



2017
Benefits Plan Redesign
October 2015



October 2015

The information included here was presented to members of the Board of Directors of The Board of Pensions of the Presbyterian Church (U.S.A.) in advance of their fall board meeting, October 29-31. Board staff prepared the information to assist Directors as they consider the redesign of the Benefits Plan that staff has proposed.



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A Theology of Benefits



A Theology of Benefits

The Church's provision of benefits for its employees is holy work, giving expression to the creative activity of the Trinitarian God to whom Holy Scripture bears witness: "In the beginning was the Word, and the Word was with God, and the Word was God. He was in the beginning with God. All things came into being through him."ⁱ The incarnation of God in Christ reveals One who cares about the health of body and soul. Therefore the Church, as the Body of Christ, is rightly committed to a ministry of wholeness and compassionate care.

God's desire is that all people experience *shalom* — the flourishing of life. This desire is reflected in the repeated refrain of the creation narrative: "God saw that it was good."ⁱⁱ The ensuing portrayal of life in the Garden of Eden illustrates an ideal in which humanity dwells in mutual care and well-being.

Jesus extends the promise, "I came that they may have life, and have it abundantly."ⁱⁱⁱ The desire for health and wholeness are at the heart of the gospel call, which implores followers of Christ to care for the hungry, the thirsty, the stranger, the naked, the sick, and the prisoner.^{iv} In the celebrated parable of the Good Samaritan, itself a story of healing and wellness, Jesus extends the charge: "Go and do likewise."^v

The Holy Spirit gathers the Church and shapes its life through the sacraments of baptism and the Lord's Supper, which are the sign and seal of new birth, new life, and a new way of living. Shaped by these sacraments and empowered by the Spirit, we, the Church, live in caring community with one another in all that we are, all that we have, and all that we do.

The very character of God as revealed in the Scriptures compels those who worship and serve God to "maintain justice, and do what is right."^{vi} Hence, from its inception the Church has affirmed just compensation for its servants.^{vii} The Presbyterian Church (U.S.A.) has repeatedly confirmed this commitment to support its servants with compensation that includes salary, benefits, vacation, and opportunities for spiritual growth and renewal.^{viii}

These concrete expressions of care extend God's desire for *shalom* and well-being, helping church servants flourish in the holy and human endeavor of ministry. As the body of Christ, we demonstrate abundant life to the world as a community of faith, hope, love, and witness.^{ix} We call people to varied forms of service and covenant to support them so they may devote their best gifts and energies to the work of God's kingdom.

ⁱ John 1:1-3

ⁱⁱ Genesis 1:12,18,21,25,31

ⁱⁱⁱ John 10:10

^{iv} Matthew 25:35-36

^v Luke 10:30-37



^{vi} Isaiah 56:1

^{vii} Luke 10:7-9; I Corinthians 9:9-12; I Timothy 5:18

^{viii} *Book of Order* W-4.4006b3; “Elements of Compensation,” *Report of the Compensation Committee* [approved by the 188th General Assembly (1976) of The United Presbyterian Church in the United States of America]; *A Theology of Compensation: A Study Paper* [approved by the 195th General Assembly (1983), from the General Assembly Mission Council]; “Theological Concepts” and “Basic Principles,” *Report of the Task Force on the United Presbyterian Compensation Plan* [approved by the 195th General Assembly (1983), from the Vocation Agency]; “The Presbyterian Church as Employer,” *Life Abundant: Values, Choices and Health Care — The Responsibility and Role of the Presbyterian Church (U.S.A.)* [approved by the 200th General Assembly (1988)].

^{ix} I Corinthians 12:27-28; *Book of Order* F-1.0301



Our Calling



Our Calling

The Theology of Benefits certainly fits within our Reformed doctrine of vocation and work and, more specifically, within our historical understanding of just compensation. The Board of Pensions has traditionally focused on the role which benefits play in that context. However, as we examined what Scripture tells us and contemplated the nature of the God who created us, we became convinced that our vision needed to be more expansive. We believe that the plans set forth here, including a redesigned benefits plan, reflect an empowering vision of what God calls us to be.

From the beginning, American Presbyterians have recognized the need to care for those who serve the Church. At the inaugural meeting of their first synod, in 1717, they established the Fund for Pious Uses. The first award from the fund to an individual was to the widow of the Reverend John Wilson of New Castle, Delaware. Although the first General Assembly would not meet for another 70 years, throughout the 18th century presbyteries formed and established funds of their own to care for the families of pastors.

In the 19th century, funding of this particular benevolence remained largely a synod function. Faithful church leaders recognized additional needs of disabled pastors who could not earn sufficient income to care for their families. Numerous societies for the support of these pastors were formed in the synods and many continued into the early part of the 20th century.

Presbyterians ran through a series of ministerial relief plans in the 20th century. By 1983, when the northern and southern branches of the Church reunited, the concept of care had moved from simple relief to retirement support, including pension plans. Medical benefits were also provided.

The modern plan was codified with the following charge from the General Assembly to the Board of Pensions:

- Design and administer a comprehensive program of pension, medical, and other benefits for ministers, missionaries, and certain other church workers.
- Design and administer a program of financial assistance to help meet needs that are beyond the scope of the pension and benefits program.
- Establish and operate retirement housing for eligible retirees and their covered partners.*
- Receive, invest, and disburse the funds required to support these plans and programs for the sole and exclusive benefit of members and beneficiaries of the pension and benefits plan and other beneficiaries of the assistance and homes programs.

— *Minutes, Part 1, 1984, p. 549*

* The 200th General Assembly (1988) approved changing the Homes Program from one based solely on Board-owned homes to one based on housing assistance supplements. (*Minutes, Part 1, 1988, p.97*)



Designers of the Benefits Plan of the Presbyterian Church (U.S.A.), which took effect January 1, 1987, grounded it in the deeply rooted belief that burdens are to be shared, that Scripture guides us to love and care for one another. The more fortunate, therefore, would help to lift up those with fewer resources, a goal unchanged from colonial times.

Parts of that plan have served us well, particularly those related to teaching elders. There are tax and regulatory provisions that apply to ministers but not to secular employees. It is best if pastors can accept God's call in a new place without restarting and changing benefits. And there are needs in transition between calls that are unique to teaching elders. Our current plan takes such things into account.

But for those who are not teaching elders, the plan's one-size-fits-all approach has become problematic. Board policy dictating a single benefits structure and local decision making that responds to economic and employment realities together have produced disappointing results. Since its inception in 1987, the Benefits Plan has served fewer members each year. **At this point, only 70 percent of teaching elders and less than 10 percent of other church workers receive any benefits through the Board of Pensions.**

We must do better. Stewardship demands it. Faithfulness demands it. The need to change is urgent, both for existing congregations and the new forms of ministry we see emerging. **We want to end three decades of decline and serve more members each year!**

Responding to the sense of urgency, the Board has undertaken a transformational process to **serve more, serve better, and serve the Church.** We began in fall 2014 with listening sessions to hear the Church's needs, hopes, and dreams. Over the last year, our executive staff and Regional Representatives have engaged thousands of Presbyterians to help us redesign the plan reflecting the values of the Church.

Our redesign work drew strength from several near-consensus concepts that emerged in our listening sessions. First, caring for our church workers is indeed holy work. How we use our money is as much about theology as it is about economics. Second, the commitment to provide **comprehensive benefits to pastors** remains strong throughout the Church. And third, there is a need for **flexibility** and, with it, **affordability** so that congregations and Presbyterian-affiliated employers can care for their employees based on their resources.

The Theology of Benefits undergirds our redesigned Benefits Plan. Scripturally based, it holds that we care for each other as part of the community the Holy Spirit has gathered and that the Church, as the body of Christ, is rightfully committed to a ministry of wholeness. We used the CREDO framework of spiritual, physical and emotional, financial, and vocational well-being to redesign our program offerings as well as the Benefits Plan.

We will invite all new teaching elders who are plan members to participate in **New Pastor CREDO**, a two-year program to help get them off to a good start. Support for holistic health will further encompass our member education, Call to Health, Assistance Program, congregational consulting, Member Services, and information technology.

Most of what is new in the redesigned plan — described in detail in the sections that follow — are additional options for creating a more flexible benefits plan.



Of equal importance is that which remains the same. The commitment to installed pastors is virtually unaffected, as the Constitution of the Presbyterian Church (U.S.A.) prescribes participation in pension and medical benefits. Except for the return to true call neutrality and a few wording changes, the dues model and the benefits packages are as they have been. We call this package **Pastor's Participation**, to align our language with the *Book of Order*. Our plan upholds **community nature**: in the income-based calculation of deductibles, in pastor dues, in the accrual of pension benefits that recognizes the service of lower-compensated pastors, and in the way we provide benefits to disabled members.

For all other teaching elders, the choices are expanded. In consultation with their employer, they may take part in Pastor's Participation or they may select benefits a la carte. This expansion provides flexibility for the many contexts of ministry, including new worshiping communities, interim, stated supply, temporary positions, and validated ministries.

A call to justice is also evident in the Theology of Benefits. Tens of thousands of church workers do not benefit from the Board of Pensions plan. While the Board cannot stop the increasing costs of healthcare, we must move to a benefits system that is more flexible and accessible and acknowledges true costs. This will enable employers and employees to make decisions that work for both. We must trust each other to act wisely in making decisions in the local context.

Therefore, for all other employees, including commissioned ruling elders, the employer will select which combination of benefits to offer and set the amount of employee contribution. **Medical dues will reflect actual cost.** Retirement options include the Pension Plan and the Retirement Savings Plan of the Presbyterian Church (U.S.A.), a 403(b)(9) plan. Employees may be able to participate in one or both, depending on employer offerings. Two medical coverage options allow for choice based on needs. Death and disability coverage is included as well as the optional plans now offered.

In eliminating the hidden dues subsidies of the current medical plan, there is a risk that certain current members will face a substantial, short-term increase in costs if employers require them to bear significant components of health coverage. While this group is a small minority of members, our community call to compassion makes this an important issue. To make the transition as practical as possible for everyone, and to retain as many current members as possible, we have created a **transitional pricing** structure, which limits increases in family coverage costs. We will use reserves to make up any related operating losses. At the same time, we will encourage employers to continue to generously support their employees, drawing on savings in other categories of the total benefits package to help offset such increases.

The greater flexibility provided by the redesigned plan acknowledges the real cost of benefits and how the needs of congregations, affiliated employers, and their employees can vary widely. In recognition of such variation, and to better serve the Church, the Board will provide significant congregational support through revised processes, online tools, and enhanced staffing as benefits decisions are determined.

The new Benefits Plan of the Presbyterian Church (U.S.A.) will serve us well as we prepare to celebrate our roots, 300 years deep, in 2017 and enter the next 300 years.



2017 Benefits Plan Design

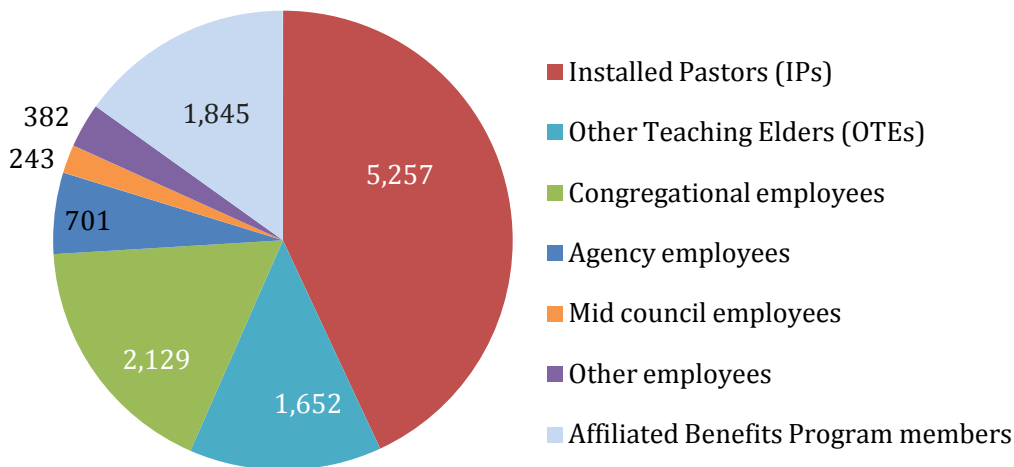


2017 Benefits Plan

Background: The Numbers

Today, the Traditional Program of the Presbyterian Church (U.S.A.), which includes the defined pension, death and disability, and medical benefits, serves three principal cohorts of church workers: installed pastors, other teaching elders, and a small number of other employees. The total number of church workers covered under this comprehensive array of benefits currently stands at approximately 10,300. An additional 1,845 members are enrolled in our Affiliated Benefits Program, which provides medical coverage only. What is perhaps more significant than the number of covered employees is the number of church workers who are **not** covered by the Board-administered programs. We estimate that number to be 130,000 employees, all of whom are serving in churches or in denominational roles with other PC(USA)-affiliated employers. This gap has led to an analysis of plan design features that might better position the Board to meet a wider range of employer and employee needs. What follows reflects our conclusions about design and relevant pricing, many of which have been reinforced and supported through churchwide feedback.

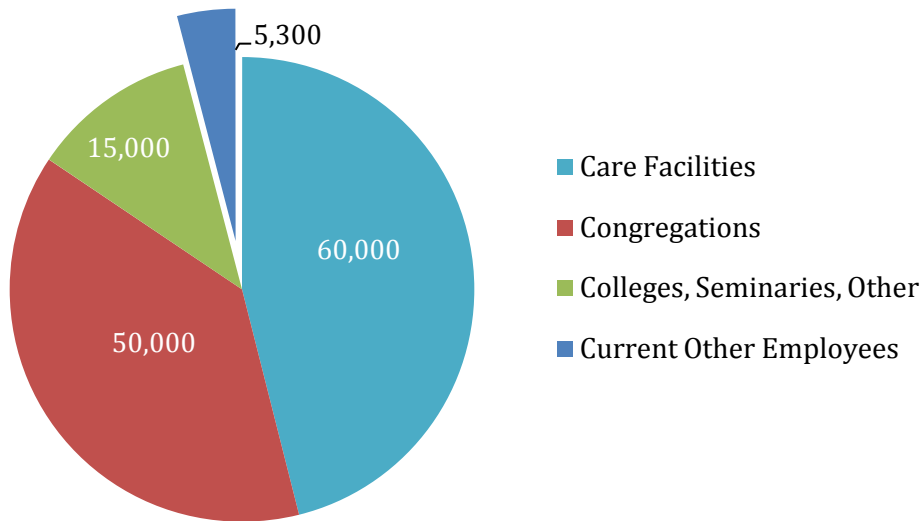
Those who are served today*



* as of 9/30/2015



Potential to serve more (beyond teaching elders)



Design Objectives

With the Theology of Benefits as a foundational context for the (2017) Benefits Plan of the Presbyterian Church (U.S.A.), we developed the following broad objectives, which guided the *design* work:

- Provide for a single plan with a menu of employer benefit options.
- Preserve all existing benefits for installed pastors, with pricing that supports community nature and is expressed as a percentage of effective salary.
- Adopt language and Benefits Plan terminology that align the plan with the *Book of Order*.
- Modernize plan provisions where appropriate.
- Reinforce the importance of holistic health: spiritual, physical and emotional, financial, and vocational well-being.
- Develop a Medical Plan pricing model that is sustainable and transparent.

What is not changing

Central to understanding the recommended changes to the plan are knowledge and confidence about what is not changing:

- benefits for installed pastors (Pastor’s Participation), which include (and will continue to include) the following, on a non-contributory basis and without regard to number of hours working:
 - defined pension benefits
 - death and disability
 - preferred provider organization (PPO) medical



- availability of these same *core* benefits for employers to offer to other teaching elders and other eligible employees (menu options)
- dues for pension and death and disability benefits
- other benefits, available to installed pastors, other teaching elders, and other eligible employees, including the following:
 - defined contribution Retirement Savings Plan of the Presbyterian Church (U.S.A.) (RSP)
 - dental plan
 - supplemental death benefits
 - supplemental disability benefits

What is changing






The recommended plan design includes provisions that will enable employers to make decisions about *what* benefits will be offered; *who*, in addition to installed pastors, will be eligible for benefits; and *how much* employees will contribute toward the cost of coverage.

- **What** may be offered? Employers may select benefits from a menu of options, including all of the following, on a stand-alone basis:
 - retirement benefits (Pension Plan, RSP)
 - death and disability benefits
 - medical benefits via the current Preferred Provider Organization (PPO or an Exclusive Provider Organization (EPO) (An employer may elect to offer eligible employees either coverage option or both
 - optional dental, supplemental death, and supplemental disability benefits
- **Who** may be covered? Employers may construct eligibility provisions best suited to their local needs using the following broad parameters:
 - Other teaching elders may be enrolled in either Pastor’s Participation or in menu options. Through focused communication, the Board will encourage non-contributory enrollment of these church servants in Pastor’s Participation. For purposes of medical coverage eligibility and RSP participation, there will be no minimum working-hour requirement. For all other benefits, the plan will require a working-hour minimum of 20 hours per week.
 - Other employees will be eligible only to be enrolled in menu options. The plan will require a working-hour minimum of 20 hours per week for all benefits except the RSP.
- **How much** will the benefits cost, and **how much** of the cost may an employer share with employees?
 - While preserving the current, non-contributory dues structure for Pastor’s Participation, the recommended design includes the following changes to calculating Medical Plan dues:
 - Minimum and maximum dues will be expressed as fixed-dollar amounts, eliminating the need for pro-rating part-time salaries and allowing for periodic adjustments that reflect medical cost trends.
 - The dues percentage rate will reflect a composite (call neutral) amount, applied uniformly, regardless of the pastor’s family status.



- When using menu options, dues will be calculated as follows:
 - For pension benefits, there will be no change to the current 11 percent of the pension participation basis (the greater of effective salary or 25 percent of installed pastors median); it must be fully paid by the employer.
 - For death and disability, there will be no change to the current 1 percent of the pension participation basis if offered with pension benefits, or to the 3.5 percent of pension participation basis if selected on a stand-alone basis, without pension benefits; it must be fully paid by the employer.
 - For medical coverage, the cost will reflect actual (unsubsidized) claims and administrative expenses, and will be expressed in dollar denominated coverage-level rates (member-only; member + child(ren); member + partner; member + family). Reflecting a market-based pricing sensitivity, these employer-specific rates will be adjusted by age and geographic area factors. Employers will be required to fund at least 50 percent of the cost of member-only coverage; employees may be asked to pay for up to 50 percent of member-only coverage and up to 100 percent of the incremental cost of coverage for their eligible family members. Through focused communication, the Board will encourage employers to pay 100 percent of the member-only cost, particularly for those employees who are transitioning from today’s Traditional Program to the menu options.

How Does This One Plan Work?

Benefit	Pastor’s Participation: Installed Pastors*	Other Employees*
Retirement 	Pension (11% effective salary) Retirement Savings Plan (voluntary contributions)	Pension (11% effective salary) Retirement Savings Plan (voluntary contributions)
Medical 	Preferred Provider Organization (PPO) (% effective salary)	Preferred Provider Organization (PPO) Exclusive Provider Organization (EPO) (employer-specific coverage-level rates)
Death & Disability  	Death and Disability (1% of effective salary)	Death and Disability (1% of effective salary if provided with pension; 3.5% effective salary as stand- alone)
Optional 	Dental Supplemental Death Supplemental Disability	Dental Supplemental Death Supplemental Disability

* May also include other teaching elders based on employer decision



Employer Responsibility and Employee Choice

We are requiring that each employer document unique decisions made about eligibility, coverage options, and cost-sharing by executing a descriptive Adoption Agreement, which will also confirm adherence to the plan's requirements. Once these terms are elected and documented, eligible employees will be given the choice to enroll (or not) in contributory programs and to select the medical coverage option and level that best meets their needs.

Transitional Considerations

Recognizing that change, no matter how modest, may challenge churches and other employers as they reconsider eligibility and cost-sharing policies for their employees (other than installed pastors), we are recommending in our design proposal some unique grandfathering provisions as well as transitional Medical Plan pricing.

Pension Plan

In addition to the required enrollment of installed pastors, other teaching elders and/or other employees may be enrolled in the Pension Plan at an employer's discretion. Thus, an employer who currently provides a pension benefit may continue to do so with no change in dues calculation.

Should an employer who is currently offering the Pension Plan choose to discontinue coverage in the plan for other teaching elders and/or other employees, the employer may elect to grandfather the currently enrolled members and continue their pension coverage by paying dues for the grandfathered employees only.

Coverage may also be offered based on eligibility criteria unique to each employer. Through communication, the Board will recommend that an employer terminating the pension program for their staff either grandfather all current participants or adopt a formula for determining grandfathering status. For example, an employer might choose to grandfather all participants whose combined age and years of service equal or exceed 60. If an employer chooses not to continue pension participation for certain members, all accrued credits of those employees, including non-vested members, will be fully vested upon the employer's withdrawal of coverage.

Essentially, employers with other teaching elders and/or other employees currently enrolled for pension coverage would choose to do one of the following for those individuals:

- Continue eligibility and participation in accordance with what was provided before January 1, 2017.
- Terminate participation for all.
- Allow all current plan members to participate while excluding all new employees.
- Grandfather participation based on a predetermined number of years and service (e.g., 60) or based upon employee classification as determined by the employer. Pension coverage would not be offered to new employees.



Death and Disability Plan

In addition to the required enrollment of installed pastors, other teaching elders and/or other employees *may* be enrolled for death and disability benefits at an employer's discretion. Non-contributory dues will be based on the employer's decision to either offer these benefits with the pension coverage or provide them on a stand-alone basis. Recommended grandfathering provisions mirror those of the Pension Plan, and through focused communication, the Board will urge continued coverage for those currently enrolled.

Supplemental death and disability coverage will continue to be available only to employees enrolled for death and disability coverage.

The recommended design includes a modification to the current waiver-of-dues provision that continues pension and medical coverage for disabled members and their eligible family members during the full period of disability. While medical coverage would continue for the member for the duration of his or her disability, coverage for family members would be limited to three years. Current disabled members and their dependents would be grandfathered at their current level of coverage.

For members who terminate their service after January 1, 2017, including installed pastors, disability coverage would not be extended beyond the member's employment termination date. Death benefits would be extended, in accordance with the terms of the current plan, for installed pastors and other teaching elders enrolled for Pastor's Participation.

Medical Plan pricing

The current Medical Plan pricing approach is unsustainable over the long term due largely to unfunded subsidies, which erode reserves or require ever larger dues increases. Therefore, we are recommending a pricing model that is a more transparent reflection of actual cost and one that will allow us to compete in local marketplaces. At the same time, we recognize that while employers will welcome some of the inherent flexibility in the recommended design and coverage-level rate structure, some employers and members, depending on coverage needs, could experience an economic hardship in the transition to this unsubsidized pricing approach. To help employers and current members meet this potential challenge, we are recommending a three-year transitional pricing approach, guided by the following objectives:

- Provide a glide path for Traditional Program employers and members transitioning from the current (subsidized) Medical Plan funding formula (percent of effective salary) to the new (actual cost) coverage-level rate structure.
- Ensure that the transitional pricing formula adopted is fair, operationally manageable, and that its value can be effectively communicated to relevant stakeholders.
- Define and limit the range of potential operating loss.

Eligibility for this transitional (reduced-cost) pricing would extend to approximately 2,830 members (estimated based on current enrollment) and their employers — churches, agencies, mid councils, and others.

The amount of recommended transitional pricing support, which would apply to two coverage levels (member + partner and member + family), would gradually decline over a three-year period and sunset in 2020, at which time, the Medical Plan would be operating with break-even pricing.



Plan funding

While the recommendations reflected in this design overview are expected to have no impact on the funded status of the Pension Plan or the Death and Disability Plan, the more volatile, pay-as-you-go Medical Plan may be subject to short-term losses. We would, as suggested by the transitional pricing proposal, anticipate some amount of loss from temporarily offsetting the actual cost of coverage for currently participating employers. The Medical Plan may face some additional loss caused by adverse selection and/or decline in our current enrollment base. Providing employers of other teaching elders (not installed pastors) with a choice of Pastor's Participation or menu options pricing may also result in some amount of Medical Plan revenue loss. We believe, however, that current reserves are more than sufficient to offset any short-term losses generated during this three-year transitional period (2017-2020). In 2020 and beyond, break-even pricing of the Medical Plan will end the institutional drawdown of reserves.



Guide to Terminology



Guide to Terminology

Term	Description / Application
PPO (Preferred Provider Organization)	Current medical coverage, administered by Highmark Blue Cross Blue Shield and OptumRx, with both in- and out-of-network benefits
EPO (Exclusive Provider Organization)	A new medical coverage option, administered by Highmark Blue Cross Blue Shield and OptumRx, with in-network medical benefits only and primarily generic drug benefits
Pastor's Participation	Non-contributory enrollment in pension, death and disability, and PPO medical coverage
Installed Pastor	A teaching elder in an installed pastoral relationship, whose non-contributory participation in the plan is required under the Book of Order <i>Terms of Call</i> (G-2.0804)
Other Teaching Elders	Ordained teaching elders who are not serving in installed pastoral relationships, whose employers may, but are not required to, enroll them for Pastor's Participation
Other employees	Employees working for an eligible employer who are not teaching elders
menu options	Benefits available to an employer to provide from a menu of options a la carte that includes pension, retirement savings, death and disability, PPO medical, EPO medical, dental, supplemental death and supplemental disability benefits; other teaching elders <i>may</i> be enrolled in menu options; other employees <i>are eligible only</i> to be enrolled in menu options
medical coverage level	A specific level of coverage selected by an employee to meet his/her coverage needs and those of his/her eligible family members, typically expressed as member-only, member + child(ren), member + partner, member + family; coverage-level pricing on an employer-specific basis will be assigned to each coverage level for both PPO and EPO