



2022 ANNUAL REPORT

(FISCAL YEAR 2021)

Stable
Giving and
Market Growth
Contribute to
Optimism



Pensions and Benefits USA
Church of the Nazarene
PBUSA.ORG

TABLE OF CONTENTS

Executive Director's Report 3-10

Pensions and Benefits Fund 11-13

Nazarene 403(b) Retirement Savings Plan 14-15

Single Defined Benefit Plan 16-18

Directory 19



Pensions and Benefits USA
Church of the Nazarene

More than a Century of Serving Those Who Serve

17001 PRAIRIE STAR PARKWAY • LENEXA, KS 66220-7900
PBUSA.ORG • PENSIONS@NAZARENE.ORG • 888-888-4656

Stable Giving and Market Growth Contribute to Optimism

Fiscal Year 2021 Highlights

P&B Fund Revenues – Remained stable compared to the prior year.

P&B Fund Participation – 3,834 churches (73%) supported the P&B Fund at an average 97.5% of their budget goal.

403(b) Retirement Plan Growth – Assets available for benefits grew by a net of \$103 million to a new high of \$731 million.

Single Defined Benefit Plan (SDBP) Funded Status – Reached an estimated 93%, its highest level since 2012.

SDBP Benefits – The pension benefit formula remained unchanged since 2004, and the last extra payment was made in 2006.

PB Access – Internally developed a new, secure internet access point for participants to see all of their P&B-related information and services in one place.

Survivor Benefit – Formerly known as “Life Insurance,” we modified our level of P&B-provided benefits and renamed the program “Survivor Benefit.”

Insurance Benefits – At the end of FY21 there were 10,258 active and retired ministers and missionaries covered by the Survivor Benefit and 9,457 with long-term disability coverage.

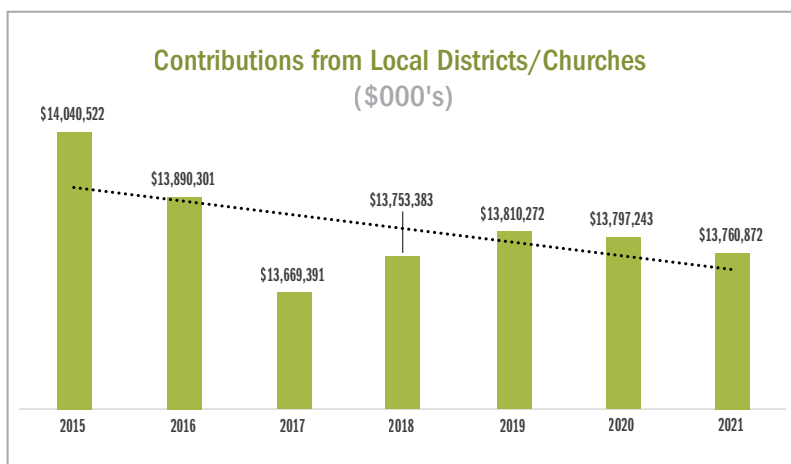
Payment Processing – Our previous processor for the receipt of certain payments exited the industry, so we transferred the servicing of payments for supplemental insurance to Braintree (a subsidiary of PayPal) and to Fidelity Investments for 403(b) contributions.

Reorganization – PBUSA was formally reorganized into its own non-profit corporation including new Articles of Incorporation and Bylaws (effective Nov 23, 2021).

Fiscal year 2021 represented the 102nd year of operations for Pensions and Benefits USA (PBUSA), and we are grateful to continue our mission of “Serving Those Who Serve.” I am grateful to work with a dedicated staff and our board of directors who are committed and engaged in their responsibilities and support for our work and mission.

The Big Picture

PBUSA has primary responsibility for the administration of retirement and other benefit plans of the Church of the Nazarene in the USA. We also provide administrative services for Nazarene-related entities within and outside the U.S. and for Global Missions. While these other entities report separately, certain portions of their results are included here to provide context for the scope and breadth of our operations.



P&B Funding

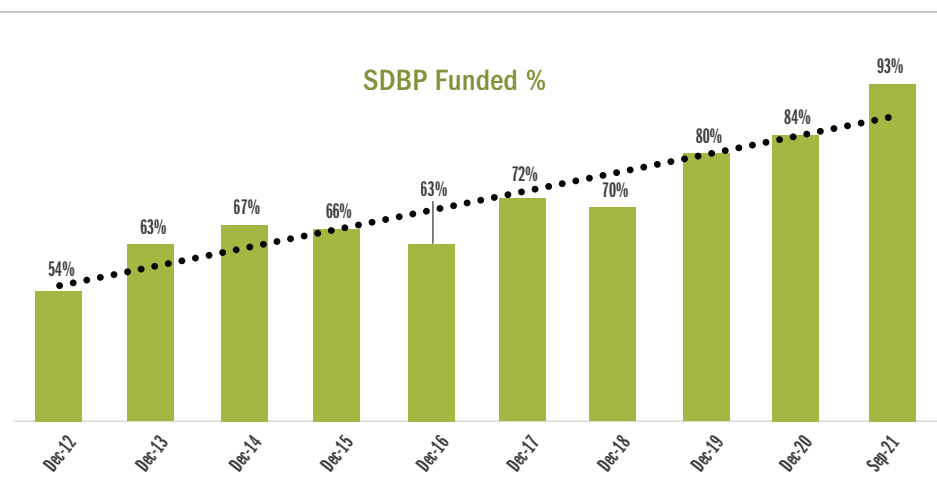
PBUSA receives no World Evangelism Funds. Its work is made possible by the 2.25% P&B support in the United States. In 2021, districts and churches contributed \$13.7 million dollars, only \$36,000 less than the previous year. This marked the third year that contributions have been stable and above 2017–2018 levels.

Retirement Plan Asset Values and Participants

Largely due to another year of significant returns from the financial markets, the combined value of assets for our retirement plans rose by \$126 million (16%) to a new high of \$915 million. These positive results are in addition to the \$88.6 million (12.7%) increase during the prior year. The biggest increases, as expected, were in the 403(b) plan.

The Single Defined Benefit Plan

The Single Defined Benefit Plan, which closed to new participants in 1996, includes the Basic Pension Plan for full-time pastors, evangelists, and district-credentialed laypersons; and the General Church Pension Plan for employees of the Global Ministry Center, Nazarene Theological Seminary, and Nazarene Compassionate Ministries, Inc.



On average, each year the SDBP distributes approximately 15% of its assets value to retired participants to meet current pension obligations. In order to make progress

towards reaching fully funded status, the fund must overcome this decline of assets through continued contributions from the P&B Fund, earnings on investments, and supplemental contributions from non-WEF sources. As of September 2021, the funded status of the SDBP was estimated to have reached 93%, its highest level since 2012.

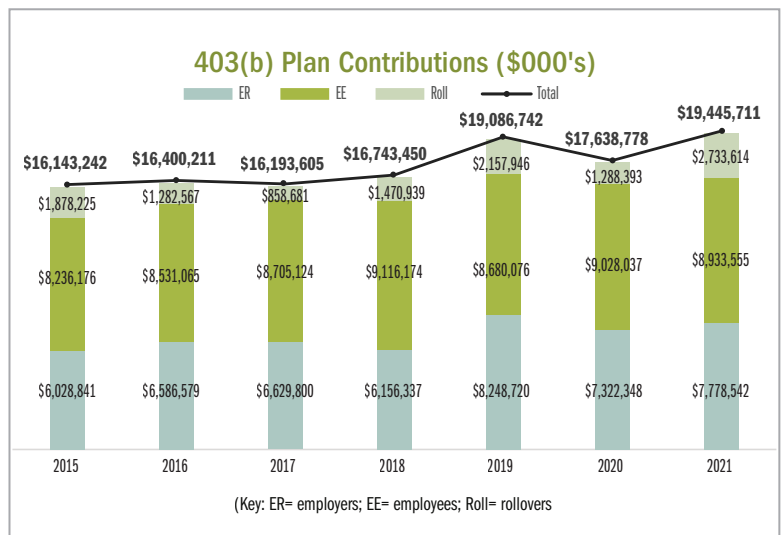
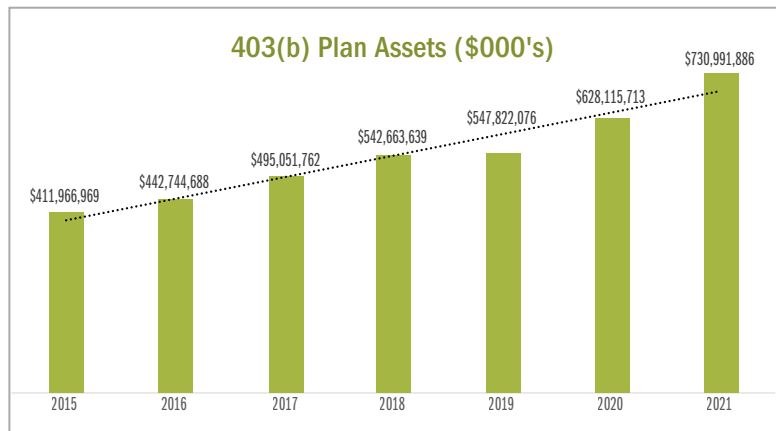
Nazarene 403(b) Retirement Savings Plan

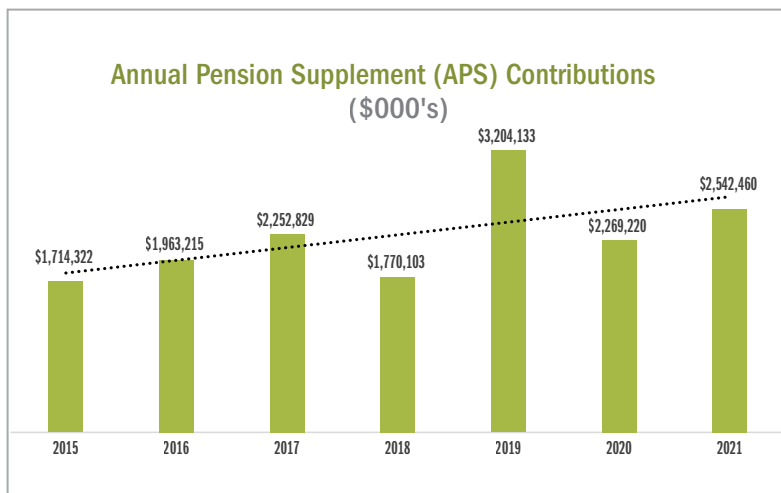
A consistent level of contributions to the plan, along with strong market returns, produced significant growth in the 403(b) Retirement Savings Plan to almost \$731 million—an increase of slightly more than \$100 million over 2020. This plan allows pastors, district superintendents, evangelists, and other church employees to invest for retirement through contributions exempt from income tax and may be distributed at retirement as minister's housing allowance (subject to IRS limits).

Contributions to the 403(b) plan reached a new high of almost \$19.5 million in 2021. This included monies deposited by employers, employees, and transfers via rollovers.

Annual Pension Supplements (APS)

To assist with 403(b) funding, PBUSA deposits Annual Pension Supplements (APS) to these accounts. Local church contributions to the P&B Fund are important because they determine the level of APS for ministers. Meeting 100% of the local church goal for the P&B and Education funds results in





the highest level of APS available for the local pastor. In 2021, P&B deposited more than \$2.5 million dollars to these accounts.

Insurance

PBUSA offers a number of group benefits, including survivor and long-term disability insurance underwritten by P&B and based on participant status.

These significant survivor and disability benefits are made possible through the payment of P&B allocations. In 2021, if the church of an eligible minister paid at least \$1 to the P&B Fund, that pastor was covered by up to \$30,000 in life insurance and \$500 per month in long-term disability coverage. Besides this basic coverage, we offer supplemental survivor and disability benefits, as well as death and dismemberment insurance at reasonable rates through The Hartford.



Benevolence Assistance

PBUSA provides benevolence benefits, paid for from the P&B Fund, to Nazarene ministers and/or dependents for issues involving:

- Emergency Medical Assistance;
- Funeral Assistance;
- Temporary Monthly Disability Assistance; and
- Other matters of discretion.

Expenditures for benevolence payments represent a small portion of our annual disbursements; however, the impact on the lives of those Nazarenes in need is immeasurable. Requests for all such assistance are evaluated through an application process initiated by district superintendents and advisory boards.

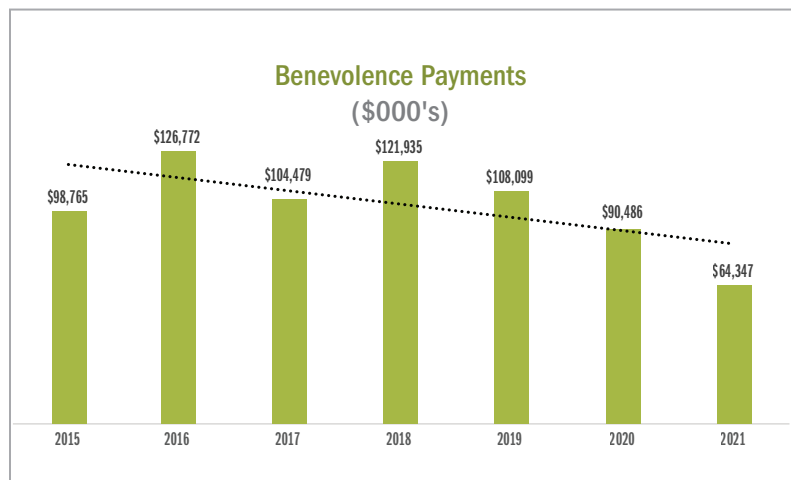
Education

A significant part of what we do is focused on informing those we serve. Formats vary from Facebook, webinars, and emails—to print, phone, and snail-mail. Topics range from taxes and compensation, to eliminating school debt, investing for retirement, and managing the ins and outs of Social Security.

During 2021, we developed “PB Access” which is a web portal through which participants may access all of their benefits information in one place.

In an effort to better inform our districts and pastors, as executive director, I have begun meeting virtually with superintendents of the U.S. districts of the USA/Canada Region.

We continue to conduct live webinars, on a near monthly basis, with Fidelity Investments covering a variety of important topics of interest to those we serve. We have also been arranging periodic opportunities for participants of the 403(b) plan to meet with Fidelity advisors for private sessions to evaluate their retirement planning situation.



Governance

PBUSA's original charter was approved as a Missouri pro forma decree corporation in 1952 through a judicial process of the circuit court of Jackson County, Missouri.

Effective November 23, 2021, the organization was restructured as a Missouri non-profit corporation through a similar judicial process and is now officially titled "Board of Pensions and Benefits USA of The Church of the Nazarene, Inc." It will continue to be known as Pensions and Benefits USA and has as its sole member The Church of the Nazarene, Inc.

New articles of incorporation and bylaws were adopted, which are similar in structure and order, whereby the organization will continue to be governed by a board of directors to be known as the "Pensions and Benefits USA Board" whose membership is nominated by the Board of General Superintendents (BGS) and consists of a member from each of the eight U.S. regions, one member-at-large, and now formally includes two ex officio directors, appointed by the BGS, who serve by virtue of their positions within the General Church. Of these two new members, one is from the BGS and one is a denominational senior staff person. At least four members of the board are required to be clergy.

We have been well-served for the past 12 years by Dr. J. Phillip Fuller, whose time on the board, at his request, ended at the close of 2021. His successor has not been selected. Upon nomination by the BGS, we are happy to welcome Dr. Orlando Serrano to fill the vacancy of the at-large position. We are grateful to all members of our board for the time, expertise, and dedication they give on behalf of the ministers of our church. A full listing of the board is included on page 19.



Partnerships

Our work would not be possible without the many associations we have with professional advisors and industry-related vendors and organizations. These include:

- Conner & Winters – legal counsel;
- Willis Towers Watson – benefits, actuarial, & investment consultants;
- Fidelity Investments – 403(b) record keeper;
- The Hartford Life Insurance Co. – life/disability/accidental death & dismemberment insurance administration;
- BKD, LLP – auditors & accounting;
- UMR – medical plans administration;
- Lockton Companies LLC – medical plans consultant;
- Minnesota Life Insurance Co. – IRA/ICRP administration;
- Evangelical Council for Financial Accountability – compliance and tax resources; and
- Church Benefits Association – denominational benefits information sharing resources.



The Future

We look forward to participating in coming events, such as PALCONs, which were cancelled or delayed due to the COVID pandemic over the past two years.

We are monitoring events in Congress related to the consideration and potential passage of legislation that will permit church-sponsored 403(b) plans to allow for employer-matching contributions based on a participant's payments to reduce their student loan debt. This has been available for secular plans based on some private letter rulings from the IRS, but our legal counsel has cautioned against reliance on these rulings, so we await the passage of specific legislation that will permit this.

DIRECTOR'S REPORT



The much-improved funding status of the SDBP will provide PBUSA the opportunity to explore ways to improve the benefits of those we serve. We look forward to evaluating that potential with the growing financial stability of the plan.

We will continue to focus on the administration of the church's pension and benefit plans and obligations to the best of our ability and provide educational resources and services which promote increasing the number of participants and their level of participation in the 403(b) Retirement Savings Plan.

It is an honor to serve our Lord and be a part of fulfilling the mission of the Church of the Nazarene to make disciples in the nations. We look forward to an exciting future as we work with our districts and churches to continue serving those who serve.



Respectfully submitted,
Kevin P. Gilmore
Executive Director, Pensions and Benefits USA
Church of the Nazarene

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021, AND 2020

Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 2,551,004	\$ 879,082
Investments, at fair value	2,582,675	2,536,430
Accounts receivable	132,275	132,573
Total current assets	<u>\$ 5,265,954</u>	<u>\$ 3,548,085</u>
Property, Plant and Equipment, net	593,773	587,967
Less accumulated depreciation	(572,342)	(560,441)
	<u>21,431</u>	<u>27,526</u>
Total assets	<u>\$ 5,287,385</u>	<u>\$ 3,575,611</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	83,028	176,891
Deferred revenue	43,550	41,498
Total current liabilities	<u>126,578</u>	<u>218,389</u>
Death Benefit Benevolence Plan	43,870	54,870
Total liabilities	<u>170,448</u>	<u>273,259</u>
Net assets, without restrictions	5,116,937	3,302,352
Total liabilities and net assets	<u>\$ 5,287,385</u>	<u>\$ 3,575,611</u>





STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2021, AND 2020

Revenue, Gains and Other Support	2021	2020
Total Pensions and Benefits Fund		
contributions received from local churches	\$ 13,760,852	\$ 13,717,227
Other insurance premiums income	500,638	537,629
Single Defined Benefit Plan administration fees	956	1,098
Investment income, net	23,927	59,784
Realized/unrealized gains	70,857	138,295
Administrative fees income	530,745	532,049
Other income	49,477	130,485
Total revenues, gains and other support	<u>14,937,452</u>	<u>15,116,567</u>
Expenses		
Program expenses		
Single Defined Benefit Pension Plan contributions	7,500,000	9,500,000
403(b) Plan contributions	2,542,460	2,269,220
Minister group life insurance premiums expense	1,167,206	1,145,836
Other insurance premiums expense	527,428	493,068
Benevolence payments	65,845	90,486
Total program expenses	<u>11,802,939</u>	<u>13,498,610</u>
Administrative expenses		
Salaries and benefits	948,286	1,026,946
Office operations	37,487	47,574
Professional services	145,757	163,559
Conferences/committees	27,171	50,089
Rent	47,704	47,632
Travel and entertainment	—	10,129
Depreciation	11,901	12,553
Miscellaneous	29,840	18,806
Contracted services	71,782	61,841
Total administrative expenses	<u>1,319,928</u>	<u>1,439,129</u>
Total expenses	<u>13,122,867</u>	<u>14,937,739</u>
Change in net assets without restrictions	1,814,585	178,828
Net assets without restrictions, beginning of year	3,302,352	3,123,524
Net assets without restrictions, end of year	<u>\$ 5,116,937</u>	<u>\$ 3,302,352</u>



STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021, AND 2020

Operating Activities	2021	2020
Change in net assets without restrictions	\$ 1,814,585	178,828
Items not requiring (providing) cash		
Depreciation	11,901	12,553
Net realized and unrealized gains on investments	(70,857)	(138,295)
Changes in assets and liabilities		
Accounts receivable	298	(73)
Accounts payable	(93,863)	94,602
Deferred revenue	2,052	(4,647)
Death benefit benevolence plan liability	(11,000)	(21,700)
Net cash provided by operating activities	<u>1,653,116</u>	<u>121,268</u>
Investing Activities		
Purchases of property and equipment	(5,806)	(25,688)
Proceeds from disposition of investments	69,144	5,341,603
Purchases of investments	(44,532)	(5,000,000)
Net cash provided by investing activities	<u>18,806</u>	<u>315,915</u>
Increase in cash and cash equivalents	1,671,922	437,183
Cash and cash equivalents, beginning of year	879,082	441,899
Cash and cash equivalents, end of year	<u>\$ 2,551,004</u>	<u>\$ 879,082</u>

All financial statements have been audited by the firm BKD, LLP through their office in Kansas City, Missouri. Their reports are available on request.

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

MODIFIED CASH BASIS - SEPTEMBER 30, 2021, AND 2020

Assets	2021	2020
Non interest-bearing cash	\$ 1,043,916	\$ 2,280,056
Investments at fair value		
Mutual funds	635,068,919	530,475,349
Investments at contract value		
Fidelity Fixed Fund	91,976,465	92,092,048
Receivables		
Notes receivable from participants	2,902,586	3,268,260
Net assets available for benefits	<u>\$ 730,991,886</u>	<u>\$ 628,115,713</u>



STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

MODIFIED CASH BASIS - YEARS ENDED SEPTEMBER 30, 2021, AND 2020

	2021	2020
Investment Income		
Net appreciation in fair value of investments	\$ 88,807,716	\$ 43,305,149
Interest and dividends	26,701,906	45,163,091
Net investment income	<u>115,509,622</u>	<u>88,468,240</u>
Interest income on notes receivable from participants	<u>169,543</u>	<u>172,888</u>
Contributions		
Employer contributions	7,778,542	7,322,348
Participant contributions	8,933,555	9,028,037
Rollover contributions	2,733,614	1,288,393
Total Contributions	<u>19,445,711</u>	<u>17,638,778</u>
Total additions	<u>135,124,876</u>	<u>106,279,906</u>
Deductions		
Benefits paid to participants	31,568,195	25,347,275
Administrative expenses	680,508	638,994
Total deductions	<u>32,248,703</u>	<u>25,986,269</u>
Net increase	102,876,173	80,293,637
Net assets available for benefits, beginning of year	<u>628,115,713</u>	<u>547,822,076</u>
Net assets available for benefits, end of year	<u>\$ 730,991,886</u>	<u>\$ 628,115,713</u>



SINGLE DEFINED BENEFIT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

SEPTEMBER 30, 2021, AND 2020

Assets	2021	2020
Investments, at fair value		
Plan's interest in Pension Investment Trust	\$ 140,370,077	\$ 124,155,161
Receivables		
Employer contributions	1,376	87
Accrued interest and dividends	78,426	206,234
Total receivables	<u>79,802</u>	<u>206,321</u>
Prepaid assets	<u>194,425</u>	<u>—</u>
Non interest-bearing cash	310,074	517,267
Total assets	<u>140,954,378</u>	<u>124,878,749</u>
Liabilities		
Accounts payable	105,124	99,280
Due to the Church	46,777	31,248
Total liabilities	<u>151,901</u>	<u>130,528</u>
Net assets available for benefits	<u>\$ 140,802,477</u>	<u>\$ 124,748,221</u>



STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEARS ENDED SEPTEMBER 30, 2021, AND 2020

	2021	2020
Investment income		
Plan's interest in Pension Investment Trust income	\$ 24,134,638	\$ 11,248,905
Contributions		
Employer contributions — Pensions and Benefits Fund	7,500,000	9,500,000
Plan sponsor (the Church) underfunding contributions	705,990	2,230,279
Legacy, gifts and charitable contributions	51,879	16,525
Employee contributions	21,220	22,891
Total contributions	8,279,089	11,769,695
Total additions	32,413,727	23,018,600
Deductions		
Benefits paid directly to participants	16,065,789	16,447,701
Administration, legal, and actuarial expenses	293,682	310,702
Total deductions	16,359,471	16,758,403
Net increase	16,054,256	6,260,197
Net assets available for benefits, beginning of year	124,748,221	118,488,024
Net assets available for benefits, end of year	\$ 140,802,477	\$ 124,748,221



SINGLE DEFINED BENEFIT PLAN

STATEMENTS OF ACCUMULATED PLAN BENEFITS

SEPTEMBER 30, 2021, AND 2020

	2021	2020
Actuarial present value of accumulated plan benefits		
Vested benefits		
Participants currently receiving payments	\$ 128,921,683	\$ 118,412,499
Other participants	<u>22,244,299</u>	<u>22,826,487</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 151,165,982</u>	<u>\$ 141,238,986</u>

STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS

YEARS ENDED SEPTEMBER 30, 2021, AND 2020

	2021	2020
Actuarial present value of accumulated plan benefits, beginning of year	\$ 141,238,986	\$ 153,535,402
Increase (decrease) during the year attributable to		
Benefits accumulated and actuarial net gain	(1,317,326)	(3,794,740)
Increase for interest due to decrease in discount period	6,660,305	10,171,809
Assumption changes	20,649,806	(2,225,784)
Benefits paid to participants	<u>(16,065,789)</u>	<u>(16,447,701)</u>
Net increase (decrease)	<u>9,926,996</u>	<u>(12,296,416)</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 151,165,982</u>	<u>\$ 141,238,986</u>

NOTES FOR SINGLE DEFINED BENEFIT PLAN

This plan includes both the grandfathered Basic Pension Plan and the grandfathered General Church Pension Plan.

Board of General Superintendents

Dr. David A. Busic
 Dr. Filimão M. Chambo
 Dr. Gustavo A. Crocker
 Dr. Eugénio R. Duarte
 Dr. David W. Graves
 Dr. Carla D. Sunberg

**Board of Pensions and Benefits USA
 (Serving 2017–2023)**

Dr. Geoff Kunselman, chair (East Central Region)
 Northwestern Ohio District Superintendent
 St. Marys, Ohio

Dr. J. Phillip Fuller, vice chair (Eastern Region)
 Virginia District Superintendent
 Midlothian, Virginia
 (resigned 12/31/21)

Dr. R. Bruce Moore, secretary (Northwest Region)
 Consultant
 Nampa, Idaho

Mr. Darrel Johnson (North Central Region)
 Attorney
 Manhattan, Kansas

Mr. Rick Martin (South Central Region)
 Attorney
 Bethany, Oklahoma

Mr. Mark Patrick (Southeast Region)
 Certified Public Accountant
 Jacksonville, Florida

Rev. Douglas R. Pierce (Southwest Region)
 Arizona District Superintendent
 Chandler, Arizona

Mrs. Jill Rice (Central Region)
 Attorney
 Traverse City, Michigan

Dr. Orlando Serrano (at-large)
 Pastor
 Rancho Cucamonga, California

Dr. Carla D. Sunberg (ex officio)
 Jurisdictional General Superintendent

Mr. Keith Cox (ex officio)
 General Treasurer

**Investment Committee of the General Board
 (Serving 2017–2023)**

Mr. Keith Cox, chair
 Mr. Darrel Johnson, secretary
 Mr. Mark D. Brown
 Mr. Bob Crew
 Mr. Kevin P. Gilmore
 Dr. Kenneth R. Roney
 Dr. Terry C. Rowland

Pensions and Benefits USA Leadership Team

Mr. Kevin P. Gilmore, executive director
 Mr. Roger D. Creeden, director of operations
 Mr. Ron Bell, technology supervisor
 Rev. Mark Graham, communication resources manager
 Mr. Keith Hindman, compliance and benefits manager
 Mrs. Lavonne Rieck, office manager

Professional Consultants

Legal Counsel
 Conner & Winters LLP
 Washington, D.C.

Benefits/Actuarial/Investment Consultants
 Willis Towers Watson
 St. Louis, Missouri; Chicago, Illinois

Auditing Firm
 BKD, LLP
 Kansas City, Missouri



Pensions and Benefits USA
 Church of the Nazarene

More than a Century of Serving Those Who Serve

17001 PRAIRIE STAR PARKWAY • LENEXA, KS 66220-7900
 PBUSA.ORG • PENSIONS@NAZARENE.ORG • 888-888-4656



Thank You!

*“Because of the service by which you have proved yourselves, others will praise God for the obedience that accompanies your confession of the gospel of Christ, and for your generosity in sharing with them and with everyone else”
(2 Cor. 9:13 NIV).*



With the pandemic and the subsequent difficulties faced by many across the nation and the church, we anticipated a downturn in giving to the P&B Fund. Instead, the support of districts and churches has remained stable and above the level for 2018—reaching \$13.7 million for each of the past two years. Such support, and strong markets, enabled funding for the Single Defined Benefit Plan (SDBP), which includes the Basic Pension Plan, to reach 93% last year—its highest level since 2012.

With this in mind, the Nazarene Board of Pensions recently voted to provide an additional month's pension supplement for 2022 for SDBP participants. It also eliminated the annual \$39 fee assessed to Nazarene 403(b) participants by Fidelity Investments and authorized a study to develop strategies to increase giving to the accounts of 403(b) participants through incentives to them and their church employers.

These and other benefits, like survivor and long-term disability insurance, are made possible only through the continued faithful giving of our U.S. districts and churches. On behalf of the thousands of active and retired Nazarene ministers served by these programs, we say “Thank You!”

*Kevin P. Gilmore
Executive Director
Pensions and Benefits USA
Church of the Nazarene*



Pensions and Benefits USA
Church of the Nazarene

More than a Century of Serving Those Who Serve

17001 PRAIRIE STAR PARKWAY • LENEXA, KS 66220-7900
PBUSA.ORG • PENSIONS@NAZARENE.ORG • 888-888-4656