

Report No. 5

THE EPISCOPAL FUND

The Episcopal Fund, raised in accordance with ¶ 818.3, provides for the salary and expenses of active bishops from the date of their consecration and for the support of retired bishops and surviving spouses and minor children of deceased bishops.

The General Council on Finance and Administration (“GCFA”) is recommending a budget for the Episcopal Fund that is 10-15% lower than the 2017-2020 budget approved in 2016. This compares to an overall recommended decrease of 39-47% to the other six general Church funds.

This revised report includes an additional \$10 million in funding to the Episcopal Fund compared to the version submitted in the Advanced Daily Christian Advocate (ADCA), which is an increase of \$15 million relative to a pro-rata share of the budget adjusted for higher disaffiliation than projected. This \$15 million increase was agreed to collaboratively by the agency General Secretaries, The Connectional Table, the Council of Bishops Executive Committee, and GCFA, in response to a request from the Council of Bishops for additional funding. The additional amount is intended to be temporary in nature to facilitate the necessary leadership to lead the denomination through this transitional period in the life of the Church. The increase to the Episcopal Fund came from two sources:

1. An increase to the base percentage originally recommended by GCFA, as printed in GCFA Report No. 8 in the the ADCA, from 2.54% to 2.595%. This increase adds \$7.5 million to the Episcopal Fund allocation.
2. A shift to the Episcopal Fund of \$7.5 million that was previously allocated to the general agencies. Wespeth has proposed legislation to the 2020 General Conference that would terminate legacy pension plans that have excess funding. If that proposal is approved, this excess funding would be distributed during the upcoming quadrennium to offset the budget decrease to the agencies.

Currently there are 46 jurisdictional episcopal areas and 25 central conference episcopal areas. These figures include the five new areas in Africa approved by the 2016 General Conference. There are 39 active bishops in the jurisdictions and 19 in the central conferences. The budget presented below includes total projected apportionments of \$82.8 million across both the jurisdictions and central conferences. If all of the current episcopal areas are filled after General Conference, quadrennial spending would be approximately \$99.6 million. With an 85% collection rate in the jurisdictions and a 50% collection rate in the central conferences, this would create a quadrennial deficit in 2025-2028 of approximately \$33 million. Considering the projected beginning Episcopal Fund balance on January 1, 2025, is expected to be approximately \$15 million, this projects to a \$18 million negative fund balance at the end of 2028 (see the chart below). The deficit would need to be offset by reductions in costs in any of the cost structural items listed below, increased collection rates, or both. It is important to note that General Conference cannot delegate to GCFA the authority to move dollars between apportioned funds during the quadrennium.

The quadrennial cost structure of the Episcopal Fund with 46 jurisdictional and 25 central conference bishops includes:

1. Salaries and benefits - \$55.6 million
2. Office, equipment, and housing grants - \$26.4 million
3. Meetings and travel - \$6.0 million

4. Council of Bishops office & ecumenical work - \$5.8 million
5. Retiree benefits – \$2.8 million
6. GCFA fixed charges - \$1.8 million
7. Insurance coverages - \$0.6 million
8. All other costs - \$0.6 million

The quadrennial costs per episcopal area are \$1.4 million in the jurisdictions and \$0.9 million in the central conferences. Within the central conferences, the quadrennial costs are \$0.8 million in Africa and the Philippines and \$1.4 million in Europe.

GCFA presents the following recommendations concerning items in the Episcopal Fund for the 2025-2028 quadrennium. The items will be reviewed and set annually by GCFA. Section III-A below provides authority to GCFA to adjust the budget as necessary to respond to relevant changes in economic circumstances.

I. Bishops Elected by the Jurisdictional and Central Conferences

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

A. Salaries

1. Active Bishops. All salaries are set annually by GCFA. The salary of a bishop newly elected in 2024 or 2025 will begin on the date of his/her consecration, or 6 weeks prior to the assignment date, whichever is later, at the annual rate established by GCFA for 2024 or 2025.

a. Jurisdictional Bishops. The 2024 salary for jurisdictional bishops is \$180,900. Any salary adjustments for 2025 through 2028 will be set by GCFA annually. Considerations for determining salary adjustments each year will include the percentage adjustment for workers in state and local government as published by the U.S. Bureau of Labor Statistics, the review of other relevant compensation studies as determined by GCFA, and the overall economic status of the Episcopal Fund and its reserves.

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

b. Central Conference Bishops. The salary of each bishop will be recommended by the respective central conference or its committee on episcopacy as included in the area spending plan. The 2024 salaries for central conference bishops are as follows:

Episcopal Area / Regions	2024 Salary
Africa	\$88,888.00
Philippines	\$88,888.00
Central and Southern Europe	\$140,551.00
Eurasia	\$73,507.00
Germany	\$67,051.00
Nordic and Baltic	\$102,031.00

Any salary adjustments for 2025 through 2028 will be set by GCFA annually after reviewing the recommendations. Considerations for determining salary adjustments will include the review of cost-of-living changes in each episcopal area, relevant compensation studies as determined by GCFA, and the overall economic status of the Episcopal Fund and its reserves.

2. Special Assignment (§ 408.1d)

a. Bishops who have retired pursuant to § 408.1 and who accept a special assignment from the Council of Bishops to a general agency or United Methodist Church-related institution of higher education as outlined in § 408.1d(2) will receive remuneration not to exceed 20% of an active bishop's salary in the episcopal area from which they retired. The Episcopal Fund's share will not exceed 50% of the compensation established by the general agency or United Methodist Church-related institution of higher education. The agency or institution of higher learning will assume all responsibility for the bishop's operational and travel expenses related to the assignment.

b. Retired bishops who accept a special assignment from the Council of Bishops with a direct relationship and accountability to the Council of Bishops following mandatory retirement, as outlined in §408.1d(1), such as the COB Executive Secretary or Ecumenical Officer, will receive remuneration of 50% of an active bishop's current salary in the episcopal area from which the bishop retired, with the stipulation that GCFA can adjust this salary level if necessary due to the economic status of the Episcopal Fund and its reserves.

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

B. Episcopal Residence/Housing.

The annual conference(s) constituting the episcopal area to which the bishop is assigned will be responsible for providing an episcopal residence or allowance for the bishop.

1. Jurisdictional Bishops. The Episcopal Fund will provide a grant of \$10,000 annually per active bishop to assist in the cost of providing an episcopal residence or allowance. This annual grant will be paid to the annual conference in the episcopal area designated by the area's episcopal residence committee. This annual grant will continue during any period in the quadrennium where the episcopal area is being served by an interim bishop. The amount of this grant can be adjusted by GCFA if necessary due to the overall economic status of the Episcopal Fund and its reserves.

2. Central Conferences Bishops. The Episcopal Fund will provide a grant annually per active bishop to assist in the cost of providing an episcopal residence or allowance. The amount for each episcopal area will be set annually by GCFA. This annual grant will be paid to the annual conference in the episcopal area designated by the area's episcopal residence committee. This annual grant will continue during any period in the quadrennium where the episcopal area is being served by an interim bishop. The amount of this grant can be adjusted by GCFA if necessary.

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

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

C. Office Expense

1. Each episcopal area will receive an annual grant as set by GCFA to be applied towards the operation of the episcopal office. The number of annual grants within a jurisdiction or central conference shall not exceed the number of currently elected bishops serving within the jurisdiction or central conference. This annual grant will continue during any period in the quadrennium where the episcopal area is being served by an interim bishop. Such grants will be paid quarterly in the jurisdictions and monthly in the central conferences.

D. Travel Expense

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

II. Miscellaneous Other Matters

A. Council of Bishops Staff Office

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

B. Ecumenical and Interreligious Ministries

The Council of Bishops will submit an annual spending plan to GCFA to provide for expenses pertaining to the Ecumenical and Interreligious ministries of the Council of Bishops. The spending plan is subject to the approval of GCFA.

C. Faith and Order Ministries

The Council of Bishops will submit an annual spending plan to GCFA to provide for expenses pertaining to the Faith and Order ministries of the Council of Bishops. The spending plan is subject to the approval of GCFA.

III. FUNDING

A. Changes During Quadrennium

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

B. Apportionment for the Episcopal Fund

Both the jurisdictional and central conferences will be apportioned based upon the formulas recommended by GCFA in its Report No. 8. GCFA recommends the apportionment for the Episcopal Fund during the 2025-2028 quadrennium be:

EPISCOPAL FUND - Base Percentage Rate of 2.6% in 2025-2026 and 2.9% in 2027-2028 (2)

	2013-2016	2017-2020 (1)	2025-2028	\$ Change	% Change
Jurisdictional Fixed Charges					
General Council on Finance and Administration	3,000,000	2,979,605	1,900,000	(1,079,605)	-36.2%
Total Fixed Charges	\$ 3,000,000	\$ 2,979,605	\$ 1,900,000	\$ (1,079,605)	-36.2%
Jurisdictional On-Ratio	\$ 89,649,184	\$ 89,039,730	\$ 80,642,341	\$ (8,397,389)	-9.4%
Total Jurisdictional Apportionments	\$ 92,649,184	\$ 92,019,335	\$ 82,542,341	\$ (9,476,994)	-10.3%
Central Conference On-Ratio	\$ 3,664,928	\$ 3,690,081	\$ 4,875,222	\$ 1,185,141	32.1%
Grand Total	\$ 96,314,112	\$ 95,709,416	\$ 87,417,563	\$ (8,291,853)	-8.7%

(1) 2017-2020 was the last quadrennial budget approved by General Conference.

(2) Report Number 8 has a contingent Base Percentage Rate for 2027 and 2028. It will be 2.6% if the total apportionment collection rate is below 90% for the period of 2025 through 2026. If the collection rate in this time period is 90% or greater, then the Base Percentage Rate for 2027 and 2028 will be 2.9%.

EPISCOPAL FUND - Base Percentage Rate of 2.6% in 2025-2026 and 2.9% in 2027-2028 (1)

	2025	2026	2027	2028
Jurisdictional Fixed Charges				
General Council on Finance and Administration	475,000	475,000	475,000	475,000
Total Fixed Charges	\$ 475,000	\$ 475,000	\$ 475,000	\$ 475,000
Total Jurisdictional On-Ratio	\$ 19,876,096	\$ 19,211,925	\$ 20,917,467	\$ 20,636,853
Total Jurisdictional Apportionments	\$ 20,351,096	\$ 19,686,925	\$ 21,392,467	\$ 21,111,853
Central Conference On-Ratio	\$ 1,146,534	\$ 1,254,358	\$ 1,239,116	\$ 1,235,214
Grand Total	\$ 21,497,630	\$ 20,941,283	\$ 22,631,583	\$ 22,347,067

(1) Report Number 8 has a contingent Base Percentage Rate for 2027 and 2028. It will be 2.6% if the total apportionment collection rate is below 90% for the period of 2025 through 2026. If the collection rate in this time period is 90% or greater, then the Base Percentage Rate for 2027 and 2028 will be 2.9%.

EPISCOPAL FUND - Base Percentage Rate of 2.6% All Four Years (2)

	2013-2016	2017-2020 (1)	2025-2028	\$ Change	% Change
Jurisdictional Fixed Charges					
General Council on Finance and Administration	3,000,000	2,979,605	1,900,000	(1,079,605)	-36.2%
Total Fixed Charges	\$ 3,000,000	\$ 2,979,605	\$ 1,900,000	\$ (1,079,605)	-36.2%
Jurisdictional On-Ratio	\$ 89,649,184	\$ 89,039,730	\$ 76,245,342	\$ (12,794,388)	-14.4%
Total Jurisdictional Apportionments	\$ 92,649,184	\$ 92,019,335	\$ 78,145,342	\$ (13,873,993)	-15.1%
Central Conference On-Ratio	\$ 3,664,928	\$ 3,690,081	\$ 4,619,257	\$ 929,176	25.2%
Grand Total	\$ 96,314,112	\$ 95,709,416	\$ 82,764,599	\$ (12,944,817)	-13.5%

(1) 2017-2020 was the last quadrennial budget approved by General Conference.

(2) Report Number 8 has a contingent Base Percentage Rate for 2027 and 2028. It will be 2.6% if the total apportionment collection rate is below 90% for the period of 2025 through 2026. If the collection rate in this time period is 90% or greater, then the Base Percentage Rate for 2027 and 2028 will be 2.9%.

EPISCOPAL FUND - Base Percentage Rate of 2.6% All Four Years (1)

	2025	2026	2027	2028
Jurisdictional Fixed Charges				
General Council on Finance and Administration	475,000	475,000	475,000	475,000
Total Fixed Charges	\$ 475,000	\$ 475,000	\$ 475,000	\$ 475,000
Total Jurisdictional On-Ratio	\$ 19,876,096	\$ 19,211,925	\$ 18,704,451	\$ 18,452,870
Total Jurisdictional Apportionments	\$ 20,351,096	\$ 19,686,925	\$ 19,179,451	\$ 18,927,870
Central Conference On-Ratio	\$ 1,146,534	\$ 1,254,358	\$ 1,110,931	\$ 1,107,433
Grand Total	\$ 21,497,630	\$ 20,941,283	\$ 20,290,382	\$ 20,035,303

(1) Report Number 8 has a contingent Base Percentage Rate for 2027 and 2028. It will be 2.6% if the total apportionment collection rate is below 90% for the period of 2025 through 2026. If the collection rate in this time period is 90% or greater, then the Base Percentage Rate for 2027 and 2028 will be 2.9%.