



FY25 Annual Report for Nazarene Benefits, Inc.

INTRODUCTION

FY25 represented our 106th year of operations as we continued to fulfill our mission of “*servicing those who serve*” and move closer to our vision that “*Nazarene ministers retire well.*” I am privileged to work with an experienced and dedicated team who are committed and engaged in our collective responsibilities. This annual report begins with a summary of Highlights, a discussion of our Scope of Operations, and a set of data Tables which provide analysis of our financial results and demographic data over the past five years.

HIGHLIGHTS

Ministers Retirement Match Program – Our primary focus has been to promote and educate our Nazarene clergy and churches on this new benefit structure which started January 1, 2024 to address the significant lack of retirement readiness for the majority of our ministers. ***While we continue to make incremental progress, the reality continues that a majority of our ministers and local churches are not engaged in preparing the minister for retirement.***

Funding the Mission (FTM) Formula – The change in the FTM formula was rolled out by the Stewardship office in accordance with the 2024 schedule for District Assemblies. This resulted in FY25 being the first fiscal year to feel the full impact of the reduction in revenues to NBUSA.

NBUSA Funding – In keeping with our prior practice, we planned conservatively for our lower level of expected NBUSA Fund receipts and ended the year at a positive variance to budget.

COMPASS Partnership – Over the past two years we have been in discussions with leadership of the COMPASS Initiative to see how we might work together in the future to continue the momentum of COMPASS on the issue of clergy wellness.

- **Emergency Savings Program (COMPASS 2.0)** - During FY25 we finalized plans to provide financial support to COMPASS for local church ministers who create/fund an emergency savings account. The program will be rolled out in early 2026 with COMPASS facilitating the program and financial education, and NBUSA providing a \$750 match for the minister (through their local church) if \$750 is funded locally to the ministers account. The program will, at first, be limited to lead/senior pastors and will be available on a first-come, first-served basis for the first 400 ministers per year who complete the short financial education training.
- **Minister Wellness Program (COMPASS 3.0)** – NBUSA anticipates future funding in 2027 from a subgrant from the Church Benefits Association (CBA) through a subgrant from Lilly Endowment, Inc., for the purpose of minister wellness to its member organizations. The CBA has been awarded \$35 million for this purpose and will develop its application and program requirements during 2026 in anticipation of awards beginning in 2027. We will work closely with COMPASS on this new initiative in support of our anticipated application for a portion of these funds.

Nazarene 403(b) Retirement Savings Plan

Fees and Funds Restructure – We announced a significant change before the end of FY25, which was implemented in October 2025, for the purpose of changing the recordkeeping and administrative cost structure of the plan to a fixed-fee model per account. This new arrangement will be transparent to participants and serve to decrease expenses as a percentage of assets as the plan continues to grow in value. It also required most fund offerings to shift to a Collective Investment Trust (CIT) structure.

Net Assets Available for Benefits – Based on a quarter-end review of history, **the plan's value reached an historic high level thanks to another strong year of performance in the financial markets.**

Single Defined Benefit Plan (SDBP)

Funded Status – This important measure for the SDBP refers to the level of assets available to fund the present value of the pension liability as determined by our third-party actuary. During 2022 we implemented a change in investment strategy to protect the substantial progress made in the funded status since hitting a low of 50% in 2008. The plan reached an estimated 100% funded status as of 9/30/25 and additional contributions from NBUSA during FY26 are expected to grow this measure even further.

SDBP Funding Strategy - Our actuary continues to affirm the current funding strategy as adequate based on the present benefit formula. This currently requires a minimum of \$4 million per year in funding through 2031; however, NBUSA contributed \$8 million during FY25 and has budgeted to add another \$8 million during FY26.

Pension Benefit Formula Changes – We are regularly asked if there will be a future change to the benefit formula for ministers covered by the Basic Pension Plan. Some important background information is important context to understand our response to this question:

1. The plan has, from the beginning, served as a supplement to — rather than a substitute for — the responsibility of the minister for their own retirement planning and funding.
2. As fiduciary for the plan, NBUSA's most important responsibility is the obligation to take all necessary actions to ensure the plan will be able to fulfill the projected pension obligation from its available assets based on the current benefit formula.
3. The plan Sponsor (the Church) is not a guarantor of the pension liability nor is the plan insured by the Pension Benefit Guaranty Corporation (PBGC).
4. There is no provision in the plan for required cost-of-living adjustments. Private pension plans typically do not have such provisions.¹
5. Because the plan was unsustainable at the benefit formula levels in place in 1996, it was closed to new participants and the focus on future retirement benefits shifted to the defined contribution plan – The Nazarene 403(b) Retirement Savings Plan.

¹ Report to Congress on The Impact of Inflation on Retirement Savings, U.S. Dept. of Labor, December 2024, p 12

6. From its inception in 1971 and through 2006 there were:
 - a. 15 benefit formula increases (last in 2004); and
 - b. 10 extra full or partial monthly pension payments (last in 2006).
7. The plan became dangerously underfunded as a result of the Great Recession (2007-09), making future benefit formula adjustments an impossibility.
8. Despite the above, the Church took steps in 2012 to help stabilize the plan by:
 - a. A temporary measure to shift a portion of the Funding the Mission formula away from the Education Fund to the NBUSA Fund to be used to support the plan;
 - b. The Church directly contributed \$23.8 million (\$2.38 million average per year from 2013-22) to the plan from non-WEF sources.
 - c. Since 2012, NBUSA has contributed approximately two thirds of its annual budget to the plan.
9. These measures served to improve the funded status of the plan substantially and NBUSA began to explore ways to de-risk the plan. In 2022, at the direction of the NBUSA Board, the Investment Committee of the Church implemented a more conservative investment strategy for the pooled pensions assets of the Church as a means to lower the risk of future material under-funding of the plan.
10. Due to the improved funded status of the plan, the NBUSA Board authorized an extra pension benefit payment in 2022, 2023, and 2025.
11. The NBUSA Board has determined that future benefit formula adjustments are not likely due to their sustained and material negative impact on the funded status of the plan.
- 12. *Future benefit enhancements, if made, will most likely come periodically at the discretion of the NBUSA Board in the form of extra payments until the plan terminates in approximately the year 2060.***

M25 – We were pleased to support the M25 event held in Kansas City in February. Our presence included a substantial exhibit booth; workshop presentations; and space for a Fidelity financial advisor to meet privately with participants who signed up for this free service in advance.

PALCON (NNU) – We also supported and participated in the sole U.S.-based PALCON event held in late July into early August. We were represented as a supporting sponsor; hosted an exhibit table; provided NBUSA and Fidelity-led workshops; and offered one-on-one private sessions with a Fidelity financial advisor for participants who registered in advance for this complimentary service.

Participant Education

- *Workshops* - We continue to host nearly monthly online workshops consisting of presentations prepared and presented by Fidelity Investments (our 403b recordkeeper) as well as presentations by members of our NBUSA team, including several in Spanish.
 - *District Events* – We hosted several virtual workshops for requesting districts.

- *Publications*
 - *NBUSA Quarterly* – We publish the quarterly in a sequence that matches the changing of the seasons. It contains articles of interest from gifted and experienced writers; important information on our benefits; and legacy information to celebrate minister milestone anniversaries; and those who finished the race and moved on to their eternal reward.
 - *Compensation and Tax Memos* – We utilize the expertise of independent CPA’s to review these thirteen memos which provide critical financial and tax information relevant to ministers and local church leadership.
 - *Website* - We are also in a continual process to update and evaluate the adequacy of the informational and promotional materials available on our website.

Professional Development

- *Church Benefits Association* (www.churchbenefitsassociation.org) – The CBA was originally founded in 1915 as the Church Pensions Conference and has evolved into a trusted network of 51 faith-based benefits organizations who choose to ignore denominational differences for the purpose of working together to benefit those we serve. I serve as a member of the CBA Board of Directors.
- *The Church Alliance* (www.church-alliance.org) – The 34 members of the Alliance champion public policy initiatives on behalf of organizations that focus on providing retirement and/or healthcare benefits to clergy and lay workers serving religious denominations across the country.

SCOPE OF OPERATIONS

Nazarene Benefits USA (NBUSA)

The pie chart to the right provides a general picture of the focus areas for which we dedicate our time, and about half is devoted to administration of our retirement plans with the greatest focus on the 403b plan for active ministers.

The scope of our responsibilities is accomplished through five foundational funds for which the financial statements are annually examined by independent auditors:



- Nazarene Benefits, Inc. a/k/a NBUSA Fund (Fund)
- Nazarene 403(b) Retirement Savings Plan (a defined contribution plan)
- Church of the Nazarene Single Defined Benefit Plan (SDBP)
- Church of the Nazarene World Mission Pension Plans (WMPP)
- Nazarene Health and Hospitalization Program (NHHP)

The function and focus of each of these funds is further described below:

Nazarene Benefits, Inc. a/k/a NBUSA Fund (Fund)

- 1) The Fund is administered by the Board of Nazarene Benefits, Inc. (Board) on behalf of the Church of the Nazarene, Inc. (Church) and is the operational benefits arm for churches in the U.S.
- 2) The Fund is mainly supported through the receipt of allocations from local churches and districts through the Funding the Mission program as implemented in the United States.
- 3) Largest expenditures are contributions to the Single Defined Benefit Plan to support the pension liability, and matching contributions to eligible participants in the Nazarene 403(b) Retirement Savings Plan.
- 4) **Survivor Benefits for Active Ministers** (f/k/a Pastors Life Insurance Plan) – This program provides families of active pastors with a declining level of survivor benefits based on the participating minister’s age, as follows (**note the increase effective 1/1/26**):

	<u>FY25</u>	<u>Effective 1/1/26</u>
i. Age 50 and under	\$30,000	\$36,000
ii. Age 51 to 70	\$15,000	\$18,000
iii. Age 71 to 75	\$ 7,500	\$ 9,000
iv. Spouse	\$ 2,500	\$ 3,000

This benefit applies to district-licensed and ordained clergy or district-credentialed laypersons currently serving in U.S. districts in qualified assignments who have not yet started to receive retirement benefits.

- 5) **Survivor Benefits for Retired Ministers** (f/k/a/ Pensioners Death Benefit Plan) – Provides families of retired credentialed ministers (or ministers over age 75 who are still actively serving) with a survivors’ benefit ranging from \$1,500 up to \$6,000 based on years of local church and or district service. We also have a small number of grandfathered ministers still covered under the Pensioners Death Benefit Plan because their benefit under the former plan is greater than their benefit under the new plan.
- 6) **Benevolence Programs** – Supports ministers and their families in need, including emergency medical assistance, temporary disability assistance, administrative benefit adjustments, and funeral assistance.
- 7) **Supplemental Benefits** – Leverages the purchasing power of our large participant group to provide optional supplemental life, disability, and accidental death/dismemberment insurance benefits at attractive rates to plan participants.
- 8) **Resources** - Educational and informational resources to plan participants.

Nazarene 403(b) Retirement Savings Plan

- 1) NBUSA serves as Trustee of this defined contribution plan which was originally created in 1963 as a tax-sheltered annuity program and significantly modified in 1996. It exists for the benefit of all qualifying U.S. ministers and laypersons serving local congregations and districts, as well as general church employees.
- 2) It is a multi-employer, qualified church plan that is not governed by Employee Retirement Income Security Act of 1974 (ERISA).

- 3) Fidelity Management Trust Company serves as the plan administrator and record keeper.
- 4) Investment oversight is provided by the Investment Committee of the General Church through quarterly meetings which review fund performance and fund fees/costs to industry benchmarks.

Church of the Nazarene Single Defined Benefit Plan

- 1) NBUSA serves as Administrator and Trustee of this multi-employer, qualified church plan, which was established in 1996 to combine the assets, while retaining the separate benefit formulas, of the:
 - a. Basic Pension Plan (non-contributory plan for ministers); and
 - b. General Church Pension Plan (contributory plan for general church employees).
- 2) New participation was frozen effective January 1, 1996 and the plan is not governed by Employee Retirement Income Security Act (ERISA) or covered by Pension Benefit Guaranty Corporation (PBGC) insurance.
- 3) Investment oversight of the pooled pension assets is provided by the Investment Committee of the General Church.
- 4) Participants under the Basic Pension Plan (BPP) receive a standard pension benefit based on a formula which includes years of service. Upon their death, a surviving spouse is eligible to receive 60% of that standard pension benefit. The vast majority (greater than 98%) of participants choose the standard benefit at retirement.

Optional Benefit – At retirement a minister could choose the option to receive a lower than standard monthly pension benefit and their surviving spouse would continue to receive that same optional benefit level after the minister's death.

APS Credit Offset – Minister-participants who were active before and after January 1, 1996 earn a BPP pension benefit and may have also received NBUSA Annual Pension Supplement (APS) contributions made to their 403b(b) plan accounts. The value of their pension benefit is paid in one of the following ways:

1. A lump sum payment (if the present value of the future pension benefit is calculated to be \$10,000 or less at the time of their retirement); or
2. A portion from the BPP and a portion from the NBUSA APS contributions made to the minister's 403b plan account; or
3. Solely from the distribution of NBUSA APS contributions from the 403b plan (if the value of such APS contributions exceeds the value of the pension benefit at the time of their retirement).

Items #2 and #3 above are the result of what is known as the "APS Credit Offset." This feature of the BPP was instituted with the creation of the 403b plan due to the expectation future 403b retirement benefits would eventually be greater than the retirement benefit formula of the legacy pension plan.

- i. The credit offset satisfies the BPP requirement that ministers participating in both the BPP and the 403(b) plan receive a retirement benefit from NBUSA that, combined, is at least equal to their calculated pension benefit.

- ii. If the 403(b) APS benefit is higher, they will receive no benefit payments from the BPP because they have already received that value through the NBUSA contributions to their 403(b) account.
- iii. If the BPP pension benefit is higher than the APS credit offset, then the minister will receive their net benefit (after offset) from the BPP and have already received the APS contributions value in their 403(b) account.

Church of the Nazarene World Mission Pension Plans

- 1) NBUSA serves as Administrator and Trustee of these non-contributory, qualified church plans, consisting of:
 - a. World Mission Pension Plan; and
 - b. World Mission Non-Qualified Pension Plan.
- 2) These plans provide retirement benefits at age 65 to missionaries under contract with the Church.
- 3) New participation was frozen effective January 1, 1998 and the plans are not governed by ERISA or covered by PGBC insurance.
- 4) Investment oversight of the pooled pension assets is provided by the Investment Committee of the General Church.

Nazarene Health and Hospitalization Program (NHHP):

- 1) NBUSA, as administrator, originally established the NHHP on behalf of the Church, to administrate the medical, dental, and vision benefits under two separate plans, which are considered self-insured:
 - a. General Church Medical Plan (GCMP); and
 - b. Missionary Medical Plan (MMP).
- 2) Effective January 1, 2022, the Missionary program moved to a fully-insured plan. Remaining oversight of the MMP relates to runout of claims in existence prior to the change to the new plan as discontinued operations.
 - a. **As of September 30, 2025, the remaining assets of the MMP were transferred out of the plan to the Church. The plan will have no future responsibility for payment of claims.**
- 3) Participating employers are represented through their participation in the GCMP Management Board (GCMP Board).
- 4) The GCMP Board determines plan design, funding strategies, and reviews operational details on behalf of participating employers.
- 5) Medical and vision claims of active and retired participants, dependents and beneficiaries covered by the NHHP are processed by UMR, a UnitedHealthcare company which is not an insurance company. Dental claims are processed by Delta Dental Company and pharmaceutical needs are covered by Express Scripts Holding Company.
- 6) The responsibility for administration of payments to participants and providers is retained by the Administrator.

- 7) Plan assets are not separately held in a voluntary employee beneficiary association trust but are pooled with other invested assets of the Church under Investment Committee oversight.
- 8) “Stop loss” insurance coverage is purchased to limit exposure to large claims.
- 9) Reserve levels are regularly monitored with the goal of maintaining funds sufficient to support at least 12 months of average claims.

GOVERNANCE

The organization, officially incorporated under the name “Nazarene Benefits, Inc.” is a Missouri not-for-profit corporation and operates under the name Nazarene Benefits USA. The sole member of the corporation is The Church of the Nazarene, Inc.

Bylaws require the organization to be governed by a board of directors whose membership is approved and appointed by the Board of General Superintendents (BGS) and comprised as follows:

- a) A member from each of the eight U.S. education zones
- b) One member-at-large
- c) Two ex-officio directors who serve by virtue of their positions within the General Church, which are the General Superintendent in jurisdiction over the U.S. region; and a denominational senior staff person (General Treasurer).
- d) At least four (4) members of the Board are required to be clergy; and four (4) to be lay members.

Board terms are set for four years in alignment with the quadrennial meeting of the General Church. Should the office of a director become vacant between quadrennial meetings a majority of the remaining directors, upon consultation with the BGS, may appoint a replacement to serve for the remainder of the unexpired term. We are grateful to our board for their commitment of time and experience in providing oversight and speaking wisdom and insights to our operations and our unique challenges and opportunities.

The Board was comprised of 5 clergy and 6 layperson members as of 9/30/25:

- Mrs. LeTonya Clark, Secretary - (lay – Eastern Region)
- Mr. Keith Cox, Treasurer; ex officio (lay - General Treasurer)
- Dr. Gustavo Crocker, ex officio (clergy - BGS)
- Steve Emerson (lay – Northwest Region)
- Dr. Brad Estep (clergy – Southwest Region)
- Rev. David Lutz (clergy – East Central Region)
- Mr. Mark Patrick, Vice Chair (lay – Southeast Region)
- Rev. John Pickens (clergy – North Central Region)
- Mrs. Jill Rice, Chair (lay – Central Region)
- Dr. Orlando Serrano, Executive Committee (clergy – at large)
- Mrs. Sonja White (lay – South Central Region)

INVESTMENT COMMITTEE

In accordance with the policy of the Church, the Nazarene Investment Committee provides oversight of the investments of the Church and other entities subject to its direction.

The Board of Nazarene Benefits USA, the Board of Trustees of Nazarene Bible College, and the Board of Directors of The Foundry (f/k/a Nazarene Publishing House) have the fiduciary responsibility for their respective retirement plan assets, and each board provides appropriate oversight of the Investment Committee. The work of the Investment Committee ensures appropriate and timely reporting to allow these boards to fulfill their fiduciary responsibility and utilizes independent professional investment advisors to oversee investment managers.

The goal for the investment of Pension Trust assets is to provide investment returns, which when combined with the employer and participant contributions to the trusts, enable the plans to fulfill the church’s commitments to plan participants. For the 403(b) plan the Committee evaluates the performance of the various fund offerings, and fees charged, compared to their benchmarks in order to support recommendations for any necessary changes.

PERSPECTIVE ON CHURCH FUNDING

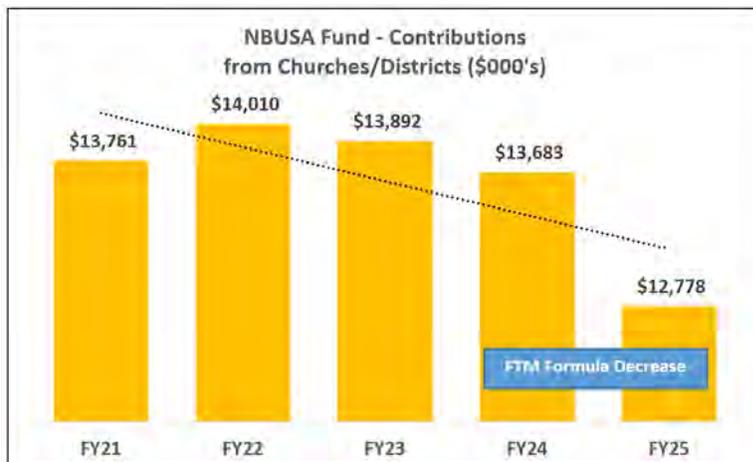
The work of NBUSA is only possible through the sacrificial giving of faithful Nazarenes. At our humble beginnings in 1919, the Board of Ministerial Relief asked each active minister to contribute \$1 annually and each church to provide 10 cents per member. During FY25, funding for the work of our greatly expanded operations came from the 2% NBUSA Fund portion of the 10% “Funding the Mission” formula in use by the Church in the United States.

TABLES - DATA AND CHARTS

NBUSA Fund

Table 1

Contributions from Local Churches and Districts



The impact of the decrease in the NBUSA Fund portion of the FTM formula began during FY24 and was fully realized in our FY25 results.

Table 2
Contributions to the Pension Plan

NBUSA continues its historic support of the legacy pension plan for ministers through the financial contributions noted in this chart over the past five fiscal years.

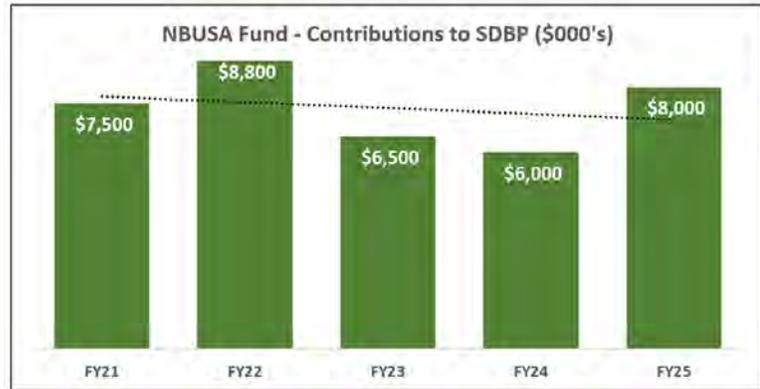
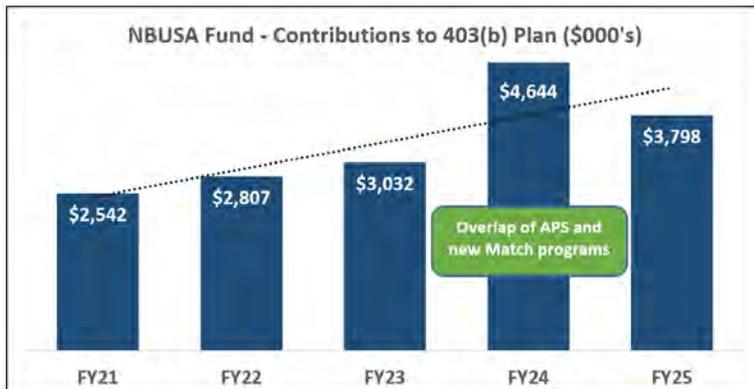


Table 3
Contributions to the 403(b) Retirement Plan



This chart demonstrates our growing commitment to provide funding for active ministers in the 403(b) retirement savings plan. The increase in FY24 is the results of an overlap of cost from closing out the former APS program and starting the new match program on January 1, 2024.

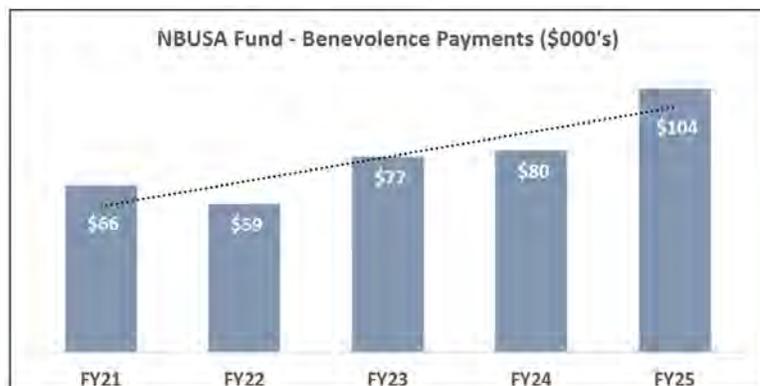
Benevolence Assistance

NBUSA provides benevolence benefits, paid from the NBUSA Fund, to Nazarene ministers and/or dependents for issues involving:

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

Table 4
Benevolence Programs

We have traditionally budgeted \$100k to provide funding for ministers’ emergency needs, and we reached that budget target for the first time in many years.



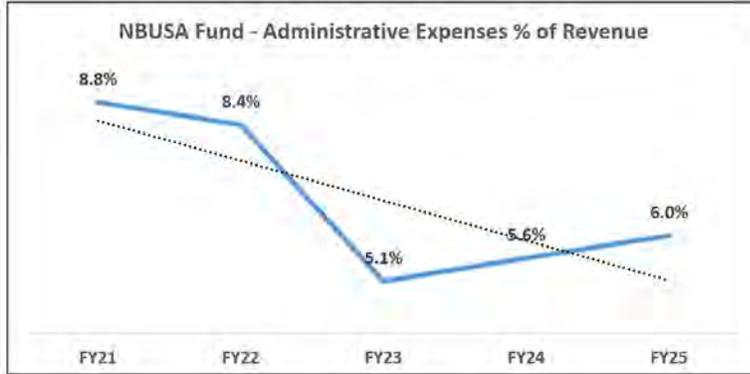


Table 5
Administrative Expenses

This chart reflects a change made in FY23 to more accurately allocate program-related expenses that were previously charged to the administrative function.

Table 6
Retirement Plan Asset Values and Participants

The following chart summarizes the level of retirement plan assets for which NBUSA provides either direct management and oversight or otherwise assists in the administration of these plans. We eclipsed the \$1 billion mark as of September 30, 2025.

	As of September 30									
	Assets Available for Benefits (\$000s)					# of Participant Accounts				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Defined Benefit Plans:										
SDBP - BPP Ministers	\$ 103,631	\$ 89,999	\$ 86,474	\$ 92,292	\$ 92,998	7,430	7,148	6,896	6,630	6,204
SDBP - General Church	36,818	30,052	28,260	29,945	29,284	137	151	176	169	161
World Mission	9,066	7,407	7,037	7,387	7,215	506	499	476	445	433
Nazarene Bible College	5,038	4,257	4,076	4,257	4,071	57	56	54	54	53
Nazarene Publishing House	25,792	21,007	20,004	20,951	20,150	267	264	257	239	234
Subtotal	\$ 180,344	\$ 152,723	\$ 145,851	\$ 154,833	\$ 153,718	8,397	8,118	7,859	7,537	7,085
Defined Contribution Plans:										
403(b) Retirement Savings	\$ 730,992	\$ 585,466	\$ 650,552	\$ 799,989	\$ 884,385	13,606	13,571	13,496	13,272	13,115
Indiv Retirement Annuities	4,008	3,910	3,597	3,290	3,093	168	166	155	131	122
Subtotal	\$ 735,000	\$ 589,375	\$ 654,149	\$ 803,279	\$ 887,478	13,774	13,737	13,651	13,403	13,237
Grand Totals	\$ 915,345	\$ 742,099	\$ 800,000	\$ 958,112	\$ 1,041,196	22,171	21,855	21,510	20,940	20,322

Nazarene 403(b) Retirement Savings Plan

The plan allows pastors, district superintendents, evangelists, and other church employees to invest for retirement through contributions exempt from income tax until withdrawn. A unique feature to this church plan allows qualifying ministers to claim distributions as housing allowance.² If properly planned, a minister has the ability to make and receive pre-tax contributions to their 403b account; watch their investments grow on a tax-deferred basis; and then withdraw these assets in retirement – without ever paying income taxes on any of the funds.

² Requires current credentials on file with a local U.S. district while in retirement and compliance with IRS rules and regulations on housing allowance. The IRS requirement for annual prior employer approval of a housing allowance amount does not apply in retirement, but all other IRS requirements still apply, including the fair value limit.

The minister’s housing allowance in retirement expires upon death and is not inherited by a spouse or other beneficiary. For this reason, a Roth component was added to the plan during FY22 to allow ministers to contribute a portion of their personal contributions on an after-tax basis.

Our primary partner in administering the plan is Fidelity Investments, who serves as our recordkeeper and employs licensed advisors who understand the unique characteristics of a church-sponsored plan. Participants may also obtain more personalized guidance related to their retirement and investing needs through Fidelity’s fee-based services.

Leveraging technology, Fidelity offers a number of online resources for plan participants and provides professional advisors who make topical presentations via live webinars and in-person sessions at General Assembly, PALCONS, and other types of gatherings. We also periodically engage the services of a third-party advisor to evaluate fees associated with recordkeeping services which continues to show that our arrangement with Fidelity is substantially favorable compared to peers.

The plan exceeded \$880 million in assets as of September 30, 2025. The summary to the right provides a recap of the changes in the plan’s assets over the past five years.

	FY21-25 Recap	
Beg Bal	\$ 628,115,713	100%
Contrib	107,624,834	17.13%
Inv Inc	340,242,534	54.17%
W/drawals	(189,837,526)	-30.22%
Expenses	(1,760,587)	-0.28%
End Bal	\$ 884,384,968	140.80%

Table 7
Assets Available for Payment of Benefits - 403(b) Plan



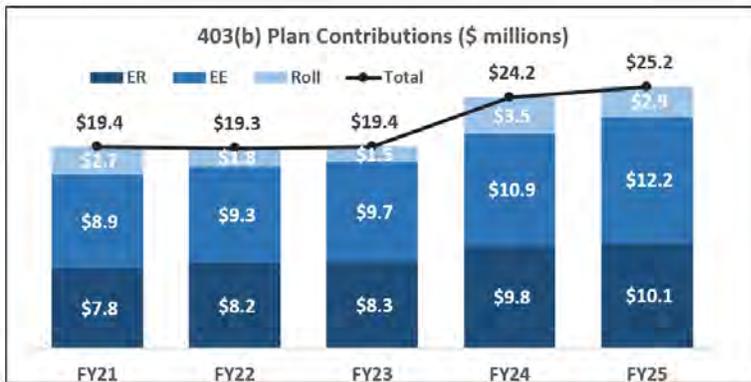
This chart shows the level of Plan assets available for the payment of benefits has been on a growth trajectory, which dipped in FY22 due to declines in the financial markets, but regained positive territory due to favorable market conditions and continuing contributions, as further noted in the following tables.

Table 8
Investment Income - 403(b) Plan

The chart identifies the significance of the negative market returns in FY22 and the return to better market conditions since that time.



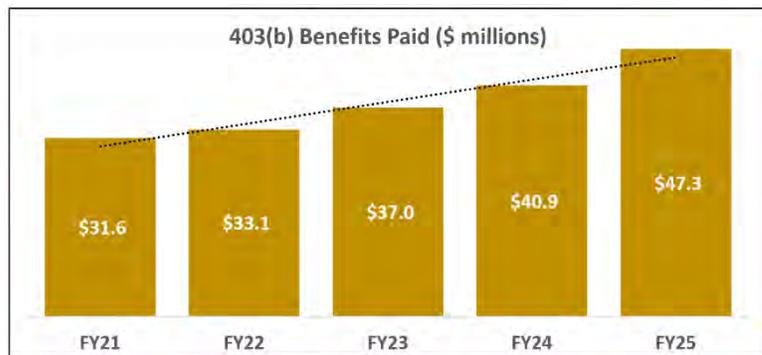
Table 9
Contributions Sources - 403(b) Plan



ER = Employer Contributions (including NBUSA)
EE = Employee Contributions
Roll = Employee Rollovers

Table 10
Benefits Paid – 403(b) Plan

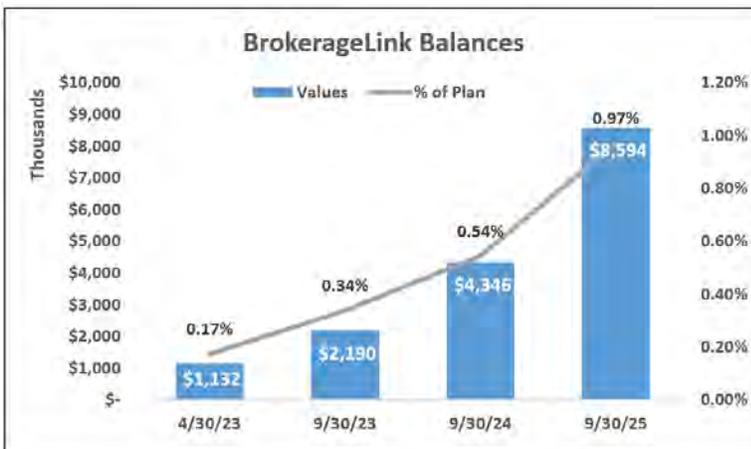
The level of benefits paid to participants, through distributions and/or rollovers, continues to grow.



BrokerageLink

The plan offers participants a limited brokerage window for mutual and index fund investment options beyond the pre-selected fund options offered through the plan. Known as the “BrokerageLink” option, it provides access to retail investing among the universe of publicly traded mutual and index funds (no individual securities, options, etc.), government treasuries, and certificates of deposit. Participants are subject to retail class expenses (i.e., no benefit from the plan’s significant economies of scale) and the Investment Committee provides no oversight of the performance or safety of these investment choices.

Table 11
BrokerageLink Balances – 403(b) Plan



This option became available in April 2023 and at the end of FY25 a total of \$8.6 million was invested in this manner, representing .97% of plan assets.

Since inception we have estimated these balances are not expected to exceed 5-6% of total plan assets.

The Single Defined Benefit Plan (SDBP)

On average, each year the SDBP disburses approximately 15% of its assets to retired participants for current pension payments. Contributions are made to the pension trust from the NBUSA Fund and a small amount from participants in the General Church portion of the plan.

Table 12
SDBP Funded Status

The plan reached 100% funded status as of the end of FY25. During FY22 the NBUSA Board authorized the Investment Committee to implement a de-risking strategy which lowered the effective interest/discount rate from 7% to 5%. This initially negatively impacted the funded status.

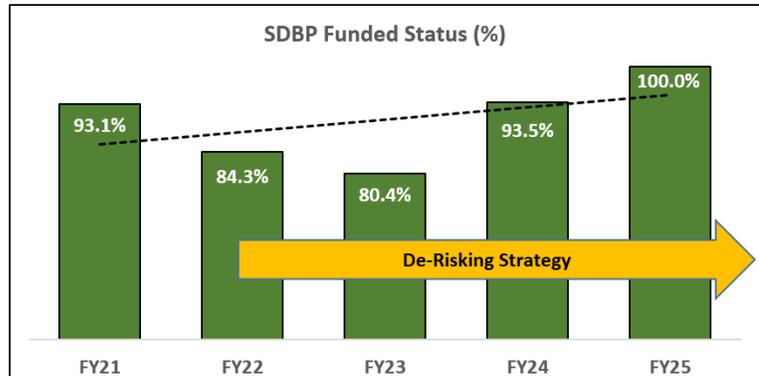
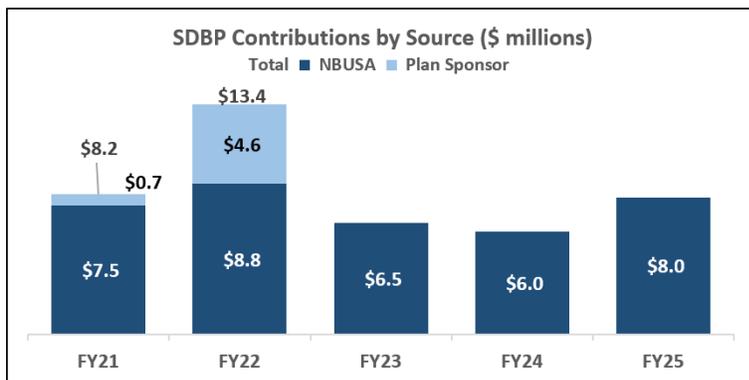


Table 13
Contributions by Source - SDBP



Since FY23 the only contributions to the SDBP have come from the NBUSA Fund.

Table 14
Investment Income - SDBP

This chart identifies the significance of the negative market returns in FY22 and the restoration of more normalized returns.

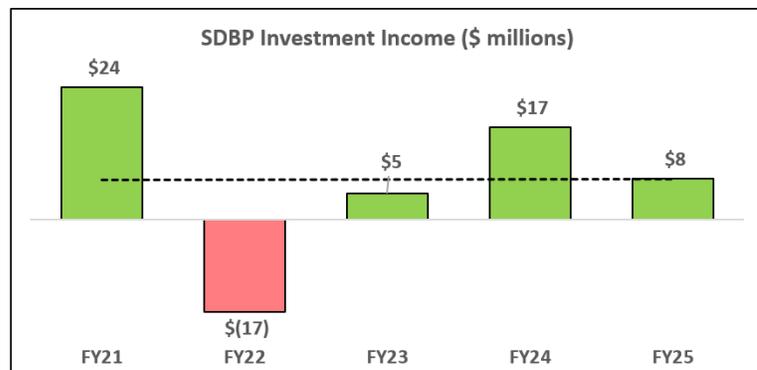
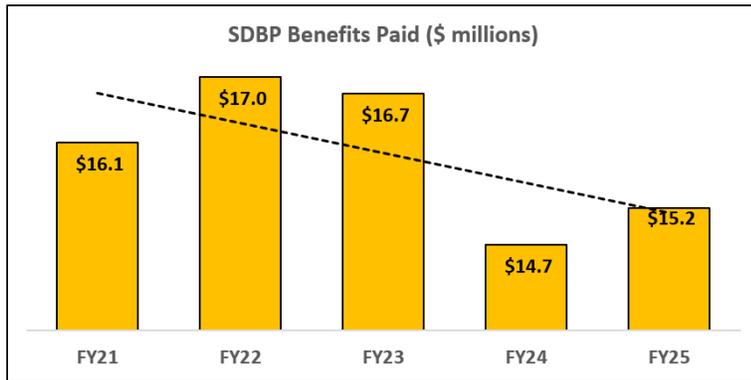
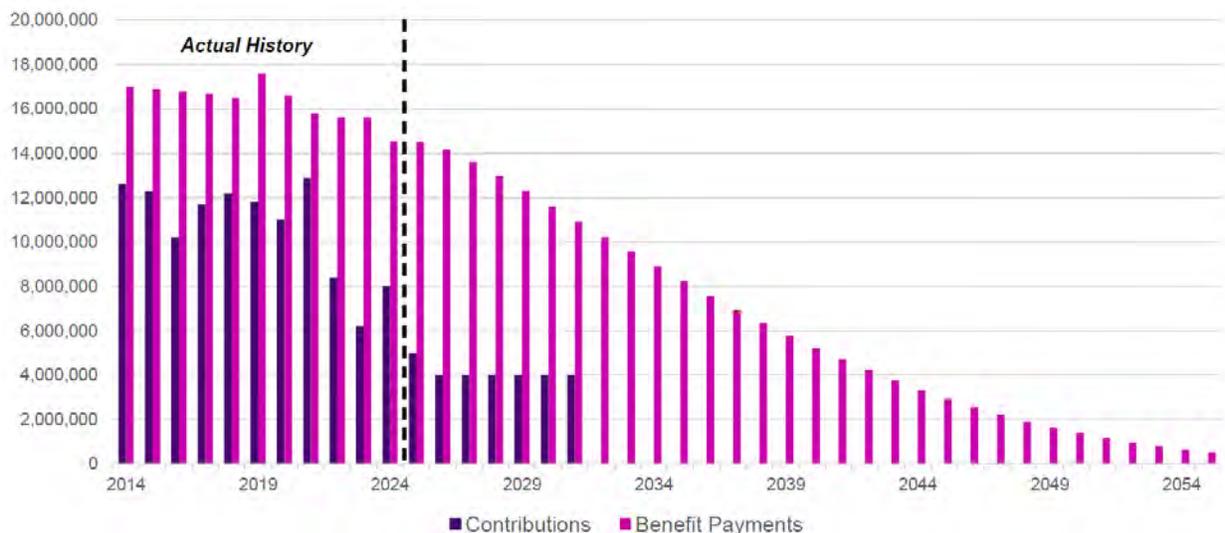


Table 15
Benefits Paid – SDBP



A single extra month’s pension benefit payment was made during FY22, FY23, and FY25 at an approximate cost of \$1 million each year.

Table 16
Cash Flows Projection – SDBP



The table above, which is an excerpt from a recent actuary report, provides an illustration (as of 1/1/25) of the projected future benefit payments from the plan (lighter colored bars) and the historical and future funding to the plan (darker colored bars). Our actuary has stated the current funding strategy of \$4,000,000 per year through 2031, together with existing assets and future earnings, should be sufficient to fund the plan’s pension obligations at the current formula level.

Table 17 - SDBP Census (as of 1/1/25)

	<u>Active</u>	Deferred <u>Inactive</u>	Receiving <u>Benefits</u>	<u>Total</u>
Basic Plan for Ministers	590	766	4,848	6,204
General Church	<u>5</u>	<u>23</u>	<u>133</u>	<u>161</u>
Total	<u>595</u>	<u>789</u>	<u>4,981</u>	<u>6,365</u>

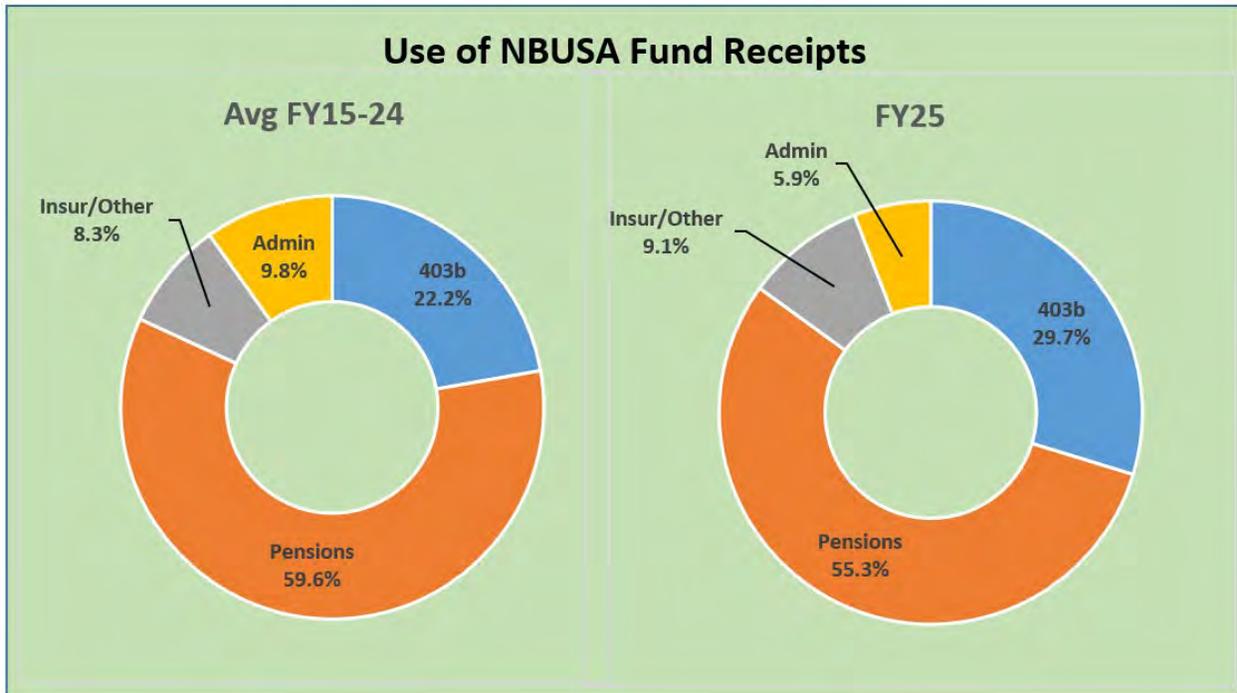
IMPORTANCE OF THE NBUSA FUND

The work of NBUSA would not be possible without the faithful support of the local churches and districts to provide the resources necessary to support our active and retired ministers.

HOW NBUSA FUNDS ARE USED

Table 18

Use of NBUSA Fund Receipts



The table above demonstrates the use of NBUSA Fund receipts for FY25 compared with the average for the prior decade (FY15 thru FY24).

Table 19

NBUSA Staffing

At the end of FY25 our team consisted of 15 employees (14.0 FTEs) and included one vacant position. During FY25, at the request of the Church, we shifted a full-time Senior Programmer to the Global Ministry Center’s IT department and we now utilize his services on a contract basis as needed.

FTEs	Actual					Budget
	FY21	FY22	FY23	FY24	FY25	FY26
Filled	13.5	13.5	14.5	14.5	13.0	14.0
Unfilled	2.0	2.0	1.0	1.0	1.0	0.0
Total	15.5	15.5	15.5	15.5	14.0	14.0

Insurance

Nazarene Benefits USA offers a number of group life (which we now call “survivor benefits”) and long-term disability benefits. Benefit premiums are paid with NBUSA Funds, based on eligibility. Optional supplemental benefits require individuals to elect and pay for the additional coverage.

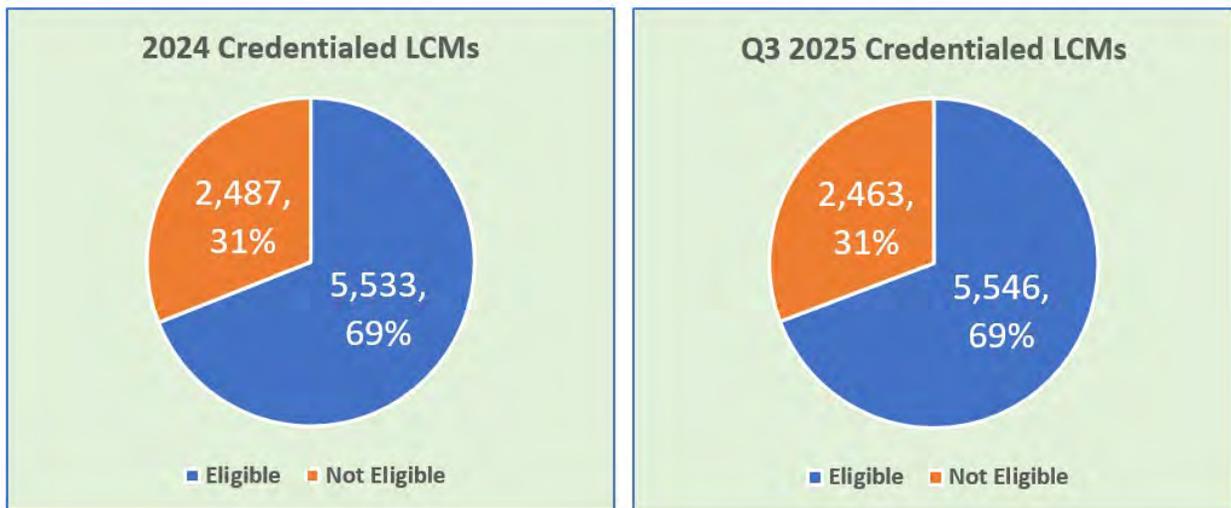
These significant survivor and disability benefits are made possible through the payment of NBUSA Fund allocations. If the church of an eligible minister pays at least \$1 to the NBUSA Fund, the pastor is covered by term life insurance and \$500 per month in long-term disability coverage. Besides these basic coverages, we offer supplemental survivor and disability benefits, as well as death and dismemberment insurance at reasonable rates through The Hartford.

Minister’s Match Program Results

The quarter ending September 30, 2025 marked the end of the first seven quarters of the match program which was implemented January 1, 2024. The following charts demonstrate our results.

Table 20

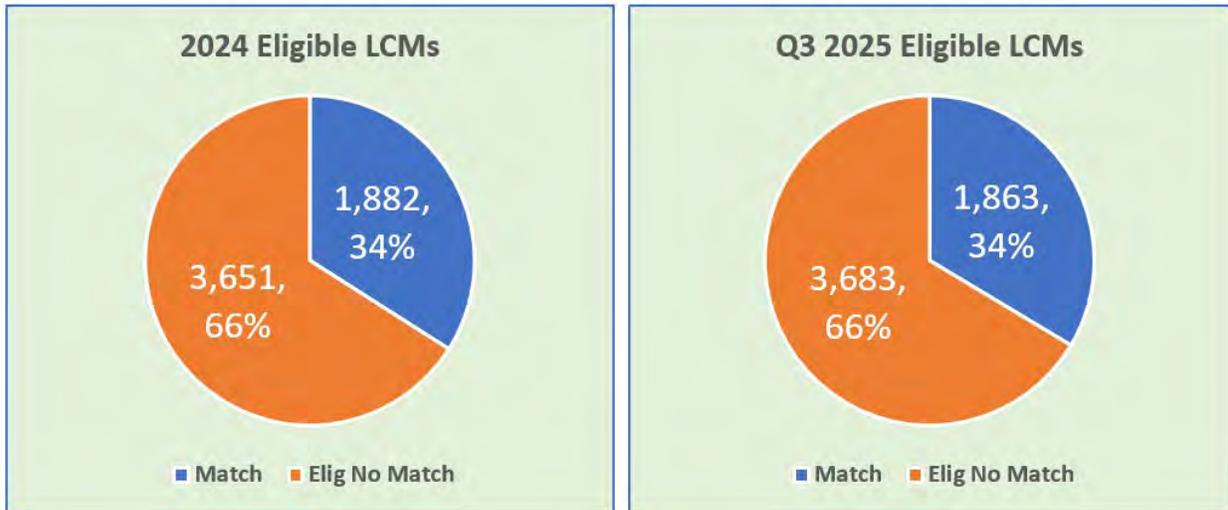
Credentialed Local Church Ministers (LCMs)



As of 9/30/25 there were about 8,000 credentialed (Ordained or District-Licensed) LCM’s, but only 69% of them met the initial eligibility requirements to receive a match. Those not eligible were due to a lack of support for our NBUSA Fund by their local church.

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Table 21 - Eligible Local Church Ministers (LCMs)



Of those eligible LCMs, only 34% received a matching contribution through 9/30/25 and those results are consistent with calendar 2024. Those who did not receive a match serve local churches who support the NBUSA Fund, but there were no local effort contributions to the ministers 403(b) account by the LCM and/or the local church.

New in 2026: We know that many of the eligible LCMs who did not generate any local effort contributions to their 403(b) accounts (and therefore did not receive a match) serve in small churches with limited budget capacity. Effective January 1, 2026, the match program has been modified to include a 100% match the first \$250 of local effort contributions made by the LCM and/or their church. Local effort contributions above the first \$250 will be matched in accordance with the existing match table per policy.

Table 22
Cumulative LCM Match Participation



While we are pleased with the 77% growth in LCM participants receiving a match (compared to the former APS program that ended in 2023), we have much more progress to make based on the large number of LCM's who did not participate.

Table 23
Cumulative Average NBUSA Contribution \$ per LCM

This chart demonstrates the 185% increase in average NBUSA contributions per LCM through calendar 2024 as compared to the former APS program (Q4/2023). The Q3/2025 average per LCM was already slightly above the total 2024 level.

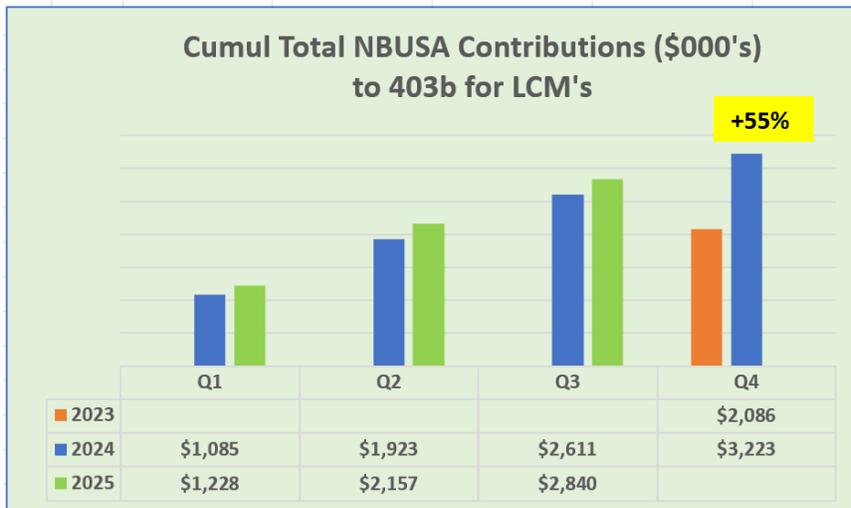
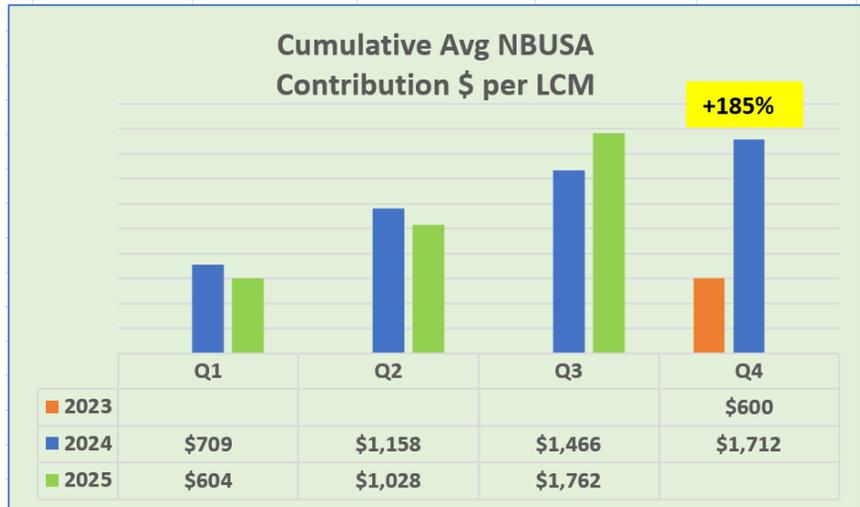


Table 24
Cumulative Total NBUSA Contributions

This chart shows the 55% increase in total dollars contributed by NBUSA to LCMs in 2024 compared to the former APS program (Q4/2023). The Q3/2025 result was 8.8% above Q3/2024 level.

Table 25
First-Time NBUSA Match for LCMs

This chart chronicles our great start in adding 936 new LCMs to the match program over the past seven quarters, but it also demonstrates how that rate of progress has continued to decline over time.

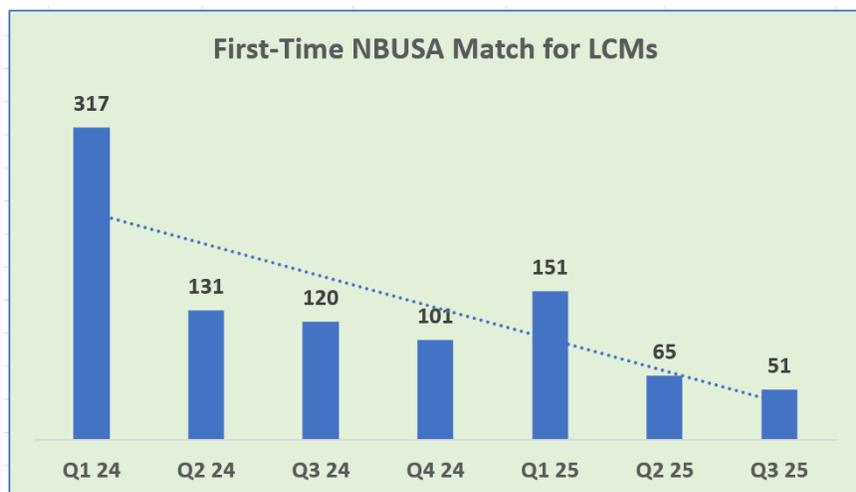


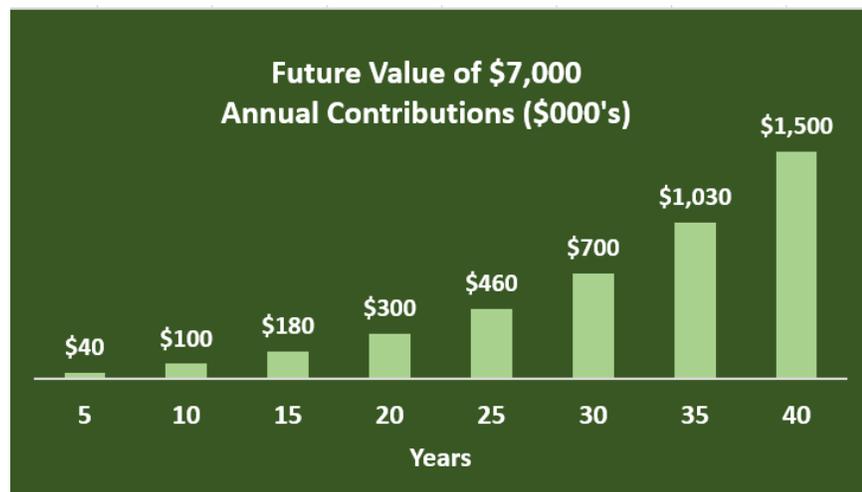


Table 25
Average Dollars Contributed per LCM (All Sources)

The average total contributions received by a participating LCM in calendar 2024 was just over \$7,000. Through 9/30/25 that figure was \$5,800.

Table 26
Future Value of \$7,000 Annual Contributions

This chart illustrates how much \$7,000 per year in contributions could grow over the years indicated, assuming a long-term investment rate of 7%.



Partnerships

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

- a. Conner & Winters – legal counsel;
- b. Willis Towers Watson – benefits, actuarial, & investment consultants;
- c. Fidelity Investments – 403(b) recordkeeper;
- d. Hartford Life Insurance Co. – life/disability/accidental death & disability insurance administration;
- e. FORVIS – auditors;
- f. UMR – medical plans administration;
- g. Lockton Companies LLC – medical plan consultant;
- h. Evangelical Council for Financial Accountability – compliance and tax resources;
- i. Church Benefits Association – professional association of denominational peers for sharing information, resources, and best practices;
- j. Church Alliance – professional association of denominational peers focused on monitoring and providing input on federal legislation and regulatory matters affecting our plans and operations.

OUR BIGGEST CHALLENGE

Our biggest challenge continues to be the lack of retirement readiness among our clergy, but we have now established a clear path and process to show them how to retire well.

THE FUTURE

We are evaluating the potential to further support our ministers in a variety of ways and will have more to report on that in the future.

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

Note: FY25 financial statements are presented under separate cover.

Respectfully Submitted,
KEVIN P. GILMORE
Executive Director - NBUSA