

# FACTreport

*Financial Advisory Consulting Team*

## California-Nevada Annual Conference

February 3, 2018



*FACT: Partnering to provide a holistic financial review and  
be a resource to help achieve conference vitality and sustainability.*

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Re: California-Nevada Annual Conference

February 3, 2018

## Preamble

### Financial Advisory Consulting Team (FACT) Engagement Report

The Financial Advisory Consulting Team, in the report that follows, offers recommendations to the California-Nevada Annual Conference in response to the five challenges that have been identified as a result of the study of financial data and records of the conference, interviews with conference leadership and the first engagement with the conference on October 30, 2017.

FACT advises the California-Nevada Annual Conference to first pause before consideration of these recommendations. The reason for this pause is to recognize that—in terms of financial strength and vitality—even if these recommendations are received, affirmed and acted upon, the annual conference is not sustainable if the trend of membership and attendance decreases and subsequent loss of giving is not addressed.

FACT finds that a straight line projection of these trends indicates that, within a decade, there will not be a critical mass of financial resources to sustain the conference.

FACT advises that “all hands must be on deck” to address these trends. It is our observation that leadership and accompanying resources exist within the conference to address these trends. We call attention to what is obvious, that is: because these trends have existed for over a generation, radical (root-level) changes are necessary. Such changes are necessary to enable the predictable future of non-sustainability be replaced by a preferred future of faithful commitment to making disciples for the transformation of the world. Local clergy and lay leadership, agency leadership, Episcopal and cabinet leadership must work together to address these trends. Your bishop must take the lead in this collective effort.

FACT is focused on financial matters. Therefore, we are not making recommendations to address trends of membership and attendance decreases. FACT recognizes and affirms that the annual conference has the ability to address these trends. The question that leadership must address is: Do you have the will? If you have the will you will discover the way.

FACT assumes the California-Nevada Annual Conference will respond positively to this specific challenge and offers the following recommendations concerning the challenges to the financial life of the annual conference.

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*This report reflects the opinions of FACT members, but not necessarily the views of their conferences or general agencies.*

## Background

The Council of Bishops' Pension Task Force requested the General Board of Pension and Health Benefits [doing business as Wespath Benefits and Investments (Wespath) as of July 2016] and the General Council on Finance and Administration (GCFA) to partner in providing conferences with a Financial Advisory Consulting Team—known as FACT. Under the leadership of Bishop Bruce Blake, FACT worked with the California-Nevada Annual Conference (California-Nevada) beginning in August 2017.

From a list of the California-Nevada members provided by Bishop Minerva G. Carcaño, Conference Treasurer and Director of Administrative Services Diane Knudsen, Core Team Chair Kathi McShane and Conference Lay Leader Micheal Pope, FACT conducted 25 phone interviews during September. On October 30, 2017, we conducted the first face-to-face FACT meeting at the Conference Center, West Sacramento, California. To provide denominational background and context, this meeting included a viewing of the Wespath/GCFA 2011 Financial Leadership Forum's video "UMC Realities" ([www.gbophb.org/flf2011/UMCRealitiesVideo.asp](http://www.gbophb.org/flf2011/UMCRealitiesVideo.asp)). During the meeting, Bishop Carcaño and members of the California-Nevada Conference confirmed eight critical "challenges" based on the full group's discussion of *preliminary identified* financial challenges from FACT resulting from the work of the meeting's four breakout groups. For the purpose of this analysis, "challenge" is defined as something that, if not addressed, would adversely impact the conference's effectiveness toward the Church's mission to make disciples of Jesus Christ for the transformation of the world.

## Challenges

The following eight *preliminary identified* financial challenges were shared by FACT and provided to the four California-Nevada breakout groups comprised of those attending the October 30 meeting. Each group discussed two of the preliminary identified financial challenges while also having the opportunity to identify other financial challenges as well as deem a preliminary identified challenge as not worthwhile for future FACT focus.

During the plenary session of the October 30 meeting, the attendees voted on the financial challenges; no new ones were brought forth from the breakout groups nor were any deemed unworthy of FACT's focus. Below are the votes each challenge received in terms of its priority for California-Nevada's financial sustainability. Attendees could vote for each challenge they deemed as a priority for California-Nevada.

FACT Preliminary Identified Challenges		Votes
1.	Has the lack of a strategic plan focused on mission impacted the conference in not having a standard to evaluate how resources are currently being spent?	16
2.	Is there a consistent understanding of the roles of the local church and the agencies of the conference concerning the financial ministry of the annual conference?	11
3.	Has the shift to tithing resulted in a favorable outcome and/or an unintended consequence of 10% rather than increasing current levels of giving?	8
4.	Is financial transparency of all assets of conference agencies adequate for the leveraging of assets to strengthen the financial ministry of the annual conference?	9

FACT Preliminary Identified Challenges	Votes
5. Has the successful implementation of direct billing and generous benefits led to a belief in the conference that its primary purpose is to “take care” of clergy?	7
6. Is there insufficient transparency of all existing resources which creates a lack of trust between conference agencies and the local churches?	7
7. Has the strategic plan that is not focused on mission been the barrier preventing the conference from collectively putting its shoulders to the same wheel of financial ministry?	15
8. Has the “average and maintenance” mentality of the conference lowered the standards that excellence, faithfulness and passion are not the goal?	11

In reviewing the above eight challenges, the votes and the notes from each of the four breakout groups, FACT synthesized those challenges to five challenges for this report:

**Challenge 1—Church and Conference Roles:** *Is there a consistent understanding of the roles of the local church and the agencies of the conference concerning the financial ministry of the California-Nevada Annual Conference?*

**Challenge 2—Strategic Plan:** *Has the lack of a strategic plan that is focused on mission distracted the conference from creating a roadmap to achieving its collective vision?*

**Challenge 3—Financial Transparency:** *Is there sufficient transparency of all conference assets to allow for optimal utilization of resources to meet the deliverables of a strategic plan and attain the vision and mission of the conference?*

**Challenge 4—Tithing:** *Has the shift to tithing resulted in a favorable outcome and/or an unintended consequence of a 10% ceiling, rather than giving through the church at levels that allow for fulfilling the needs of the congregations to advance the mission and ministry?*

**Challenge 5—Benefit Levels:** *Has the successful implementation of direct billing and generous benefit levels led to a belief in the conference that its primary purpose is to “take care of clergy”?*

FACT’s overall assessment of the California-Nevada Annual Conference finds that there is no current financial crisis or challenge identified that will have financial implications impacting the conference’s fiscal integrity in 2018. However, there are patterns, trends and practices that, if continued, will have a serious impact on the financial life of the California-Nevada Annual Conference. FACT compliments the leadership on their willingness to look into the future and urgently address these financial matters.

The following recommendations address the challenges. If changes are not made, it is the assessment of FACT that in three to five years the signals will become much clearer that in its present form and function, the California-Nevada Annual Conference’s sustainability will be threatened.

## Recommendations

FACT's recommendations for California-Nevada are summarized on the following pages. FACT acknowledges that a number of the challenges represent issues that California-Nevada has been experiencing for many years and in some cases has attempted to address previously, with varied measures of success. One of FACT's primary roles is to listen, and to take previous discussions of challenges out of the backroom and lift them up to the front of the room for all to see and work on—it is part of best practice for transparency and building trust.

Our recommendations are formulated keeping in mind that many of the identified challenges are also “adaptive challenges” facing the conference (i.e., “the type of work in which the conference as a whole needs to learn new skills, attitudes and behavior in order to make progress on the work at hand”). The recommendations include action plans to address challenges on a holistic basis (and thereby foster lasting change).

FACT's recommendations address the five challenges:

- 1. Church and Conference Roles**
- 2. Strategic Plan**
- 3. Financial Transparency**
- 4. Tithing**
- 5. Benefit Levels**

FACT's recommendations, in part, are significantly influenced by issues and suggestions identified by the California-Nevada members. As mentioned throughout this engagement, FACT's job is to listen and, where appropriate, help move the closed backroom discussions to the open front of the room and elevate for further discussion and action. In this way, issues can be properly vetted by California-Nevada, so the conference can prayerfully discern them and make fact-based decisions that help achieve the conference's strategy as well as the mission of The United Methodist Church—to make disciples of Jesus Christ for the transformation of the world.

Additionally, our recommendations are based on several factors internal and external to the California-Nevada Annual Conference, including research that involved analysis of the California-Nevada data and records, many e-mails and phone calls, our regular contact with other UMC conferences (including consideration of their successes and failures), as well as our experienced and diverse professional judgment.

FACT's focus is on assisting key bodies of the Church to both regain their vitality and be self-sustaining (living under their means; saving some for rainy days or opportunities; and, as necessary, right-sizing their resources—including people and property—to fully fund their Connectional obligations including apportionments, pensions, insurance, etc.; and to harvest the mission field as we are called to do).

Please be assured that we are not asking you to abandon your own initiatives that are in process to solely run with the FACT recommendations. Rather, we are inviting you to rethink some of your efforts in light of our current recommendations and your ultimate vision and strategy. That is, assess if your current ministries and efforts are in alignment with the best manner in which to get to where you want and need to be and, if so, connect and prioritize them with the FACT recommendations for optimal effectiveness.

Bishop Carcaño intends to address the following recommendations and discern whether a critical mass of conference leadership directionally embraces them. If so, they will optimize California-Nevada's investment of prayers, presence, gifts, service and witness in the California-Nevada Annual Conference and the connection.

Proper implementation of these recommendations can yield substantial financial progress. Timely implementation helps ensure that all resources—people, property and money—are optimally put to work, creating a highly effective organization that fosters missional and financial discipline and moves away from costly, ineffective practices.





### **Challenge 1: Church and Conference Roles**

*Is there a consistent understanding of the roles of the local church and the agencies of the Conference concerning the financial ministry of the California-Nevada Annual Conference?*

The recommendations to address this challenge are based on the following assumptions and findings:

- The financial strength of the conference is dependent on the financial strength of local churches. The direction and flow of energy and resources must be orchestrated with this in mind.
- The conference exists to support and strengthen local churches, rather than vice versa or with the analogy of the local church being the engine for disciple-making, financial stability and growth while the conference is the caboose providing support to enable local churches to experience faithfulness.
- The awareness of “deep and varied pockets” of financial assets has led to the perception that the conference has all the resources needed and local churches are the “have-nots.”
- A dual universe system existing alongside (not with) each other is present in the conference. One universe is the local church universe. This universe is strengthened by the establishment of circuits to connect the leadership of local churches with each other. The other universe is the universe of conference agencies. This universe is well-connected within itself. The reality is that these two are not intimately connected and a gap exists between them, which results in an “us versus them” life in the conference.
- The key to an organization reaching its potential is effective internal communication. Without effective internal communication Annual Conferences experience “disconnects” and “great divides” between lay and clergy, between the conference and local churches, between elders and local pastors/lay ministers, and between language groups and sub-cultures.
- The California-Nevada Conference leadership must embrace the tenet that “Communication is Leadership.”

#### **Recommendation 1.1: Develop a strategy to create a venue for the foundation for effective communication: listening.**

The reality of the California-Nevada Annual Conference is that lay persons in the pew do not have any experience of the “listening ear.” Lay persons do not experience their pastor to be a representative of the connection within their community of faith. Often this is the result of pastors not being attentive and thus not interpreting the understanding that they are sent to serve the local church and therefore are responsible to represent the connection which sends them. The consequence is “congregationalism” instead of “connection.” Furthermore, lay persons do not experience the district superintendent to be one who listens to their concerns, except as it relates to their appreciation or discontent with their pastor.

United Methodist polity affirms the district superintendent as the key connectional officer. Historically the annual church/charge conference afforded the opportunity for the laity to have access to the “listening ear.” Group church/charge conferences have become the norm. These group experiences have become the opportunity for promotion, interpretation and storytelling concerning the connection but not an opportunity for lay persons to share concerns and observations or ask questions of the key connectional officer.

*The foundation of a relationship of trust is the experience of being heard. In other words, listening is basic to relationships in which communication is experienced.*

A key component of creating this foundation is that the Cabinet commit to have district superintendents work with every local clergy to create an experience of “listening to the laity in the pews” in every local church. Listening events are best in small group setting. These events should take place in a comfortable and familiar environment for the participants. In some cases the local charge conference may be the best venue for a listening event. The listening event must be in the community of faith of the laity.

Lay persons cannot be expected to be financially supportive of the connection if they have not experienced the listening ear. Lay persons cannot be expected to be open to promotion and interpretation if they have not first been heard. Lay persons cannot be expected to access information about the connection via e-mail or the website if they have not experienced the listening ear.

The sources of financial strength and vitality of discipleship are lay persons in the pews. FACT urges that these sources be nurtured by the district superintendent and pastor to create experiences of listening, which is the foundation of relationships of understanding and trust.

The implementation of this strategy (to create a venue for the foundation for effective communication: listening) will also provide the first step in developing a strategic plan as addressed in Challenge 2, i.e., beginning by listening to those who will be responsible for executing the plan.

It is recommended that the pastor or local church lay leader be assigned the tasks of capturing the listening event on a prescribed common reporting form, the compilation of which will be communicated throughout the conference once specifically assigned to the strategic planning core group for their work.

### **Recommendation 1.2: Develop an enhanced communication strategy in the conference.**

This communication strategy must be multifaceted in recognition of the enriching diversity of the California-Nevada Annual Conference. This strategy must open channels of communication between the two universes of the conference, with the intent of creating a single universe rather than the dual universe system that currently exists.

The essential component of this strategy must be to connect lay persons in the pews with the connection. This strategy must be developed with a horizontal understanding of the connection—(back and forth communication)—rather than a vertical understanding of the connection (top-down or bottom-up). This strategy must be developed recognizing that what will be effective with one language group will not be effective with another. What will be effective with one racial/ethnic group will not be effective with another. What will be effective with one age group will not be effective with another. What will be effective for full-time elders will not be effective with part-time clergy. What will be effective for clergy will not be effective for laity.

The complexity of such a strategy is daunting at first sight. The necessity of such a strategy is obvious. The interviews leading up to and the engagement during the October 30, 2017, FACT meeting clarified that what currently exists is not creating a conference in which communication is open, horizontal, conversational and ongoing.

FACT recommends the following steps to enhance communications in the conference:

- Recruit lay persons who have addressed and developed multifaceted communication strategies in corporations and institutions within the boundary of the annual conference. These individuals

have developed strategies that empower diverse communities to come together in a single universe system enabling corporate strength and vitality.

- Have the annual conference director of communication direct the identification and recruitment of these lay persons to serve on a 10-12 person think tank/task force to develop this strategy for the conference. The “us versus them” mentality that exists in the conference must be addressed for the potential strength of the conference to be experienced. An enhanced and multifaceted communication strategy is essential for this to be experienced in the California-Nevada Annual Conference.
- Ensure continued involvement of Episcopal leadership throughout these steps for enhanced communication.

The implementation of this enhanced communication strategy will be the vehicle for financial transparency, the need for which is addressed in Challenge 3.

### **Challenge 2: Strategic Plan**

*Has the lack of a strategic plan that is focused on mission distracted the conference from creating a roadmap to achieving its collective vision?*

A well-designed strategic plan is one that can be utilized to align resources and be instrumental in decision-making for ultimate support of the conference direction. Effective and consistent participation in and communication with local congregations (the source of financial resources) in the development of the plan is essential for the plan to be visionary and operational in the life of the conference.

From Bishop Carcaño’s 2017 Episcopal Address, priorities associated with strategic planning were identified:

- *Ministering to all people, but giving special emphasis to our ministry among the marginalized: the poor, immigrants, and young people who are having their lives cut short in the school-to-prison pipeline;*
- *Working in circuits to renew our established congregations and continue planting new places for new people;*
- *Aligning our ministries with the four areas of focus of The United Methodist Church.*

To provide context to the current California-Nevada situation, Bishop Carcaño also shared during the address:

1. *Our Decline in Membership: Over the last 27 years our membership has declined by almost 20,000. (Note: 2016 membership from GCFA information is 72,266.)*
2. *Our Stewardship: I strongly believe we need to give greater attention to our stewardship. While I commend you for growing in your tithing to the connectional church, an examination of the giving in our local congregations reflects that at the base of who we are, we are not a tithing people.*
3. *Our District Structure: In learning about the ministry of our conference especially through our DSs and our pastors, I have come to the assessment that four districts are insufficient for the*

*ministry demands and especially the ministry opportunities of an area the size of our conference. The work of attending to the care of established congregations while also responding to the population growth within our area would benefit from an additional district and DS.*

FACT realizes that there has been prior work associated with the 2011 California-Nevada strategic plan. As such, FACT recognizes, however, that there seems to be a lack of awareness about and traction for the strategic plan from 2011. FACT's recommendations below are intended to move the annual conference to embark on a new beginning.

**Recommendation 2.1: Take a new and fresh approach to strategic planning.**

Before this work initiates, know that the key to the success of any successful development and implementation of a strategic plan is its development with participation from the "ground up" rather than solely "top down." Recommendation 1.1 sets forth a strategy to begin this approach, incorporating a venue for the foundation for effective communication: listening. FACT urges the current Core Team to augment its present membership (currently 12 voting members) with diverse representation from the local church level for the work of strategic planning.

This includes having people from the pews contribute to visioning work for the strategic plan. Concurrent with a review of the strategies is a fresh look at what is envisioned for California-Nevada in terms of future state. *A successful strategic plan cannot be an edict from those in the top rungs of an organization.* What is a meaningful and motivating vision that will be embraced in the pews, at the grassroots? Are the strategies clearly stated, robust enough for the local church context and realistically achievable with solid focus, resource alignment and enthusiasm?

A place to begin this overall work is to assess the four foundational building blocks from the diagram below (*from California-Nevada's 2011 strategic plan*).



The current vision of the California-Nevada Annual Conference:

*Our priority is to re-position the Conference—every aspect of its structures, human resources, financial resources and program emphases—to foster, encourage and support the work of local churches to act as agents of God's mission.*

Strategic needs and intent should be reflected in the collective vision for the conference. Buy-in and ownership of the vision must penetrate at the local church level. Note, however, that not every church will be on board with the conference's vision and strategies. The conference leadership's energy and efforts must be directed toward those churches that are willing to work toward the conference's collective vision and support the desired outcomes. Several activities can guide this effort:

1. Launch a visioning approach that represents all levels of the conference
  - Determine who will join or assist the Core Team with this strategic planning work, reflecting on the diversity of the conference and need for input from people in the pews. This visioning approach should include views from both:
    - Those who have a conference-wide, big picture and possibilities perspective; and
    - Church leaders (pastors and laity) who have demonstrated successful turnaround and innovation

- Craft a collective vision for the conference that undergirds the strategic direction
  - Build on the listening approach developed under Recommendation 1.1 to collect feedback and insights from people in the pews
  - Identify what strategies and activities of the plan will be moved forward through efforts at the grassroots and local church level, and associated timing of those strategies and activities
2. Determine desired outcomes, resourcing and timing for implementing the plan
    - State major milestones that drive implementation of the plan and provide monitoring of progress for the plan's outcomes
    - Assign and align resources (people, dollars, time) for coordinating implementation of strategies and associated activities
    - Integrate budgets with activities of the plan to commit to the work of the plan

The new strategic plan with an affirmed collective vision and aligned resources will yield an embraced, intentional and understandable roadmap for California-Nevada's realization of that vision. Decisions and options facing the conference can be evaluated by assessing which choices support the plan and advance the vision. Measurement and reporting of outcomes are crucial components of the plan. Ongoing communication about the plan's progress and any challenges also is crucial.

Some suggestions for approaching the work of this recommendation are captured below.

- Conduct local church listening events as recommended in 1.1 (perhaps an all-day session) to explore current needs and discuss strengths, weaknesses, opportunities and threats (SWOTs)
- Have the Core Team, following the listening events, synthesize what has been heard in the listening events
- Tap into existing structures to share information related to the emerging strategic plan modeled on "Partnering for God's Mission in the World"

FACT can provide guidance for strategic planning work.

**Recommendation 2.2: Develop a practical approach to monitoring and reporting strategic plan outcomes.**

As the strategic plan work unfolds, it is crucial to understand progress of the plan and report status. For information sharing with the people in the pews, with the grassroots, there must be a practical approach to monitoring and reporting how the conference is doing and what outcomes are resulting from the plan's implementation. Toward that end, the Core Team needs to accomplish the following:

1. Establish which persons will be accountable for providing status of particular sets of activities associated with the plan's implementation
2. Clarify what is being monitored and at what level of detail
3. Determine how these components of monitoring the plan are integrated for a combined strategic plan update
4. Indicate frequency for providing updates about the plan's progress and outcomes to date



**Recommendation 2.3: Communicate the strategic plan to church members through clergy and lay leaders.**

A plan that is not disseminated “far and wide” won’t be the desired call to action to engage with the church members, the people in the pews. The communication strategy recommended in 1.2 should be utilized. People in the pews, after all, those at the local church level, are essential for implementing the plan. It is worth remembering that “Communication is Leadership.” Clergy and lay leaders at the local church are vital messengers for the work of the strategic plan. They must be able to state—preferably with passion and commitment—the vision for the conference and highlights of the plan. Be aware that some of these leaders are more likely considered “movers and shakers,” others as “road blockers.” Communicate as directly as possible to the grassroots and enlist folks to do just that. Let local church leaders determine the best approaches for effective communication to the grassroots, to the pews. The strategic plan must be easily understood and well-known at all levels throughout the entire conference. This helps everyone row in the same direction.

Steps for successful communication of the plan include:

1. Develop a communication template allowing flexibility for diversity of the local church context and leadership with essential information regarding:
  - Who helped shaped the plan and by what process
  - What is in the plan
  - What will be reported and how regarding plan progress and at what frequency
  - How the collective vision and strategies resonate with the grassroots, at the local church level
  - What needs to be elevated going forward for work at the local church level to advance the plan
2. Use the 2019 Annual Conference session to share the plan’s highlights with session attendees:
  - State directly what are the focus and priorities for local church ministry for clergy and laity
  - Provide expected timing and milestones of work across the conference including at the local church level
  - Inform attendees about the approach for reporting on milestones and progress
  - Communicate upcoming next steps

Also inform how questions about the plan can be posed and answers provided (e.g., create a conference e-mail address to submit questions, and determine who monitors and responds to those questions). There can be no disconnect between congregations and the conference as to the vision of and actions required for implementation of the strategic plan.

*Trust is built through sharing information openly, clearly and often.*

**Challenge 3: Financial Transparency**

*Is there sufficient transparency of all conference assets to allow for optimal utilization of resources to meet the deliverables of a strategic plan and attain the vision and mission of the conference?*

The question of financial transparency is truly a multifaceted topic ranging from one end of the spectrum (to develop relevant and simple financial information that will be valued by all members of the annual conference) to the other end (to ensure there is a consolidated singular view of the assets that the conference has at its disposal to meet the missional needs and collective vision of the conference). The level of discussions and comments made by FACT participants surrounding this topic of financial transparency was noticeably more significant than any of the other 16 conferences that FACT has worked with in the recent past.

The reality is that financial resources are tied to the opportunity to deliver on mission and ministry within a conference. Both the lack of readily available and understandable financial data and the impression that there are pockets of significant funds heavily protected is difficult to reconcile for struggling local churches—it leads to a feeling of distrust. While the local churches are the financial engine within a conference and their efforts will lead to the growth of financial resources, the existing resources, financial trends and associated projections are owed to the members to be shared in fully transparent means.

FACT's findings and beliefs are that while the annual conference is blessed to have significant and sufficient resources, the inability, and in some cases, perceived unwillingness to share resources and even information is a major hurdle that needs to be overcome in order for connectionalism to succeed and flourish in the California-Nevada Annual Conference. While there is widespread belief that the financial agencies are professionally managed, the need to communicate information that leads to conference-wide member and church understanding of needed and available financial resources is critical to moving the conference forward with its mission and ministry. To that end, FACT has the following recommendations:

**Recommendation 3.1: Develop a conference-wide financial statement.**

The California-Nevada Annual Conference is blessed to have significant assets in terms of liquid and illiquid investments as well as being located in an area of very high real estate values. However, one cannot overlook the fact that the conference is in a state of rapid decline, with a significant number of small and financially struggling churches, coupled with the need to utilize available resources for mission and ministry for the formation of disciples. This must be reconciled within the conference. The inability to adequately identify available financial resources across the conference is a contributing factor to California-Nevada's significant challenges to survive and thrive. Additionally, as commented on earlier, the perception that there are "large pools of assets" that are being protected for certain interests has led to a lack of trust between local churches, the conference and agency organizations.

The conference leadership is entitled, and in FACT's opinion required, to have a complete view of all of the assets, expenses and liabilities of the entities they are expected to lead. While commented on in Recommendation 3.3, the integration of the districts, extension ministries and agencies into a more holistic view is important for many reasons. The fact that multiple audit firms are used for the various groups is also an area that should be considered, not only for consistency of review, but also for a potential financial savings due to gained efficiencies. As a result, FACT recommends that there



be a high-level task force formed to review and chart a course for financial reporting consolidation for the benefit of the annual conference.

**Recommendation 3.2: Create a task force to develop financial messaging that tells the story of the financial picture for the local church members and utilizes the enhanced communication strategy.**

One of the most notable areas of conversations during the October 30, 2017, meeting surrounded financial insights: while it was generally viewed that all of the financial entities and agencies were professionally and effectively run and that financial information was available either at Annual Conference or upon request, individuals are not able to absorb the important messages surrounding the financial well-being of the conference. The fact that complex financial tables are shared at Annual Conference is not adequate for individuals to truly understand how all of the resources are being utilized to help grow the conference. FACT heard consistent messages of belief that things are well-run from a financial perspective, but understanding what that means is lacking and very prevalent in the conference. Recommendation 1.2 sets forth the approach for the enhanced communication strategy, which will support broader understanding.

From the churches' perspective, they are continually being asked to increase giving and meet the tithe level. At the same time, however, local churches are not aware of how the funds are being used. That is, while churches may see financial tables, there is a lack of any connection of that information to the churches and members. Furthermore, the perception by many that there are independent and large pockets of assets with unclear designation leads to the feeling that various groups are more concerned about "protecting theirs" rather than sharing resources to support the collective vision of the conference.

The California-Nevada Annual Conference should embark on an initiative that draws significant representation from the local church level to provide guidance to the communications and finance areas on how to develop and deliver regular communications in a dashboard style that is understandable and useful by the local churches. Data turned into information that is consistent and easy to understand is an important step to improving the level of trust and reducing the "word of mouth" negative perspectives and comments.

**Recommendation 3.3: Centralize the financial activity and bookkeeping of the districts with the Conference Treasurer's Office.**

While FACT recognizes that there are still some conferences that allow for financial and administrative maintenance at the district levels, the California-Nevada Annual Conference is in a position that demonstrates a true need to more adequately control the financial reporting as well as accumulation and distribution of funds by the districts/district unions at the conference level. *The Book of Discipline* ¶659 speaks to the establishment of district conferences/district unions, and in our legal interpretation, ultimately owes a responsibility to the annual conference for reporting. The fact that the individual districts are accumulating funds through the proceeds of the sales of churches, determining the reallocation of assets and not regularly reporting to the Conference Treasurer's Office is an area of oversight that should be addressed in short order.

While FACT knows there are other conferences that have decentralized financial processes, we have not run across a conference that does not provide information for oversight and audit inclusions at the conference level. Recognizing that these have political and historical perspectives, a well-

considered and structured approach to addressing an administrative review at the district level is required. Initially, FACT would recommend the formation of a Review Team with representation from the Cabinet, Council on Finance and Administration (CF&A), Board of Trustees and Conference Treasurer to begin the analysis of current practices with the goal of ensuring that best financial practices are utilized across the conference. FACT is aware of work that has and is being done in other annual conferences and of two individuals with prior experience in this area who are providing consulting work to help analyze and lead a conference in what can be a long, sensitive and complex transition taking as long as 3-4 years. FACT recommends that the California-Nevada Annual Conference entertain connecting with this consulting team to assess how best to use their gifts and talents and initiate this work.

**Recommendation 3.4: Improve collaboration and alignment of the financial agencies across the conference.**

While there are additional comments provided within Challenge 5 (Benefit Levels) surrounding the Conference Claimants' Endowment Board's role in supporting the Board of Pensions and corresponding retiree health and Pre-82 Defined Benefit Plan obligations, FACT found that the relationships between some of the entities are independent to an extreme and thus not collectively operating with the vision and mission of the conference as their core focus. This finding for California-Nevada Annual Conference contrasts significantly from FACT's experience during prior engagements with other annual conferences. FACT recognizes that these entities have solid reasons for maintaining independence and missions of their own to strive for. Similarly, the conference has at its core an obligation to support the local church. These entities, however, are a part of the greater body of the annual conference and need to work in collaboration with conference leadership. The Conference Benefits Office has done some work to identify long-range funding needs such as comparing assets to liabilities. Nevertheless, the conference should prioritize ongoing review of financial needs across conference entities and explore opportunities to gain efficiencies and financial benefits by considering all the parts from the perspective of the conference as a whole, rather than as distinct entities.

The Conference Claimants' Endowment Board (CCEB) of the California-Nevada Annual Conference has at its mission to support the retired clergy and their spouses. Toward that end, the Endowment Board has been supporting the retiree health and defined benefit obligations in the amount of \$1.6 million for each of the last three years and an identified amount of \$44 million to the Conference Board of Pension (CBOP) and Retired Clergy Association since inception in 1891. While the California-Nevada Annual Conference is blessed to have this source of funds to alleviate a portion of the financial burden of retiree health expenses, a review should be held to ensure that the relationship between the conference and CCEB is understood from a legal and business perspective. As with any large endowment, supporting the endowment's purpose and mission should be the ongoing and long-term priority, balanced accordingly with asset accumulation over time. With assets over \$125 million as of April 2017, the recent grant awards to the Conference Board of Pensions have been approximately 1% annually.

As commented earlier in this report, there needs to be significant self-inspection of the financial needs of the conference and the maximization of resources to stem the tide of decline in the conference. This requires formulating a collective vision, mission and strategic plan understood and supported by all—setting aside current practices of separation, political and turf issues, and ensuring all are rowing the boat in the same direction even as unique tasks and responsibilities exist.

#### Challenge 4: Tithing

*Has the shift to tithing resulted in a favorable outcome and/or an unintended consequence of a 10% ceiling, rather than giving through the church at levels that allow for fulfilling the needs of the congregations to advance the mission and ministry?*

It was made clear to FACT from the outset that the 2013 shift from an *apportionment formula* for supporting the conference's connectional share to a *tithing model* was popular with local churches. The Conference treasurer has reported an increase in collections from \$4.8 million in 2013 (the year the change was adopted, but the last year prior to implementation) to over \$5.3 million in 2016, with 2017 collections on pace to exceed 2016. FACT believes these numbers answer the question of the change resulting in favorable outcomes.

According to data provided by the conference treasurer, 99 churches out of 362 (about 27%) exceeded the 10% mark in their 2016 tithe remittance to the conference, and 75 churches (21%) remitted 9%-10%. But 188 churches fell below the 9% remittance rate, with 83 below 5% and 33 churches remitting nothing in 2016. Data analyzed by GCFA suggests that the tithe model has been an effective means of bringing all churches 'on-board' as evidenced by a rise in the percentage of churches paying a higher percentage of their tithe base over time (e.g., see Table 1 in Recommendation 4.2).

For instance, in 2012, 61.45% of California-Nevada churches paid over 5% of their tithe base in apportionments. This figure rose steadily to just under 78% in 2016. In 2012, 41% paid over 8% of their tithe base in apportionments, and again this figure rose steadily to 59% in 2016. There also was a rise in the payment of General Church apportionments from 58% in 2013 to 71% in 2016. So again, this supports the conclusion that the change has indeed produced favorable outcomes.

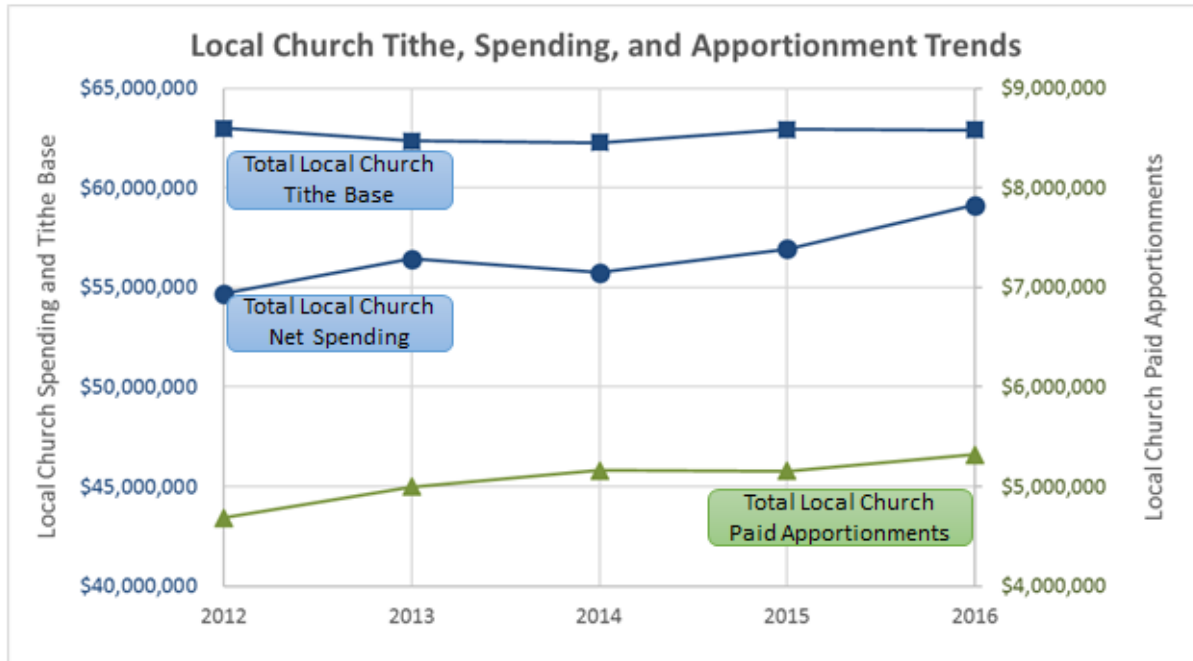
FACT celebrates with the California-Nevada Annual Conference the positive outcomes that have resulted through the 2013 legislation that created the new conference funding method. However, FACT shares four concerns that we hope will continue to be on the conference radar. These concerns are reflected in our recommendations:

1. The long-term viability of tithing as an alternative apportioning system
2. Forward movement toward wider participation at the 10% level and beyond
3. Reinforcement of the Conference-Local Church Covenant in funding this way
4. Interpretation of collection rate/General Church apportion remittance rate difference

**Recommendation 4.1: Call together a team of financial leaders to project into the future the sustainability of the tithing model for funding conference programming and mission, General Church apportionment remittance and the continued support of local church disciple-making.**

FACT suggests that the team of financial leaders form a Sustainability Team. Regarding the long-term viability of tithing, it is instructive to view trends in local church net spending (on which General Church apportionments are based), local church tithe base (an income-based factor on which conference apportionments are based), and local church-paid apportionments. Figure 1 below illustrates these trends. From the figure, it can be seen that local church-paid apportionments are indeed increasing from under \$5 million in 2012 to over \$5 million in 2016, bringing local church remittances ever closer to 10% of the total local church tithe base of approximately \$6.3 million.

Figure 1: Local church trends in spending, tithe base and remitted apportionments



However, it can also be seen that this tithe base has largely remained static from 2012 to 2016. During this same period, total local church net spending has increased from \$55 million to just under \$60 million. This increase alone would generally result in higher General Church apportionments (i.e., without consideration of the Base Percentage), and a situation can be envisioned whereby even though 100% of California-Nevada churches are paying their full 10% tithe, California-Nevada as a conference is unable to pay increasing General Church apportionments due to the disconnect between spending and income-based apportionment formulas.

As noted earlier in this recommendation, FACT suggests that a team of financial leaders form as a Sustainability Team. This Sustainability Team’s focus should be on projecting into the future to address issues that might be obstacles to continued success of the tithing model, such as a challenge to its legality under the existing provisions of the 2016 *Book of Discipline*.

At least two other annual conferences have proposed “tithing” in place of an apportionment formula, and have been challenged and overturned by the UMC’s Judicial Council. They can be explored in the following rulings:

- Iowa: <http://www.umc.org/decisions/41975>
- Indiana: <http://www.umc.org/decisions/42072>  
<http://www.umc.org/decisions/42097>

FACT is not aware of any challenge to the California-Nevada plan, but we believe it is important that continual study of the formula and the direction of the 2016 *Book of Discipline* be considered to keep this policy in compliance.

In Decision 1172, the Judicial Council made the following ruling:

*“The Annual Conference shall apportion the same to the several districts, charges, or churches by whatever method the conference may direct, but without reduction. The full amount must be budgeted and apportioned. The bishop’s ruling is modified to state expressly that the full obligation of the general church funds must be apportioned without reduction.”*

The proposed Sustainability Team will have a better understanding of the crafting of the allocation of remittances to the conference treasurer to determine if the adopted policy below would meet those disciplinary requirements:

*“The Council on Finance and Administration (the Council) recommends a 2017 budget totaling \$6,294,144. The recommendation is labeled “aspirational” because the Council believes it reflects the level of church tithing achievable if all churches tithed 10% of their operating income in accordance with Conference Standing Rule VI.D. The Council used the 2015 statistical tables to estimate operating income for all churches. The aspirational budget reflects the Council’s recommendation on how this level of giving would be spent. The 2017 general and jurisdictional apportionments are those published by GCFA and the Western Jurisdiction in advance of the General and Jurisdictional Conferences.”*

*“The Council includes a spending plan alongside its recommended budget. The spending plan provides another scenario of conference spending that might be considered more conservative or more realistic than the budget recommendation itself. Total spending for general and jurisdictional apportionments has been increased from 25% to 25.5% of total spending. Approval of the budget and the spending plan means that 25.5% of the first \$5,432,701 in tithes will be paid to general and jurisdictional apportionments and 100% of tithes over \$5,432,701 will be paid to general and jurisdictional apportionments.”*

*2016 California-Nevada Conference Journal, p. 197*

**Recommendation 4.2: Implement a communication plan to celebrate the positive growth churches have made in their journey toward full tithes.**

The communication plan should inform how the full tithing journey has empowered not only conference ministries but the ability of the conference in 2016 to remit its General Church apportionments at the highest percentage in recent years. Communications should also emphasize the covenantal nature of this change between conference and local church.

It is often helpful to remind ourselves in these consultations that the challenges identified did not come from the FACT team, but from the conference. In the interviews FACT conducted, we heard concern for how moving from an apportionment formula to the tithe model would impact the conference. In small groups that discussed the tithe model, the only positive news we heard was that “the churches seem happier” with the new system.

The indication seems to be that there is good news here that could be more broadly communicated to church members. It is hard to know if this news is lost in a louder narrative of scarcity and decline. The perception might be that the movement to the tithe model was a desperate step or an appeasement to struggling churches, while the data seems to suggest that giving has improved on all fronts: in the tithe that is being remitted and in the items which were moved out of apportionments to direct bill. There is a good news story that needs to be told and celebrated.



There is still growth to be realized, and still goals to be met. When the conference converted to the tithe model, a covenant was established between the churches and the annual conference. The conference stepped out of the role of calculating and imposing an apportionment, and churches would take on the role of modeling faithful tithing for their congregations. Clearly many churches have taken that covenant quite seriously. There are some who are getting close to the tithe, some who have a long way to go, as well as some who are not participating in this covenant at all.

*Table 1: Proportion of churches paying over a percentage of their tithe base over time (based on GCFA local church statistics)*

	2012	2013	2014	2015	2016
% of Churches Paying > 2.5% of Tithe Base	73.74%	78.09%	81.59%	79.83%	84.17%
% of Churches Paying > 5.0% of Tithe Base	61.45%	69.10%	75.35%	73.95%	77.50%
% of Churches Paying > 7.5% of Tithe Base	45.81%	49.44%	60.91%	61.06%	64.72%
% of Churches Paying > 8.0% of Tithe Base	41.34%	44.94%	57.22%	57.70%	58.89%
% of Churches Paying > 9.0% of Tithe Base	29.89%	34.55%	48.44%	45.94%	48.33%
% of Churches Paying > 9.9% of Tithe Base	19.27%	26.12%	30.88%	29.13%	33.89%
% of Churches Paying > 11.0% of Tithe Base	10.34%	16.57%	10.76%	9.80%	8.33%
% of Churches Paying > 12.0% of Tithe Base	7.26%	9.27%	5.67%	3.64%	4.44%
% of Churches Paying > 13.0% of Tithe Base	4.75%	6.46%	3.68%	1.40%	3.33%

The communications should celebrate the successes at all levels, while lifting this idea of covenant and stressing the great work that can be accomplished as participation grows. Table 1 celebrates the growing participation in tithe giving, focusing on the positive and not shaming those whose participation rate has been low or absent. However, it is important that those whose remittance is 0% are not ignored, but instead know that this has been noticed and are encouraged to make progress toward the tithe. FACT celebrates the great progress made by the California-Nevada Annual Conference in local church remittances for the conference budget and the clergy benefits that have shifted to direct-bill. This has happened as the result of diligent work on the part of your conference leaders and a willingness to step out and try something different. With an eye on the future, and creativity in telling the story of the difference being made by churches living into this new covenant, we are hopeful that this upward trend will continue.

**Challenge 5: Benefit Levels**

*Has the successful implementation of direct billing and generous benefit levels led to a belief in the conference that its primary purpose is to “take care of clergy”?*

While there is a general shift toward cost-sharing and increased awareness of consumerism across the denomination (and beyond), the significant resources available currently to fund benefits have led to a sense that funding benefits is more important than fulfilling God’s mission. A manner of entitlement has quietly emerged. As such, a strategy must be put in place to shift the current sense that funding benefits is an end in itself to one of funding benefits as a strategy to help clergy to enable local churches to make disciples of Jesus Christ for the transformation of the world.

Unquestionably, good benefits are essential for maintaining clergy health, well-being and morale. Nevertheless, these benefits should not hinder the church's ability to deliver on its mission and pursue its vision. Benefits extended to clergy should be both a fair compensation for the work and commitment and based on the resources of the local church. Moreover, any church's financial resources are allocated for more than just covering compensation and benefits for church staff. After all, the lights must stay on and mission outreach must take place.

The majority of churches in the California-Nevada Annual Conference are "smaller" churches (150 or fewer attendees) and in general, churches of this size tend to spend a substantial portion of their budget on clergy compensation and (direct billed) benefits thus creating tension between what the church needs to fulfill its mission and vision and what it has available to care for its clergy.

FACT reviewed clergy data and church demographics of the California-Nevada Annual Conference and found a number of smaller churches (fewer than 100 attendees) that have clergy appointed full-time. There may be opportunities to explore what other conferences are doing when establishing appointment percentages. For example, some annual conferences tie the clergy appointment percentage to the number of attendees of a church.

**Recommendation 5.1: Establish a conference team to work with local churches to determine guidelines or parameters for the church to assess what is sustainable (clergy appointment percentage, compensation and benefits) to carry out its mission.**

This group can work closely with the local church to help the church determine what portion of its budget is appropriate to spend on clergy compensation and benefits based on the church income, worship attendance, geographic setting and other factors. This effort includes local churches taking a hard look at their finances.

As the guidelines or parameters are developed, it is also important to implement them over an adequate period of time. It cannot happen overnight and may need to be implemented over an extended period of time. Perhaps this can be initiated with new entrants.

Currently the California-Nevada Annual Conference provides retirement benefits under the Clergy Retirement Security Program (CRSP) to clergy serving appointment of 50% or higher. This may alleviate concerns from clergy moving from one appointment percentage to another.

**Recommendation 5.2: Continue to review health benefits programs for active and retired members of the conference.**

It is important to recognize that certain areas of the California-Nevada Annual Conference are located in areas that have high gross health care costs. This may be a leading factor contributing to the high health insurance premiums in this conference when compared to the premiums in other annual conferences. However, there are other factors contributing to the high health care costs.

Based on review of the medical benefit plans offered by the California-Nevada Annual Conference, the plan designs are very generous when compared to other conferences. In addition, the clergy cost-share (the amount clergy who participate in the conference's group health plan are expected to contribute toward the cost of premiums) also appears to be very modest when compared to amounts required to be contributed by clergy in some other conferences.

Currently, the California-Nevada Annual Conference offers two group medical plans to active clergy members. Although the plans are high-deductible plans (\$3,000/\$6,000 in the Kaiser Permanente

HMO plan and \$4,000/\$8,000 in Blue Shield Preferred PPO plan), a health reimbursement account is in place whereby the conference—not the clergyperson—pays for the deductible (clergy pay \$0 of the deductible). Wespeth's experience has been that greater exposure to some out-of-pocket costs may cause a "consumerism" effect, which could reduce some costs like emergency room utilization (individuals might instead choose less-expensive urgent care centers when appropriate) and excessive or costly lab or imaging services.

Participation in the conference's group health plans is not mandatory. This means clergy can elect not to participate in the conference's group plan because they may have access to more affordable coverage elsewhere (through a spouse, former employer, the government or an individual policy). There is a risk of adverse selection when group plan participation is not mandatory. A review should be made of participants in the conference group health plans as well as the plans' claims experience to determine whether younger clergy are electing not to participate in the conference's group health plan and, if so, what effect this may be having on the conference's claims experience. California-Nevada Annual Conference can then explore whether a mandatory group health plan would be beneficial to the conference.

Similar to what the conference is doing with retiree medical benefits as outlined below, the California-Nevada Annual Conference needs to assess the health benefits programs for active members from a long-term perspective to ensure that benefit levels and cost-share are appropriate and sustainable—especially with many small churches struggling financially. More cost shared with participants can also impact participant behavior, which in turn improves financial sustainability for the churches.

As has been the case in other annual conferences, the California-Nevada Annual Conference has recently experienced substantial increases in its retiree group health insurance rates. The conference should explore other health care options and evaluate their plan design and clergy cost-sharing to determine what is appropriate and sustainable for the conference on a long-term basis.

Currently the California-Nevada Annual Conference offers four retiree group plans. Eligible retirees receive a subsidy from the Conference Board of Pensions (CBOP) to help pay for their health care costs. The subsidy is based on years of service [minimum years for subsidy support start at 10 years—50% of the top amount (\$1,900/\$3,800), with a 5% increase per year of service (up to 20 years—top rate of \$3,800/\$7,600)]. In addition to the subsidy, the CBOP in 2018 is utilizing reserve funds to avoid passing premium increases to retirees and their spouses.

The California-Nevada Annual Conference has already taken steps to explore other options and is strongly considering a partnership with Wespeth to use Via Benefits (formerly called OneExchange) to provide health care benefits to its retirees and spouses beginning in 2019. Via Benefits is a leading provider of health care solutions and works as a portal, providing retirees with a marketplace of many different Medicare supplement plans including those offered by well-known national and regional companies. Because this type of "Medicare Exchange" uses large, growing risk pools, it drives carriers to compete on price. Under this model, eligible retirees receive a health reimbursement account (HRA), which is a subsidy amount deposited in the retiree's HRA to pay for health care costs.

The California-Nevada CBOP has begun communicating to retirees about the possible use of Via Benefits and has already conducted some financial modeling under this model to determine the appropriate HRA (subsidy) amounts to be provided to retirees based on costs for obtaining individual plans in various geographical areas. Based on preliminary financial reviews, there may be



potential annual savings of over \$400,000 by transitioning to this model, particularly for those selecting Blue Shield supplement plans.

**Recommendation 5.3: Have the Conference Board of Pensions and the Conference Claimants' Endowment Board work together on a long-term plan for use of ongoing grant/distributions to retirees.**

It is a blessing to have the Conference Claimants' Endowment Board of the California-Nevada Annual Conference manage and operate an endowment fund that provides much needed and appreciated financial support for retiree benefits. Over the years, the Endowment Board has provided significant distributions/grants that have been used for health care subsidies, pension and other programs to support retired clergy and their spouses. FACT recognizes the very unique structure/organization of the Conference Claimants' Endowment Board when compared to how other Conference Claimants' Endowments operate in other annual conferences. Because of this unique structure, it becomes more critical that both the CBOP and Conference Claimants' Endowment Board work together to develop a long-term plan for how to best utilize this ongoing financial support. These entities must outline the expected distributions over the next few years and establish priorities for how funds are to be utilized over this time period.

Historically, the grant has been used primarily to assist retired clergy and their spouses with health care expenses but later expanded to fund Pre-1982 plan obligations. Other opportunities may exist for the funds to be used in areas where they are most needed. This is especially true considering the potential transition to Via Benefits and anticipated savings for retirees—as well as savings in the subsidy amounts needed from the Conference Board of Pensions and that the conference's Pre-1982 plan is close to being fully funded (in-plan assets), while also taking into consideration outside Pre-1982 plan reserves. (It should be noted that the amount of CBOP subsidy at current levels may not need to continue because, in the majority of cases, the amount may be greater than the expected actual cost of the retiree medical plan.)

**Recommendation 5.4: Assess appropriate benefit reserve levels.**

Lastly, FACT commends the leadership of the Conference Board of Pensions of the California-Nevada Annual Conference for taking the initiative to analyze the conference's benefit reserves to determine if the reserves are sufficient to sustain the California-Nevada Annual Conference through various market conditions in order to fund its obligations into the future.

Based on recent economic projections prepared by Wespeth for the California-Nevada Annual Conference, it appears that the conference is in a "comfortable" position where the conference's benefit reserve levels would be able to sustain weak (but not terrible) market conditions.

It is important to communicate and help others in the conference understand that the intent is not to amass conference assets, but rather to ensure benefit reserve levels are appropriate in order to sustain required conference contributions so that funds do not have to be otherwise collected from local churches or other sources.

FACT encourages the CBOP to continue periodically conducting an analysis of its benefit reserves as market conditions and other factors change.

## In Closing

In this report, FACT has taken many of the California-Nevada findings that were generated by the interviews, discussions, research and analysis over the course of the second half of 2017 and condensed them to five major financial challenges. FACT has intentionally outlined a series of recommendations tied to the five challenges that we believe will allow the California-Nevada Annual Conference to focus on areas that will make a difference in your long-term vitality and sustainability.

FACT will continue to partner with you to provide additional information, guidance and support during 2018. Appropriate FACT members will meet with conference leadership to discuss next steps. Certainly, the decisions and actions from this point forward belong to you, as to how to accept these recommendations, take action and move the California-Nevada Annual Conference toward addressing its financial challenges.

In an effort to summarize themes during this engagement with California-Nevada, the essence of FACT's guidance spans the following:

- Engage the people in the pews to break down “us versus them” in the life of the conference
- Practice more robust and clear communications down to the grassroots level of the conference
- Demonstrate transparency across financial matters and associated decisions that affect conference sustainability and vitality

The above are inextricably linked to drive the mission and ministry of the conference, to undergird what will become the collective vision of the California-Nevada Annual Conference, and to sustain the financial life of the conference.

FACT strongly believes that California-Nevada has the resources, leadership and focus to move from its current state and to build on its existing efforts to foster the leadership and buy-in necessary at the conference and local church levels for the work ahead. Also of equal significance is the alignment of a well-articulated collective conference vision to guide decisions and be a constant lens for California-Nevada to progress toward long-term sustainability. Throughout its implementation efforts, FACT urges the California-Nevada Annual Conference leadership to embrace the wisdom of “Communication is Leadership.”

Be encouraged...we are!

Respectfully submitted for the long-term self-sustainability and vitality of the California-Nevada Annual Conference, by helping to build disciples of Jesus Christ for the transformation of the world—with local churches providing the most significant arena through which disciple-making occurs.

### **Your FACT Team Members:**

*Bishop Bruce Blake (retired); and Wespeth, Discipleship Ministries, and GCFA personnel: Brian Berg, Barbara Boigegrain, Anne Borish, Laura Chambers, Peter Hang, Dale Jones, Ross Lundstrom, Rob Matthews, Ken Sloane and Manuel Vargas*

## Addendum

Subsequent to the finalization of this report, a comment under the recommendation below was submitted to FACT to revise the associated text.

**Recommendation 5.3: Have the Conference Board of Pensions and the Conference Claimants' Endowment Board work together on a long-term plan for use of ongoing grant/distributions to retirees.**

*Revised text:*

Historically, the grant has been used primarily to fund Pre-1982 plan obligations and to assist with Conference Board of Pensions administrative costs. Then later, the grant expanded to assist retired clergy and their spouses with health care expenses.

