Charge Conference Acceptance Form 1 in the same section where the Clergy Health Benefit Fund currently appears. This cost is directly related to the clergy serving each local church/charge in the annual conference. The conference office simply serves as the collection agency for these funds.

Non-payment of direct clergy benefit costs (pensions and health benefits) result in a default recorded against the church (see ¶ 636.4, 2000 edition of *The Book of Discipline*). While individual clergy will not lose benefits, the church will incur a liability to the conference Board of Pension and Health Benefits. The default will be reported by the conference benefits officer to the district superintendent, and the church will be led to correct this situation.

Pension benefit funding for extension appointments, missional appointments, and new church or church planting is the responsibility of the salary-paying unit. Resources for pension assistance for conference and global missional situations should be provided for in the conference ministries budget.

The Quad Committee recommends this revised transition plan, moving to direct costing of clergy pensions, to the 2004 session of the Western North Carolina Annual Conference.

Conclusion

The Quad Committee recommends a move to direct clergy pension funding in 2005.

- Apportionments were our way of being in mission together. Rising clergy benefit costs mean this is no longer true.
- Implementation of direct clergy pension funding will give each local church the ability to know the full cost of pastoral compensation.
- Direct funding of clergy benefits will give each church the opportunity to accurately view how it is using its financial resources in terms of its mission.
- The Quad Committee recommends a five-year self-balancing transition plan, with all churches/charges receiving relief and reduction grants in 2005-2008, and all churches/charges/salary paying units paying the actual cost in 2009 and beyond.
- The direct clergy pension cost will be the actual pension cost associated with your active pastor(s), based on the MPP/CPP and minimal related administrative costs. At the end of the transition period, that is the support amount expected of every congregation and every salary-paying unit.
- In the end, we will be stronger because we will be more viable financially, at the local church level and across the conference.

We believe that this transition plan presents us with the best viable alternative to a system that no longer serves the best interests of the church.

Section Five: Implementation of the New Funding Paradigm

The Quad Committee recommends the New Funding Paradigm to the Council on Finance and Administration and, ultimately, to the annual conference for implementation, beginning January 1, 2005. As described in the earlier section, there would actually be a five-year transition to full implementation of direct clergy pension funding, but the remainder of the New Funding Paradigm would be implemented in 2005, pursuant to approval by the 2004 session of the annual conference.

The budget tables provided in the report of the Council on Finance and Administration present the full budgetary picture of the New Funding Paradigm. Note that the target numbers for Conference Operating Costs, Conference Ministry FairShare Askings, and General Church FairShare Askings are developed using the decimal formula. Only the Conference Operating Costs show a total; this amount is needed to fund basic operations of the annual conference. The other numbers are truly target numbers, where the themes of choice empowerment and accountability will drive commitments by local churches/charges.

Section Six: Christian Stewardship — The Next Step in the Journey

Throughout the presentations to the district cluster meetings, the Quad Committee has talked about the ongoing development of the theme of accountability and the sense that stewardship must undergird this entire process. The New Funding Paradigm and the direct funding of clergy pensions are important first steps on the long journey to financial viability and health for the Western North Carolina Annual Conference. But they are only first steps, dealing with the methodology of how funds will be solicited and collected by the annual conference. So where do we go next? What are the next steps in the journey? The Quad Committee sees this entire process working within the framework of Christian stewardship and recommends the following strategy:

Christian stewardship is about giving and managing our varied gifts and resources. On a personal level, Christian stewardship is about how we respond to God's grace through faithful, generous, sacrificial giving. The Quad Committee refers to this as Stewardship of Giving. At institutional levels — churches, districts, annual conference, and general church — Christian stewardship is about how we responsibly manage resources that have been entrusted to our care. The Quad Committee refers to this as Stewardship of Managing. Faithful giving and responsible management are both components of Christian stewardship.

Stewardship of Giving

Related to the Stewardship of Giving, we propose that the Western North Carolina Annual Conference embark on a major stewardship initiative over the next quadrennium. Recognizing that proportional giving has been on the decline for years in our churches (and throughout Christendom), one component of this stewardship initiative would challenge churches and congregations across the conference to raise the bar of faithful, generous, sacrificial giving. Under this proposal, Christian Stewardship of Giving would become a quadrennial emphasis for the annual conference, with teaching and inspirational resources designed for use across the conference. We envision this initiative to be broadly based, multifaceted, and presented in a variety of formats.

We recognize that Christian stewardship is about more than raising money. Christian stewardship is not to be confused with "fund-raising." Biblically based Christian stewardship is a lifestyle, integrally connected to our mission of disciple-making. If this initiative is to succeed, it cannot be a one-time event or action. These resources and strategies will have to continue to be developed and refined year after year, beyond the next quadrennium.

What might this Stewardship of Giving initiative look like as it develops over the next quadrennium?

While this should not be considered all-inclusive or exhaustive, some options might include the following.

- A Convocation Module similar to the General Board of Discipleship's Convocation on Development.
- A series of regional events around the annual conference, designed to draw more people. The district cluster meetings are proving to us that laity will come when we encourage their faithful participation. We need to target specific lay leadership, but open it to others as well. Clergy participation is essential across the annual conference.
- Mission & Ministry Moments, a series of 90-second "blurbs" to be used in local churches as mission and ministry moments before the offering each Sunday.
- Resources for beginning pastors.
- Resources for ongoing use in districts.
- Trained resource people across the annual conference who can share, teach, train, and implement new methodologies that address the theme of stewardship.
- Provide links to resources that already exist, including Connectional Giving Notes at the general church level, UMC worship resources, and bibliographies of resources, including books, stewardship tools, and service providers.
- Develop a stewardship video resource for the conference, tied to our vision and mission, on the quadrennial theme of stewardship. This resource must be available in multiple formats (DVD, VHS, PowerPoint, etc).
 - A companion piece here might be a conference-wide study in which each church in the conference would be encouraged to participate in the same stewardship-based study at the same time.

Stewardship of Managing

Concerning Stewardship of Managing, the Quad Committee sees this as encompassing the previous discussion about accountability and more. The core issue here is the responsible use of resources entrusted to the annual conference, districts, constituent ministries, and affiliate ministries. Simply put, this is about how we organize for ministry as an annual conference and must be tied to the strategic and visional direction of the annual conference. The Quad Committee's work to date has been centered around three guiding principles: relevance, effectiveness, and efficiency. Thoughtful and useful measurement tools must be developed for ongoing use in the evaluation of every facet of our life together in the Western North Carolina Annual Conference, to insure that our work is relevant to our vision, that sacred resources are being used effectively and efficiently. The stewardship of managing resources is a central theme of good Christian stewardship.

There is much work yet to be done regarding Christian Stewardship of Giving and Managing. The Quad Committee's recommendations on how to proceed are defined in the following conclusion.

Section Seven: Conclusion

The Quad Committee believes that, with this report, its task is now complete. Yet the important themes of Stewardship of Giving and Stewardship of Managing need to be continued into the next quadrennium and beyond. We therefore recommend to the bishop, annual conference, and the Council on Finance and Administration that two new committees/task forces be created to follow up on the recommendations related to Stewardship of Giving and Stewardship of Managing.

This is not some look at a distant future. The future is now. The Western North Carolina Annual Conference can choose to be proactive, to make choices that will empower ministry at local, conference, and denominational levels, or we can make negative choices that will seriously impair our ability to share in mission and ministry. Let us choose wisely.

Proposals: Report of Quadrennial Budget Planning Committee

The Quadrennial Budget Planning Committee of the Western North Carolina Annual Conference proposes the following for consideration by the 2004 session of the annual conference:

1. That the conference adopt the New Funding Paradigm as described in the preceding report of the Quadrennial Budget Planning Committee, for implementation to begin January 1, 2005.
2. That the conference move to a direct costing model for clergy pension support, beginning January 1, 2005. As described in the aforementioned report of the Quadrennial Budget Planning Committee, the move would encompass a five-year transition period, 2005-2009, utilizing a self-balancing plan, with churches absorbing the change incrementally: 10% in 2005, 30% in 2006, 50% in 2007, 70% in 2008, and 100% in 2009.
3. That the Insurance Committee of the Council on Finance and Administration become a sub-committee of the conference Board of Pensions, thus bringing the conference into alignment with the structure and organization of the general church. We also propose that, as soon as practicable, the plan of organization of the conference be amended to provide that the current Board of Pensions be subsequently known as the conference Board of Pension and Health Benefits, doing business as "Board of Pensions, Inc., Western North Carolina Conference, The United Methodist Church."

4. That, with this report, the work of the Quadrennial Budget Planning Committee be declared complete; however, we also propose that two themes of the committee's report be ongoing: Stewardship of Giving and Stewardship of Managing. We therefore propose that two new task forces be appointed for the next quadrennium to address these ongoing themes and further the development and implementation of Stewardship of Giving and Stewardship of Managing.
5. That the conference embark on a major quadrennial stewardship initiative for the years 2005-2008, to be designed and implemented by, and under the general oversight of, the appointed task forces.

Sam H. Smith, Jr., *Chairperson*

Appendices

Conferences Using Some Form of Direct Clergy Benefit Funding

Conferences Using Direct Funding of Pension

Kansas West	North Indiana	North Georgia	Peninsula-Delaware
Troy	North Carolina	Iowa	Puerto Rico
Wisconsin	West Michigan	West Ohio	South Georgia
Central Texas	Western Pennsylvania	Missouri	Texas
Oklahoma	Eastern Pennsylvania	Kansas East	New York
Southwest Texas	South Carolina	Virginia	New Mexico
Detroit	Oregon-Idaho	Northern Illinois	Nebraska
South Indiana	Central Pennsylvania	North Central New York	Louisiana
West Virginia	California-Pacific	Greater New Jersey	Yellowstone
Rocky Mountain	Desert Southwest	Minnesota	Baltimore-Washington
Florida	Kentucky	North Texas	
Pacific Northwest	Western New York	Northwest Texas	

Other Conferences

North Alabama	Western North Carolina	Alaska	California-Nevada
Illinois Great Rivers	Red Bird	New England	Dakotas
Alabama-West Florida	Rio Grande	Mississippi	East Ohio
Memphis	Tennessee	Arkansas	Holston

Quadrennial Budget Planning Committee Members

Charles M. Ambrose	Donald Jenkins	Frank A. Stith III
James M. Armstrong, Jr.	Johnie H. Jones	James T. Trolinger
Roberta E. Blackwell	Charlene P. Kammerer	James L. Williamson
Julianne (Jan) Brittain	William H. Osborne, Jr.	James C. Windham, Jr.
Eddie N. Dalton	Thomas R. Sigmon	C. M. Worthy, Jr.
M. Lynne Gilbert	Sam H. Smith, Jr.	William C. Wyman, Jr.

CONFERENCE FUNDS FOR 2005

Fund No.	Fund Name	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Direct Cost Funding						
502	Pension Support Budget	\$ 4,470,464	\$ 4,700,000	\$ 6,200,000	\$ 6,881,000	11.0%
575	Pastors' Health Insurance	3,544,391	\$4,366,000	4,760,000	5,474,000	15.0%
Conference Operating Costs						
503	Episcopal Fund	\$ 613,519	\$ 613,519	\$ 618,316	\$ 727,443	17.6%
504	District Superintendents' Fund.....	\$ 1,348,354	\$ 1,316,166	\$ 1,400,632	1,449,116	3.5%
	<i>Salaries</i>	1,080,770	1,153,166	1,177,960	1,213,296	3.0%
	<i>Related Cost</i>	267,584	163,000	222,672	235,820	5.9%
501	Equitable Compensation Fund	258,297	206,000	306,000	321,300	5.0%
505	Health Benefits (Schedule 1)	1,800,000	1,800,000	1,800,000	2,200,000	22.2%
505	Conference Support (Schedule 1)	717,635	876,143	865,108	863,293	-0.2%
505	Administrative Staff Support (Schedule 1).....	764,066	820,255	858,020	890,290	3.8%
505	Administrative Office Support Items (Schedule 1).....	255,259	270,513	271,743	287,133	5.7%
	Total Conference Operating Costs	\$ 5,757,130	\$ 5,902,596	\$ 6,119,819	\$ 6,738,575	10.1%
Conference Ministry FairShare Askings						
506	Conference Benevolences (Schedule 2)					
	Nurture Ministries	\$ 695,354	\$ 771,641	\$ 741,004	\$ 802,718	8.3%
	Outreach Ministries	650,872	805,683	525,001	832,379	58.5%
	Witness Ministries	304,848	398,186	375,048	414,128	10.4%
	Total Conference Benevolences	\$ 1,651,074	\$ 1,975,510	\$ 1,641,053	\$ 2,049,225	24.9%
550	Congregational Development (Schedule 3)	1,071,410	1,457,831	1,565,663	1,570,296	0.3%
507	Higher Education and Campus Ministry (Schedule 4)	1,451,185	1,623,437	1,155,396	1,618,448	40.1%
508	Health and Human Services (Schedule 5)	688,495	776,600	359,260	776,600	116.2%
General Church FairShare Askings						
510	Africa University Fund.....	\$ 81,502	\$ 91,638	\$ 93,924	\$ 96,119	2.3%
511	Black College Fund	361,532	409,412	419,721	418,496	-0.3%
512	General Administration Fund	211,102	238,131	246,901	246,497	-0.2%
513	Interdenominational Cooperation Fund	71,733	81,006	78,896	82,282	4.3%
514	Jurisdictional Administration Fund	195,967	221,158	225,370	225,370	0.0%
516	Lake Junaluska Dam and Lake Restoration Fund	0	0	0	36,949	
515	Ministerial Education Fund	920,173	1,037,092	1,052,444	1,045,318	-0.7%
509	World Service Fund	2,235,657	2,517,753	2,591,640	2,809,224	8.4%

SCHEDULE 1 – CONFERENCE OPERATING COSTS

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	%
					Change
Conference Support					
Boards, Commissions, Committees, and Cabinet					
Board of Ordained Ministry	\$ 177,743	\$ 249,200	\$ 249,200	\$ 253,200	1.6%
Cabinet Meetings	36,656	42,735	42,500	42,600	0.2%
Emergency Fund.....	604	15,000	10,000	10,000	0.0%
Commission on Archives and History	16,482	18,693	18,693	18,693	0.0%
Committee on Episcopacy	0	700	700	700	0.0%
Committee on Conference Staff Relations	172	400	400	400	0.0%
Council on Laity	5,426	10,615	11,615	9,850	- 15.2%
Other Committees	6,000	15,000	15,000	15,000	0.0%
Annual Conference					
Conference Sessions (includes per diem)	290,785	304,800	290,000	290,000	0.0%
Journal Publication	40,486	43,000	45,000	44,850	- 0.3%
Mission and Ministry Grants					
United Methodist Foundation	27,000	36,000	32,000	28,000	- 12.5%
Buildings and Land					
Episcopal Residence	0	10,000	10,000	10,000	0.0%
Miscellaneous					
Ministers' Moving Fund	116,281	130,000	130,000	130,000	0.0%
Contingency	0	0	10,000	10,000	0.0%
Total Conference Support	\$ 717,635	\$ 876,143	\$ 865,108	\$ 863,293	- 0.2%
Health Benefits					
Retiree Health Benefits	\$ 1,000,000	\$ 1,000,000	\$ 1,156,000	\$ 1,800,000	55.7%
Actives' Health Benefits	800,000	800,000	644,000	400,000	- 37.9%
Total Health Benefits	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 2,200,000	22.2%
Staff Support					
Administrative Staff (5 Staff; 7 Support Staff)					
Salaries	\$ 573,001	\$ 610,083	\$ 629,402	\$ 648,122	3.0%
Related Cost	191,065	210,172	228,618	242,168	5.9%
Total Staff Support	\$ 764,066	\$ 820,255	\$ 858,020	\$ 890,290	3.8%
Operational Support Items					
Office Operations					
Episcopal Office	\$ 9,450	\$ 10,500	\$ 10,500	\$ 10,500	0.0%
Administrative Assistant to the Bishop	1,430	3,950	3,950	4,150	5.1%
Treasury Services Office	49,904	50,000	50,000	51,500	3.0%
Conference Secretary-Ordained Ministry Registrar	10,107	12,200	12,200	10,200	- 16.4%

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
General Support					
Liability Insurance	15,645	20,000	15,000	17,000	13.3%
Legal and Audit	27,304	26,000	30,500	31,000	1.6%
Council on Finance and Administration Operation	2,788	3,100	3,100	3,000	- 3.2%
Staff Travel	38,429	41,050	41,050	42,600	3.8%
Memorial Center Operation, Phone, Internet	100,202	102,713	105,443	117,183	11.1%
Miscellaneous	0	1,000	0	0	0.0%
Total Operational Support Items	\$ 255,259	\$ 270,513	\$ 271,743	\$ 287,133	5.7%
Grand Total for Fund 505. Conference Support	\$ 3,536,960	\$ 3,766,911	\$ 3,794,871	\$ 4,240,716	11.7%

SCHEDULE 2 – FUND 506. CONFERENCE BENEVOLENCES

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Nurture Ministries:					
Christian Education	\$ 27,125	\$ 45,550	\$ 35,550	\$ 45,550	28.1%
Camping and Retreat Ministries	6,210	8,400	6,500	9,500	46.2%
Camp Tekoa	54,000	72,000	64,000	72,000	12.5%
MR Camp	10,506	14,000	9,000	14,000	55.6%
Hispanic Ministries	7,611	15,325	12,325	15,325	24.3%
Native American Ministries	6,623	8,325	9,580	13,400	39.9%
Asian American Ministries Committee	421	4,150	0	0	
African American Ministries	620	5,325	4,260	5,325	25.0%
Commission on Nurture Ministries	5,391	22,050	17,640	22,050	25.0%
Youth Ministries	29,196	39,950	32,450	31,950	- 1.5%
Commission on Religion and Race	9,790	19,650	17,132	21,150	23.5%
Ethnic Minority Fund	91,945	100,000	100,000	100,000	0.0%
Commission on the Status and Role of Women	3,962	5,810	6,165	5,900	- 4.3%
Committee on Family Ministries	200	2,000	0	2,000	
Total Programs	\$ 253,600	\$ 362,535	\$ 314,602	\$ 358,150	13.8%
Staff Support					
Salaries (4 Staff; 2 Support Staff)	\$ 281,071	\$ 232,184	\$ 239,455	\$ 246,661	3.0%
Related cost	88,413	97,255	105,940	112,061	5.8%
Total Staff Support	\$ 369,484	\$ 329,439	\$ 345,395	\$ 358,722	3.9%

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Operational Items					
Building, Phone, Internet	\$ 39,761	\$ 40,892	\$ 42,121	\$ 47,408	12.6%
Staff Travel	22,802	24,637	25,948	26,000	0.2%
Equipment, Postage, Supplies, Association Dues	9,707	14,138	12,938	12,438	-3.9%
Total Operational Items	\$ 72,270	\$ 79,667	\$ 81,007	\$ 85,846	6.0%
Total Nurture Ministries	\$ 695,354	\$ 771,641	\$ 741,004	\$ 802,718	8.3%
Outreach Ministries:					
New Programs	\$ 35,070	\$ 50,000	\$ 0	\$ 50,000	
Emerging Program Initiatives	180,861	225,000	0	225,000	
Training	9,164	9,000	6,000	10,000	66.7%
Church and District Training	4,146	9,500	6,000	6,000	0.0%
District Leadership Conferences	11,355	17,000	14,000	16,000	14.3%
Transition Fund/Contingency	3,268	4,500	4,500	4,200	-6.7%
LARCUM	389	400	500	500	0.0%
Bishop's Ecumenical Liaison (CUIC)	989	2,000	1,200	1,500	25.0%
Spiritual Formation Task Force	2,059	3,500	3,000	3,500	16.7%
Conference Ministries Advisory Council	4,200	9,100	8,000	8,200	2.5%
Resource Leaders	3,254	8,000	4,000	6,000	50.0%
Disciple Bible Outreach Ministries	0	0	40,000	0	-100%
Golden Cross	40,000	40,000	32,240	42,000	30.3%
Committee on Social Concerns	11,581	15,550	7,700	15,500	101.3%
North Carolina Council of Churches	17,250	23,000	23,600	23,600	0.0%
Commission on Outreach Ministries	66,894	103,000	84,950	113,000	33.0%
Building and Medical Teams	19,500	24,000	20,000	24,000	20.0%
Open Arms Ministry.....	15,333	16,000	16,500	16,500	0.0%
Project AGAPE	7,200	8,000	5,000	10,000	100.0%
Total Programs	\$ 432,513	\$ 567,550	\$ 277,190	\$ 575,500	107.6%
Staff Support					
Salaries (2 Staff; 1 Support Staff)	\$ 124,733	\$ 132,805	\$ 136,977	\$ 141,086	3.0%
Related cost	58,783	64,661	70,276	74,505	6.0%
Total Staff Support.....	\$ 183,516	\$ 197,466	\$ 207,253	\$ 215,591	4.0%
Operational Items					
Building, Phone, Internet	\$ 11,016	\$ 11,273	\$ 11,552	\$ 12,750	10.4%
Staff Travel	14,120	15,256	16,068	16,100	0.2%
Equipment, Postage, Supplies, Association Dues	9,707	14,138	12,938	12,438	-3.9%
Total Operational Items	\$ 34,843	\$ 40,667	\$ 40,558	\$ 41,288	1.8%
Total Outreach Ministries	\$ 650,872	\$ 805,683	\$ 525,001	\$ 832,379	58.5%

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Witness Ministries:					
Commission on Witness Ministries	24,962	34,000	30,000	33,000	10.0%
Total Witness Ministries	24,962	34,000	30,000	33,000	10.0%
Communications Ministries:					
Media Ministry	\$ 3,069	\$ 38,350	\$ 12,000	\$ 37,000	208.3%
Commission on Communications	38,755	57,850	57,850	57,850	0.0%
North Carolina Christian Advocate	41,250	55,000	55,000	55,000	0.0%
Total Programs	\$ 108,036	\$ 185,200	\$ 154,850	\$ 182,850	18.1%
Staff Support					
Salaries (1 Staff; 3 Support Staff)	\$ 106,557	\$ 113,453	\$ 116,987	\$ 120,527	3.0%
Related cost	34,137	37,550	40,948	43,267	5.7%
Total Staff Support	\$ 140,694	\$ 151,003	\$ 157,935	\$ 163,794	3.7%
Operational Items					
Building, Phone, Internet	\$ 43,780	\$ 45,002	\$ 46,331	\$ 52,046	12.3%
Staff Travel	2,631	2,843	2,994	3,000	0.2%
Equipment, Postage, Supplies, Association Dues	9,707	14,138	12,938	12,438	-3.9%
Total Operational Items	\$ 56,118	\$ 61,983	\$ 62,263	\$ 67,484	8.4%
Total Communications Ministries	\$ 304,848	\$ 398,186	\$ 375,048	\$ 414,128	10.4%
Grand Total for Fund 506. Conference Benevolences	\$ 1,651,074	\$ 1,975,510	\$ 1,641,053	\$ 2,049,225	24.9%

SCHEDULE 3 – FUND 550. CONGREGATIONAL DEVELOPMENT

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Congregational Development Program					
Land and Building Grants	\$ 624,658	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	0.0%
Salary Support Grants	289,717	289,717	390,000	390,000	0.0%
Total Program	\$ 914,375	\$ 1,289,717	\$ 1,390,000	\$ 1,390,000	0.0%
Staff Support					
Salaries (1 Staff; 1 Support Staff)	\$ 105,638	\$ 112,474	\$ 115,974	\$ 119,487	3.0%
Related cost	37,601	41,361	45,002	47,658	5.9%
Total Staff Support	\$ 143,239	\$ 153,835	\$ 160,976	\$ 167,145	3.8%
Operational Items					
Building, Phone, Internet	\$ 9,849	\$ 10,015	\$ 10,196	\$ 9,326	-8.5%
Staff Travel	3,947	4,264	4,491	3,825	-14.8%
Total Operational Items	\$ 13,796	\$ 14,279	\$ 14,687	\$ 13,151	-10.5%
Grand Total for Fund 550. Congregational Development	\$ 1,071,410	\$ 1,457,831	\$ 1,565,663	\$ 1,570,296	0.3%

SCHEDULE 4 – FUND 507. HIGHER EDUCATION AND CAMPUS MINISTRY

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Universities and Colleges					
Bennett College	\$ 14,749	\$ 17,700	\$ 8,557	\$ 17,700	106.8%
Brevard College	173,076	207,700	100,414	207,700	106.8%
Greensboro College	173,076	207,700	100,414	207,700	106.8%
High Point University	173,076	207,700	100,414	207,700	106.8%
Pfeiffer University	173,076	207,700	100,414	207,700	106.8%
Scholarships	103,841	124,615	118,384	124,615	5.3%
Council and Campus Ministries					
Campus Ministry Program	616,812	623,322	601,149	618,333	2.9%
Council on Higher Education Ministries	23,479	27,000	25,650	27,000	5.3%
Grand Total for Fund 507. Higher Education and Campus Ministry	\$ 1,451,185	\$ 1,623,437	\$ 1,155,396	\$ 1,618,448	40.1%

SCHEDULE 5 – FUND 508. HEALTH AND HUMAN SERVICES

	2003 Actual	2003 Approved	2004 Approved	2005 Proposed	% Change
Homes and Health-Care Institutions					
The Children's Home	\$ 239,639	\$ 270,000	\$ 124,887	\$ 270,000	116.2%
Aldersgate: A United Methodist Retirement Community	136,887	154,230	71,388	154,230	116.0%
Arbor Acres United Methodist Retirement Community	136,847	154,185	71,317	154,185	116.2%
Givens Estates United Methodist Retirement Community	136,847	154,185	71,317	154,185	116.2%
UMAR-WNC	8,876	10,000	4,625	10,000	116.2%
Methodist Counseling and Consultation Services, Charlotte	11,982	13,500	6,244	13,500	116.2%
Methodist Counseling Center, Greensboro	7,988	9,000	4,163	9,000	116.2%
The Potter's Touch, Asheville	6,657	7,500	3,469	7,500	116.2%
Duke Medical Center Chaplains Service	2,772	4,000	1,850	4,000	116.2%
Grand Total for Fund 508. Health and Human Services	\$ 688,495	\$ 776,600	\$ 359,260	\$ 776,600	116.2%

INSURANCE COMMITTEE

The Insurance Committee serves as a committee of the Council on Finance and Administration (CFA), with responsibility in three specific areas: health benefits, group term life insurance, and casualty insurance.

The committee is composed of 12 members appointed by the council to quadrennial terms, as follows: 2 from CFA, one serving as chair of the committee and one being the Cabinet representative to CFA; 1 from the conference Board of Ordained Ministry; 1 from the conference Board of Pensions; 1 from the Eugene M. Cole Foundation; 2 retired clergy persons; and 5 professional persons involved in the insurance industry. Typically, there are six lay members and 6 clergy members. The various agencies represented nominate their representatives to CFA for appointment. The committee urges the Committee on the Annual Conference Meeting to consider during the coming conference year an amendment to the plan of organization of the conference which would make the Insurance Committee an official agency of the annual conference.

Group Life Insurance

The General Board of Pension and Health Benefits, through the Comprehensive Protection Plan, provides a death and disability benefit for eligible clergy, along with death benefits for members of clergy families. In addition to this coverage, the conference offers basic life insurance coverage of \$10,000 for active clergy enrolled in the conference group health plan, with premiums for this coverage collected through the insurance apportionment. Clergy members may elect to increase their coverage by enrolling in additional coverage in the amounts of \$25,000, \$50,000, or \$75,000. As an added benefit, a clergy member may elect to enroll his/her spouse and dependent children. This additional coverage is available from a group policy secured by the committee for a quarterly premium to be collected by the insuring company. The continuation of this optional benefit is dependent on normal participation of those eligible. Newly eligible clergy will receive information about this coverage from the Treasury Services Office. To obtain coverage without evidence of insurability, enrollment must be made within 30 days of eligibility.

Enrollment Deadlines for Health and Life Insurance

Responsibility rests with the individual to make application for the group health insurance and the group life insurance. The effective date of coverage for new applicants is July 1 following the session of annual conference. Applications must be made within 30 days of appointment at annual conference. Anyone seeking to apply following the 30-day grace period will have a 12-month waiting period for all pre-existing conditions.

Health Benefits Continuation Policy

The conference benefits plan provides for group members and eligible beneficiaries to continue coverage if they become ineligible for the plan. The policy is available from the plan administrator.

Premium Collection Policy

Payment of the medical/health insurance premiums for pastors is the responsibility of the local church(es). This premium payment is an apportioned item. For churches with more than one pastor on the staff, the church is responsible for the payment of the insurance premium for each eligible pastor. It is the responsibility of the pastor to pay the premium costs for dependents.

The Insurance Committee requires the conference treasurer to notify dependent accounts which are delinquent by sixty (60) days or more that their coverage is immediately subject to termination. If full payment is not made by thirty (30) days after the delinquency, coverage will be terminated.

2003 Financial Summary

The year 2003 ended with an excess in both health benefit plans totaling \$552,889 (\$91,318 in the Active Plan and \$461,571 in the Retiree Plan). The Retiree Plan excess was not unexpected because of the Medicare Plan J benefit design and conference budget support of \$800,000.

The reserve policy amounts for 2004 are: \$2,223,670 (\$1,890,371 for the Claims Reserve and \$343,299 for the Premium Stabilization Reserve). The total available reserves were \$1,998,437 as of December 31, 2003.

2003 Financial Summary through December 31, 2003

	Active	Retirees	
Asset Accounts			
Investment Accounts:			
Claims Reserve	\$1,673,629	\$ - 228,080	
Premium Stabilization	0	0	
Fund Balance	1,673,629	- 228,080	
Excess/Deficit	91,318	461,571	
Fund Balance	\$1,764,947	\$ 223,490	\$1,998,437

Sources of Funds

Premiums:			
Church Contributions – Active	\$3,544,391		
Dependent Coverage – Active	2,079,106		
Conference Center – Personnel	213,853		
Retiree Contributions		\$ 1,404,725	
Cole Foundation		180,000	
Investments:			
Reserves Investment Income	0	0	
Other:			
Budget Credits	800,000	1,000,000	
PPO Differential	0	0	
Total Sources	\$6,637,350	\$2,584,725	\$9,222,075

Uses of Funds

Benefit Payments	\$5,919,165	\$1,809,478	
Administrative Charges	356,426	227,048	
Operating Expenses	45,672	45,919	
Stop-Loss Fees (Sun Loss Canada)	184,384	35,121	
Other Charges	40,385	5,588	
Total Uses	\$6,546,032	\$2,123,154	8,669,186
Sources less Uses	\$ 91,318	\$ 461,571	\$ 552,889

Words of Appreciation

We express our gratitude and that of the conference to Dale C. Bryant, who came to the conference as benefits administrator in October 1998.

Questions dealing with either health insurance or group life insurance should be directed to Mr. Bryant at 704- 535-2260 or 800-562-7929 or e-mail dbryant@wncumc.org.

Conclusion

We appreciate the fine spirit in which subscribers and local churches are supporting the work of the Insurance Committee. We seek your continuing support as we make every effort to provide an insurance program that meets your particular needs.

Members of the Insurance Committee are: C. M. Worthy, Jr. (chairperson), Karen Matthews, Eddie Allred, Phillip B. Cole, Kim Hockett, Frank H. Edwards, Bernard R. Fitzgerald, Donald G. Matthews, Frank A. Stith III, and W. Greg Light. William C. Wyman, Jr., and Dale C. Bryant are our conference staff representatives.

Proposals: Conference Insurance Program

(Referred as Petition 2 to Forum Group 23) (Adopted by conference on June 11, 2004)

The Insurance Committee proposes:

1. That the Council on Finance and Administration be authorized to secure a hospital/medical insurance contract for 2005 that will be advantageous in terms of coverage, premium rates, and administrative costs.
2. That the hospital/medical insurance program be continued for all eligible persons working 30 hours or more per standard workweek.
3. That each local charge be expected to participate in the conference program of hospital/medical insurance by contributing an amount equal to the pastor's coverage premium for each eligible pastor appointed to that charge and that these premium payments be remitted to the conference Treasury Services Office rather than to the pastor or other insurance carrier.
4. That premium cost information be mailed to local churches and pastors immediately after the 2005 contract has been negotiated.
5. That a pastor may exclude himself/herself from coverage by signing a written waiver, releasing the conference and any local church from legal or moral responsibility for medical or accident claims.
6. That, in the discussion of salaries and benefits for 2005 and all succeeding years, local church committees on staff-parish relations consider designating a portion of compensation for dependents' health care coverage.
7. That medical/hospital coverage be provided for persons terminated from the plan for not more than a 12-month period, with the premium costs to be paid by the person terminated.
8. That continued endorsement be given to the optional life insurance program provided by a top-quality life insurance company as supplemental coverage for active clergy.
9. That the following Retired Clergy Medical Plan, which became effective on January 1, 2003, be continued:

- a. *Benefit Design:* The basic benefit design for all participants will be Medigap Plan J, as approved by the Medicare Administration (complete benefit description available from the conference Treasury Services Office). This new benefit will provide 80% of Medicare-eligible costs not paid by Medicare and 50% of prescription costs (after a \$250 prescription deductible) up to a maximum prescription-drug benefit of \$3,000.
 - b. *Prescription benefit for current retired participants (those enrolled before January 1, 2003)* will be extended to cover 80% of prescription costs after the Medigap Plan J benefit has been fulfilled. These costs will be paid on a direct-appeals basis or by use of a specifically designed prescription-drug card.
 - c. *Funding Design:*
 - (1) Participants enrolled prior to January 1, 2003, will contribute 60% of the plan year's estimated cost.
 - (2) Participants enrolled in the retiree plan on or after January 1, 2003, will make contributions based on "years enrolled in the Active Health Benefits Plan." The contribution will be based on a percentage of the plan year's estimated costs, as follows:
 - 1-10 Years: 100% of estimated plan cost.
 - Beginning in the 11th year, the contribution will decline 1% per year to a maximum of 50 years, or 60% of estimated plan cost.All of the years prior to 2003 that a clergyperson has been appointed to a local church or conference position will be considered "years enrolled in the Active Health Benefits Plan."
 - d. Participants must be enrolled in Medicare to be eligible for the plan.
10. That each participant electing dependent coverage be required to remit premium payments in the method established by the Insurance Committee and that dependent coverage remain in effect only when premium payments are current.
 11. That sufficient funds for hospital/medical coverage be included in the appropriate 2005 apportioned funds to pay premiums for district superintendents and administrative, program, and support staff members of the conference headquarters.
 12. That supplemental funds for hospital/medical coverage of the health benefit plans be included in the conference budget, Fund 505, Conference Support and Administration Fund. The 2005 budget request for retirees is \$1,800,000; for actives, \$400,000. The change in the active supplement from \$644,000 to \$400,000 is the second step in a three-year phased reduction of the benefit.

C. M. Worthy, Jr., *Chairman*