

## **Report No. 5 THE EPISCOPAL FUND**

The General Council on Finance and Administration (“GCFA”) has projected a budget for support of the bishops of The United Methodist Church that reflects current economic conditions. While healthcare costs are budgeted to rise annually by 6% and overall inflation is anticipated to be approximately 2.5% per year in the 2017-2020 quadrennium, apportionment funding from the Jurisdictional Conferences is decreasing by .7%. Support from the central conferences is being proposed in a formulaic manner in Report No. 8. However, this support is not solely directed to the Episcopal Fund. Rather, it is also being allocated to the General Administration Fund. The result is a decrease of Episcopal funding globally of 1.6%. With costs increasing faster than funding, this projection requires use of \$10.9 million of accumulated reserves.

This level of reserve utilization is not sustainable for the long term. We are cognizant of the struggles of our annual conferences and local churches to meet financial commitments. As a result, GCFA will sponsor a thorough review during the next quadrennium of alternative ways to reduce this operating deficit. Potential areas of study include, but are not limited to, the impacts associated with: apportionment levels for the Episcopal Fund; number of bishops; salary levels for bishops; office and equipment allowances; healthcare costs; and expenses relating to other benefits. Salary, healthcare, and office allowances are the areas with the largest projected cost increase. In total, these costs are expected to increase by \$7.1 million (salary – \$4.0 million; healthcare – \$1.8 million; office allowance – \$1.3 million), or 10% over the current quadrennium.

In addition to reviewing ways to reduce future expenditure levels, GCFA has taken steps that have already resulted in significant cost savings. For example, in 2014 a move was made to Medicare Advantage for retiree healthcare. This plan reduced total costs for retired bishop’s healthcare by \$400,000 annually (\$1.6 million for a quadrennium). GCFA implemented monthly communication with the Council of Bishops regarding the financial status of the Episcopal Fund compared to prior years and budget in detail for all areas of spending. This allows GCFA to work closely with the Council of Bishops to ensure cost overruns are mitigated or eliminated. GCFA implemented Concur, an expense reimbursement system, in 2014 to enable better auditing and tracking of travel expense requests to ensure they fall within the travel policies and procedures and to reduce overall costs for episcopal offices by allowing electronic submission of expense requests.

The Episcopal Fund, raised in accordance with ¶ 818.3, will provide for the salary and expenses of active bishops from the date of their consecration and for the support of retired bishops and surviving spouses and minor children of deceased bishops. The average total cost of each active jurisdictional bishop for the upcoming quadrennium is projected to be \$1,319,000, while the average cost of a central conference bishop for the upcoming quadrennium is projected to be \$930,000. Subject to the approval of GCFA, the treasurer will have authority to borrow for the benefit of the Episcopal Fund such amounts as may be necessary for the proper execution of the orders of the General Conference.

GCFA presents the following recommendations concerning items in the Episcopal Fund for the 2017-2020 quadrennium, to become effective at the adjournment of the 2016 General Conference. The items will be reviewed and set annually by GCFA.

## **I. Bishops Elected by the Jurisdictional and Central Conferences**

A proposed annual spending plan of estimated receipts on apportionment of the Episcopal Fund and expenses for each episcopal office will be submitted to GCFA on forms furnished by it. The proposed spending plan will include funding for salary, housing allowance, and office expense as recommended by the respective episcopal area, jurisdictional or central conference, or its committee on episcopacy.

### **A. Salaries**

1. **Active Bishops.** All salaries are set annually by GCFA. The salary of a bishop newly elected in 2016 or 2017 will begin on the date of his/her consecration at the annual rate established for 2016 or 2017 by GCFA.

a. **Jurisdictional Conferences.** In 2015, the salary for jurisdictional bishops is \$145,655. Any salary adjustments for 2016 through 2020 will be set by GCFA annually. While the current projections are for a 3% annual increase, considerations for determining salary adjustments each year will include the percentage adjustment for workers in state and local government as published by the U.S. Bureau of Labor Statistic, the review of other relevant compensation studies as determined by GCFA, and the overall economic status of the Episcopal Fund and its reserves.

GCFA will notify each newly elected bishop's current salary-paying unit of the date on which payment of salary from the Episcopal Fund will begin.

b. **Central Conferences.** The salary of each bishop will be recommended by the respective central conference or its committee on episcopacy as included in the area spending plan. For 2015 the salary for central conference bishops are as follows:

<b>Episcopal Area / Region</b>	<b>2015 Salary</b>
Africa	\$ 71,585
Philippines	\$ 71,585
Central and Southern Europe	\$ 127,960
Russia	\$ 64,688
Germany	\$ 84,108
Nordic and Baltic	\$ 100,073

Any salary adjustments for 2016 through 2020 will be set by GCFA annually after reviewing the recommendations. While the current projections are for a 3% annual increase, GCFA will determine the salary adjustments each year with consideration to the requests individually and in total. Additional considerations will include the review of cost of living

changes in each episcopal area, relevant compensation studies as determined by GCFA, and the overall economic status of the Episcopal Fund and its reserves.

**2. Interim Retired Bishop.** If a retired bishop is asked to serve in an interim position and assigned to assume presidential responsibilities as described in ¶ 409.3, the Episcopal Fund will be responsible, upon request, for the difference between the remuneration of an active bishop's current salary in the jurisdictional or central conference area from which the bishop retires, and the pension payment. The annual conference(s) will be responsible for providing housing for the interim retired bishop. If the interim retired bishop is living outside of the episcopal area, the cost to commute to and from the episcopal area is the responsibility of the annual conference. The status of a retired bishop on interim assignment shall, for purpose of housing and other benefits, be that of a retired bishop.

**3. Special Assignment.**

a. Retired bishops who accept a special assignment from the Council of Bishops to a United Methodist agency or institution of higher learning following mandatory retirement will receive remuneration not to exceed a maximum of 20% of an active bishop's salary in the episcopal area from which the bishop retired. The Episcopal Fund's share will not exceed 50% of the established compensation. The agency or institution of higher learning will assume all responsibility for the bishop's operational and travel expenses related to the assignment.

b. Retired bishops who accept a special assignment from the Council of Bishops with a direct relationship and accountability to the Council of Bishops following mandatory retirement (for example, as COB Executive Secretary or Ecumenical Officer) will receive remuneration of 20% of an active bishop's current salary in the episcopal area from which the bishop retired.

c. The status of a retired bishop on special assignment will, for purpose of housing and other benefits, be that of a retired bishop.

d. Compensation for any special assignment will cease after the bishop completes the assignment or has reached the mandatory age of retirement for ordained ministers governing the episcopal area from which the bishop retired, whichever comes first.

**4. Salary Payment.** Due to the variation in time of election, consecration, and assignment, there may be up to seven weeks of salary and benefits provided from the Episcopal Fund prior to the date of assignment for any newly elected bishop.

**B. Episcopal Residence/Housing.** The annual conference or conferences constituting the episcopal area to which the bishop is assigned will be responsible for providing an episcopal residence or housing allowance for the bishop.

**1. Housing allowance (Jurisdictional Conferences).**

a. The Episcopal Fund will provide a grant of \$10,000 annually to the annual conference to assist in the cost of providing an episcopal residence or allowance.

2. **Episcopal Housing Funds (Central Conferences).** The Episcopal Fund will provide a grant annually to the annual conference to assist in the cost of providing an episcopal residence or allowance. The amount for each episcopal area will be set annually by GCFA.

3. Guidelines will be developed by the respective jurisdictional or central conference committees on episcopacy for transition in episcopal residences.

4. If a bishop dies while in active service and the episcopal residence is provided by the annual conference, the surviving spouse may continue to occupy the episcopal residence for up to 120 days following the date of death of the bishop.

### **C. Office Expense**

1. Each active bishop will receive an annual grant as set each year by GCFA to be applied towards the operation of the episcopal office, including telephone, fax, and internet service. Such grant will be paid quarterly to jurisdictional bishops and monthly to bishops in central conferences.

2. The Episcopal Fund will reimburse purchases of office equipment and furnishings at the discretion of each bishop in an amount not to exceed \$10,000 in any one quadrennium for any one episcopal area. All purchases remain the property of the episcopal office with the exception of electronic equipment such as computer, cell phone, and iPad/Kindle/Nook in the bishop's office. Each bishop must comply with and sign the electronic equipment protocol and transfer of files agreement developed by the Council of Bishops stating his/her intent to take or leave electronic equipment. If the bishop takes the electronic equipment, he/she will reimburse the episcopal office the current value of the electronic equipment.

3. Maintenance of office equipment will be an office spending plan item paid from the office allowance.

4. Capital expenditures are not reimbursable from the Episcopal Fund.

### **D. Audits**

1. **Jurisdictional Conferences.** A full audit of episcopal office and housing funds will be conducted based on generally accepted auditing standards (GAAS). Financial statements accompanying the audit will be prepared in accordance with generally accepted accounting principles (GAAP). A full audit will be conducted annually for each calendar year, and a written report will be provided to GCFA by July 31 of the following year.

When the episcopal office and housing funds are administered through the annual conference treasury, a separate audit is not required if the conference audit includes separate schedules for episcopal office and housing funds. GCFA strongly encourages the appropriate segregation of duties in the handling of episcopal funds.

2. **Central Conferences.** A full audit of episcopal office and housing funds will be conducted based on approved International Standards on Auditing. Financial statements

accompanying the audit will be prepared in accordance with International Financial Reporting Standards. A full audit will be conducted annually for each calendar year, and a written report shall be provided to GCFA by July 31 of the following year.

An audit conducted by the staff auditors of the General Board of Global Ministries (“GBGM”) will be an acceptable alternative to a separate audit by a chartered public accountant.

3. A status report on audits will be made by GCFA’s Committee on Audit and Review Committee to GCFA’s Committee on General Agency and Episcopal Matters and to the full GCFA Board. If the audit is not received on time, GCFA’s Committee on General Agency and Episcopal Matters will have the right to suspend office and housing allowance funding to the episcopal area.

4. The cost of the annual audit will be an office spending plan item paid from the office allowance.

#### **E. Moving Expense**

1. Absent prior approval by GCFA, the Episcopal Fund will be responsible for paying for only one move of a bishop during 2017-2020. In order for a move to be paid by the Episcopal Fund, it must (a) be made within the first 12 months of an assignment/reassignment of an active bishop or (b) within three years of retirement for a move by a retired bishop. Only moves within the continent of the bishop’s episcopal service will be paid for by the Episcopal Fund.

2. The Episcopal Fund will pay for the relocation of a surviving spouse of an active bishop, within the continent of the bishop’s episcopal service, if the move occurs within 120 days of the death of the active bishop.

3. Pre-approved moving storage expense is reimbursable for a 30-day period.

4. If a bishop, upon retirement, accepts an assignment of Church-wide responsibility with direct relationship and accountability to the Council of Bishops (§ 408.1d(1)), and if the assignment is such as to require residence at a specific location, the Episcopal Fund will be responsible for the payment of moving expenses to that location. In such case, a bishop remains eligible for payment of moving expenses by the Episcopal Fund to a retirement residence within the continent of the bishop’s episcopal service if that move occurs within three years of the time the assignment of Church-wide responsibility with direct relationship and accountability to the Council of Bishops ends.

5. If a bishop, upon retirement, accepts an assignment of Church-wide responsibility with a general agency or United Methodist Church-related institution of higher education (§ 408.1d(2)), moving expenses related to such an assignment are the responsibility of the agency or institution, unless the location of the assignment is also the bishop’s permanent retirement residence, in which case the Episcopal Fund will be responsible for the cost and this shall be considered the one covered moving expense. If the moving expenses to such an assignment are paid by the agency or institution, the bishop will remain eligible for payment of moving expenses

from the Episcopal Fund to a permanent retirement residence within the continent of the bishop's episcopal service if that move occurs within three years of the time the assignment ends.

6. Jurisdictional Conferences moving company. GCFA contracts with a national moving company for the relocation of household goods for bishops. If the bishop chooses not to use the moving company contracted by GCFA, three estimates are required from moving companies of the bishop's choice. Following approval, an otherwise qualifying move will be reimbursed upon receipt of the invoice.

7. Central Conferences moving company. Three estimates are required from moving companies of the bishop's choice. Following approval, the move will be reimbursed upon receipt of the invoice.

## **F. Pension**

1. **Jurisdictional bishops.** For service years beginning before January 1, 1982, pensions for the support of bishops elected by jurisdictional conferences and those of their surviving spouses will include the benefits provided by the Global Episcopal Pension Program.

For service years beginning January 1, 1982, and thereafter, pensions for the support of bishops elected by jurisdictional conferences and those of their surviving spouses and dependent children will include the benefits provided by the Ministerial Pension Plan, amended and restated effective January 1, 2007, as the Clergy Retirement Security Program (CRSP), and the Comprehensive Protection Plan of the General Board of Pension and Health Benefits.

2. **Central Conference bishops.** Pensions for the support of bishops elected by central conferences and those of their surviving spouses shall include the benefits provided by the Global Episcopal Pension Program.

## **G. Other Benefits**

1. All bishops are eligible to be covered under a group health plan. GCFA will be reviewing the bishops' healthcare plan to ensure that the plan is both providing adequate coverage and is cost effective. Bishops are covered for health benefits from the date of consecration as a bishop. All bishops will have the opportunity to participate in a cost-sharing plan for health insurance.

2. In the central conferences, if the participant is in a national mandatory health plan and there is an employer share, the Episcopal Fund will pay up to the amount paid for other bishops.

3. Retirees will have the opportunity to participate in a cost-sharing plan for supplemental health insurance coverage, as well as the cost-sharing dental and vision plans. Cost sharing will be as determined annually by GCFA.

4. Other insurance coverage and cost sharing for same will be as determined annually by GCFA.

6. The surviving spouse or one family member of a deceased bishop, invited by the Council of Bishops, will be entitled to the payment of expenses to attend the bishop's memorial service held at the Council of Bishops' meeting.

7. One family member of a deceased surviving spouse of a bishop, invited by the Council of Bishops, will be entitled to the payment of expenses to attend the surviving spouse's memorial service held at the Council of Bishops' meeting.

8. Bishops will be entitled to reimbursement to attend the funeral of a bishop or bishop's spouse within their respective college. Bishops designated as representatives of the Council of Bishops or other colleges, or those participating in the leadership at the funeral, will be entitled to reimbursement from the Episcopal Fund.

## **H. Renewal Leave, Continuing Education, and Sabbatical Leave**

1. **Renewal Leave.** Paragraph 410.2 provides that every bishop in the active relationship shall take up to three months' leave from the normal responsibilities of the episcopacy for purposes of reflection, study, and self-renewal during each quadrennium.

a. A bishop's renewal leave request will first be approved by the college of bishops and reported to the Council of Bishops. The secretary of the Council of Bishops will certify to GCFA the approved list of bishops to be on renewal leave.

b. During the period of a renewal leave, the following financial arrangements will be in effect:

(1) Cash salary will continue, subject to the provisions of (6), below.

(2) Reimbursement will be made, subject to the provisions of (6), below, within the usual guidelines for episcopal expense from the Episcopal Fund, supported by necessary documentation, will be:

i. Transportation to and from the site of renewal leave by the most direct route and the most economical coach air fare; mileage to and from the site of renewal leave reimbursed under established policies for mileage reimbursement.

ii. Expenses up to \$2,000 for the quadrennium for actual expenses of tuition and housing.

(3) Expenses incurred in providing temporary episcopal supervision by a bishop from a nearby episcopal area necessitated by the absence of a bishop on renewal leave shall be reimbursed.

(4) Meals during renewal leave are not reimbursable.

(5) Reimbursable episcopal travel expenses will not be paid during renewal leave unless authorized by the Council of Bishops.

(6) Compensation or honoraria received for any activity during renewal leave will be deducted from b. (1) or (2) above.

2. **Continuing Education.** The Episcopal Fund will reimburse up to \$2,500 of the cost of a class, seminar, workshop, or other continuing educational experiences annually. The

continuing education fund request, established by the Council of Bishops, must be completed and submitted to GCFA's Episcopal Services Manager no less than 30 days prior to the event to be considered.

**3. Sabbatical Leave.** As provided in ¶ 410.3, a bishop may be provided sabbatical leave. No travel expenses will be provided during that time.

### **I. Travel Expense**

The Episcopal Fund will pay the travel expenses of all members of the Council of Bishops in accordance with the Episcopal Fund Travel Expense Guidelines and Policies then in effect. These travel expense policies are in accordance with the General Agency Expense and Reimbursement Policies for all general funds of The United Methodist Church as approved by GCFA.

### **J. Emergency Fund (Central Conferences)**

When the safety of a bishop is threatened, evacuation expenses of the bishop, spouse, and minor children of the bishop may be reimbursed. The Episcopal Fund has limited resources to provide assistance for the replacement or repair of episcopal residences and offices destroyed or damaged by conditions of war or civil unrest in the central conferences. In consultation with staff of GBGM and the officers of the Executive Committee of the Council of Bishops, priorities will be determined to respond to needs when conditions of peace have been restored.

When GCFA has been notified that a bishop in a central conference is being evacuated due to unsafe conditions in the episcopal area, payment of housing and office allowance amounts will normally be suspended. Evacuation costs for the bishop and immediate family will be paid from the Bishops in Exile account of the Episcopal Fund upon authorization of the Council of Bishops and GCFA's General Secretary. Costs for temporary housing and/or office expenses for the interim shall be provided in the same amount until peace is restored to the area. When the bishop returns to the episcopal residence and office, payments of established amounts for housing and office support will resume.

## **II. MISCELLANEOUS OTHER MATTERS**

### **A. Office of the Executive Secretary of the Council of Bishops**

The Council of Bishops will submit an annual spending plan to GCFA providing for the expenses related to the position of the Executive Secretary and the office located in Washington, D.C. The administrative assistance and other expenses incurred by the Executive Secretary of the Council of Bishops in the performance of the duties of this office will also be included in the spending plan. The spending plan will be subject to the approval of GCFA.

### **B. Ecumenical Officer of the Council of Bishops**

The Council of Bishops will submit an annual spending plan to GCFA to provide for expenses incurred, including but not limited to travel, by the Ecumenical Officer of the Council of Bishops in the performance of the duties of this office. The spending plan is subject to the approval of GCFA.



### C. Office of Christian Unity and Interreligious Relations (“OCUIR”)

The Council of Bishops will submit an annual spending plan to GCFA providing for the expenses of OCUIR. The spending plan is subject to the approval of GCFA.

## III. FUNDING

### A. Changes During Quadrennium

If, in the judgment of GCFA, economic conditions require increasing or decreasing the amounts authorized in this report, GCFA is authorized to make such adjustments.

### B. Apportionment for the Episcopal Fund

Both the Jurisdictional and Central Conferences will be apportioned based upon the formulas recommended by GCFA in Report No. 8. GCFA recommends the apportionment for the Episcopal Fund during the 2017-2020 quadrennium be:

#### EPISCOPAL FUND

	2009-2012	2013-2016	2017-2020	\$ Change	% Change
<b>Fixed Charges</b>					
Interpretation Resources	\$ 44,000	\$ -	\$ -	\$ -	0.0%
General Council on Finance (2) and Administration	2,170,000	3,000,000	2,979,605	(20,395)	-0.7%
<b>Total Fixed Charges</b>	<b>\$ 2,214,000</b>	<b>\$ 3,000,000</b>	<b>\$ 2,979,605</b>	<b>\$ (20,395)</b>	<b>-0.7%</b>
<b>Jurisdictional On-Ratio</b>					
Episcopal Fund (2)	\$ 92,186,000	\$ 84,436,000	\$ 83,861,986	\$ (574,014)	-0.7%
Office of Christian Unity and Interreligions Relationships	\$ 5,839,000	\$ 5,213,184	\$ 5,177,744	\$ (35,440)	-0.7%
<b>Total Jurisdictional On-Ratio</b>	<b>\$ 98,025,000</b>	<b>\$ 89,649,184</b>	<b>\$ 89,039,730</b>	<b>\$ (609,454)</b>	<b>-0.7%</b>
<b>Total Jurisdictional Apportionments</b>	<b>\$ 100,239,000</b>	<b>\$ 92,649,184</b>	<b>\$ 92,019,335</b>	<b>\$ (629,849)</b>	<b>-0.7%</b>

(1) Prior to 2017-2020 Payment to CC Episcopal areas was withheld by these amounts. The minimum amount withheld was 10% of Housing, Office & Salary expenses. While these were technically not apportionments, the payment withholding was in lieu of apportionments and are presented here to fairly represent actual funding changes.

(2) Subsequent to the 2012 General Conference, the General Council on Finance and Administration approved a change in fixed charges for 2013-2026 to \$750,000 per year to better reflect the cost of support to the Episcopal Fund. The 2017-2020 apportionment represents a .7% increase from the current situation.

**EPISCOPAL FUND**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Fixed Charges</b>				
Interpretation Resources	\$ -	\$ -	\$ -	\$ -
General Council on Finance and Administration	744,901	744,901	744,901	744,902
<b>Total Fixed Charges</b>	<u>\$ 744,901</u>	<u>\$ 744,901</u>	<u>\$ 744,901</u>	<u>\$ 744,902</u>
<b>Jurisdictional On-Ratio</b>				
Episcopal Fund	\$ 20,965,497	\$ 20,965,497	\$ 20,965,497	\$ 20,965,495
Office of Christian Unity and Interreligions Relationships	\$ 1,294,436	\$ 1,294,436	\$ 1,294,436	\$ 1,294,436
<b>Total Jurisdictional On-Ratio</b>	<u>\$ 22,259,933</u>	<u>\$ 22,259,933</u>	<u>\$ 22,259,933</u>	<u>\$ 22,259,931</u>
<b>Total Jurisdictional Apportionments</b>	<u>\$ 23,004,834</u>	<u>\$ 23,004,834</u>	<u>\$ 23,004,834</u>	<u>\$ 23,004,833</u>
<b>Central Conference On-Ratio</b>	<u>\$ 722,929</u>	<u>\$ 722,929</u>	<u>\$ 722,929</u>	<u>\$ 722,929</u>
<b>Grand Total</b>	<u>\$ 23,727,763</u>	<u>\$ 23,727,763</u>	<u>\$ 23,727,763</u>	<u>\$ 23,727,762</u>