BENEFITS ROADSHOW
Section I: Health Insurance 2020

Section II: Pension & Retirement Review

Section III: General Conference & Future Pensions
Healthflex Exchange

6 Health Plans  3 Dental  3 Vision
# Healthflex Exchange

<table>
<thead>
<tr>
<th></th>
<th>GOLD 3</th>
<th></th>
<th>SILVER 2</th>
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<th>BRONZE 1</th>
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<tr>
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<td>High $$</td>
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<td>Low $</td>
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<tr>
<td>Benefits</td>
<td></td>
<td>High $$</td>
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<td>Low $</td>
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Healthflex Exchange

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<th></th>
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<td>Deductible</td>
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<td>High</td>
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<tr>
<td>Out-of-Pocket Max</td>
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<td>High</td>
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Healthflex Exchange

<table>
<thead>
<tr>
<th>Gold 3</th>
<th>Silver 2</th>
<th>Bronze 1</th>
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Out-of-Pocket Cost

Low → High
AKA "Free money to the pastor"
Does the defined contribution equal the premium of the plan?
Annual conference adopted a defined contribution independent of any premium.
<table>
<thead>
<tr>
<th></th>
<th>Per Month</th>
<th>Per Year</th>
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<tbody>
<tr>
<td>Pastor</td>
<td>$832.25</td>
<td>$9,987</td>
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<tr>
<td>Church</td>
<td>$741.67</td>
<td>$8,900</td>
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<td>Conference</td>
<td>$90.58</td>
<td>$1087</td>
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<td>Benefit</td>
<td>Cost</td>
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<tr>
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<tr>
<td>Defined Contribution</td>
<td>$0</td>
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<tr>
<td>H1500 Plan</td>
<td>-$838</td>
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<tr>
<td>Dental HMO</td>
<td>-$14</td>
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<td>Basic Vision (Exam Only)</td>
<td>$0</td>
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<tr>
<td>Pastor’s Monthly Contribution</td>
<td>$19.75</td>
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\[
\text{Defined Contribution} = \text{H1500: No Upgrade} = \text{$9,987/YEAR or $832.25/MONTH}
\]
<table>
<thead>
<tr>
<th>Benefit</th>
<th>Amount</th>
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<tr>
<td>Defined Contribution</td>
<td>+$832.25</td>
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<tr>
<td>C2000 Plan</td>
<td>-$861</td>
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<td>Dental Passive PPO 2000</td>
<td>-$35</td>
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<td>Basic Vision (Exam Only)</td>
<td>$0</td>
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<tr>
<td>Pastor’s Monthly Contribution</td>
<td>$63.75</td>
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</table>

$9,987/YEAR or $832.25/MONTH
Annual Election

Oct. 31 - Nov. 14, 2019
PASSIVE PPO
*going away in 2020
NEW PLANS

DENTAL HMO : Lowest Premium

DENTAL PPO : Second Highest Premium (Default Plan)

DENTAL PPO 2000: Highest Premium
Addendum

Why it’s helpful:

- Timing of premiums (occasionally after charge conference)
- Always a great reminder (sometimes we forget what we pick)
- Helpful for payroll
What is important when choosing a plan?
- Premium
- Free contribution to HRA/HSA
- Rx. Benefit – different for each
- Personal savings
- Out-of-pocket max.
Why do premiums keep going up?
The Market & Group Claims Performance
Group Claims Performance

- 2018 Data
- Good News of 2019
QUESTIONS
RETIREMENT
SECTION II
Words We Use

Pensions
Retirement
Savings

BENEFITS ROADSHOW
SECTION II
Words We Use

CRSP: Clergy Retirement & Security Program
DB: Defined Benefit
DC: Defined Contribution
PIP: Personal Investment Plan

BENEFITS ROADSHOW  SECTION II
Technically indicates an employer-funded plan, but generally gets applied to retirement benefits.
A retirement plan in which the benefit paid to retirees is defined and funded by the employer.
Defined Benefit
The Problem
The employer pays for benefits, the limits of which are not clear.

How?
By contributing on behalf of all active employees.
A retirement plan in which the employer makes a set contribution to active employees’ retirement accounts, with no promise of any benefit and actual retirement.
Defined Contribution

Employer → Account → Retiree
Money invested by an individual for and restricted until retirement. Employees can have money withheld from their paychecks. Different IRS tax treatments that can be differed until withdrawal.
Before Retirement

Retirement Savings

Employer

Account

Employee
During Retirement

Retirement Savings

ACCOUNT -> RETIREE
Defined Contribution: 3% of clergy compensation contributed by church to account
2007-2012: 1.25% DAC \( \times \) Years of service

2013 - PRESENT: 1% DAC \( \times \) Years of service

→ paid to retirees monthly
How is the clergy retirement and security program funded?
Churches contribute 9.22% of compensation (housing + salary)
With DC benefits, higher paid clergy receive more contribution and savings, but the DB equalizes retirement benefits.
The Risk

The DB portions spreads the risk of loss in the market between clergy participants and annual conferences.
Clergy Retirement & Security Program

9.22%
What if the stock market crashes?
What if retirees start to live 5-10 years longer?
Risk is shared with the conference which sponsors the plan.
If the conference has to make a contribution, where will it come?
Local Churches
Legacy Plans

1982–2007: Ministerial Pension Plan

Before 1982
Acted like a DC plan

At retirement 65% of the account balance is annuitized—converted to defined benefit
Past service rate \( \times \) Years of service = Annual Benefit
The conference shares risk in three plans.

Churches share that risk.
What happens if the conference splits?
What if we lose 50% of churches?
What if church attendance continues to decline?
Where is the risk really?
Only the one holding the benefit can lose the benefit
How Can we provide quality retirement and mitigate the risks to conferences and churches?
- DC plans **ONLY**
- Defer S.S. until 67
- Churches contribute to DC
Full SS benefit at 67 (not 65)
Meant to replace approx. 35% of income

- CRSP DC – 9%
- CRSP DB – 20%
- It is not 100% of income at retirement
- If you start SS early it’s less
- Saving is critical!
Clergy typically retire at 65 → ensuring low SS income
What if the pastor lives a long life and uses all their DC and PIP benefits?
Using Lifestage Retirement Income, Wespath already tries to ensure the CRSP-DC and PIP money will last
The New Plan

Every Pastor
$140 From church
3% compensation From church

New Pastors
2% + 2% match From church

Established Pastors
Up to 4% match From church

BENEFITS ROADSHOW SECTION III
**FIRST:** The new plan will allow a person to defer SS for two years (until age 67), by receiving higher payouts.
The new plan will allow the purchase of deferred annuities that start at age 85 → Insures against “running out”
The new plan requires more individual responsibility and personal savings.
More flexibility in denominational uncertainty
Shifting of future costs away from less stable entities (conferences and churches)
Money in plan is participant's and can be left to heirs
Risk of market loss shifted to individual
Inherently less “connectional”
CONCLUSION

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