

# Perspective

*News from the President's Office*

The Church Pension Group has one overriding mission: to serve the people and institutions of The Episcopal Church. In this time of economic uncertainty, the Board of Trustees, as well as the entire staff, is particularly focused on supporting our Church with prudent financial stewardship, the provision and improvement of crucial benefits, and a wide range of educational and support services that help free our clergy and lay ministers to minister.

Dear Friends,

The Church Pension Group (CPG) serves the Church in four overarching ways: financial oversight and management of the Fund's assets; the provision of benefits; the products and services provided by our affiliate companies; and ongoing education through programs such as Planning For Tomorrow and CREDO.

As I reflect on the past year, I am pleased that our service in all four areas has been expanded and deepened.

- The Fund remains in a solid financial position, even in these trying economic times. Your benefits are secure. Like many others, we have seen some losses in value, but Fund results continue to outperform market benchmarks, validating our overall investment strategy. See page 2 for details.
- The continued strength of the Fund allowed the Church Pension Fund Board to enhance benefits. A 5.8% cost-of-living-related pension benefit increase went into effect for eligible clergy and lay retirees on January 1, 2009. In addition, the life insurance benefit for eligible active and retired clergy was enhanced, and the Medicare subsidy was increased. See page 3.
- Outreach to our constituents during 2008 has further strengthened our relationship with the Church. CPG staff, including representatives of the Episcopal Church Medical Trust, Church Life Insurance Corporation, and the Church Insurance Companies, made a cumulative 3,488 visits to our constituents, and we were pleased to add 11 new dioceses and 276 new parishes as clients. In addition, CPG staff made several visits to dioceses in Province IX.
- Pastoral care remains a key focus and a top priority for us, especially in these trying times. Through Planning For Tomorrow and CREDO, as well as personal one-on-one meetings with clergy here in our New York office, we were able to work with 1,631 clergy and 118 lay employees on their personal financial and spiritual journeys. In addition, Pension Services and Client Engagement staffs spoke by phone with many more clergy and lay employees about their individual retirement journeys. CPG staff also visited every Episcopal seminary during 2008 to speak with members of their graduating classes.

As I look toward the future, I am excited about the possibility of serving the Church in new ways. We continue our work in response to the 75th General Convention directives that CPG undertake a) a comprehensive study of lay employees in support of the work of the Church's Task Force on Employment Policies and Practices and the Office for Ministry Development, and b) a Church-wide healthcare coverage feasibility study and subsequently formulate recommendations for presentation to the 76th General Convention. Those important initiatives are described on pages 5-9.

This winter, CPG provided opportunities for face-to-face information sharing and feedback via six Regional Forums, held around the Church. These all-day meetings covered such topics as the financial state of the Fund, the lay employee study, and the recommendation for a denominational health plan for The Episcopal Church. These forums are described more fully on page 4. I hosted all six of these events, and very much enjoyed my interactions with those of you who were able to attend.

As we move toward General Convention, I want to reiterate that both the board and staff consider it a privilege to serve the clergy and laity who serve the Church, and to support the Church's mission and ministry. As always, I welcome any reflections and feedback you may care to offer, and I look forward to seeing many of you in Anaheim this July.

Faithfully,  
T. Dennis Sullivan, President and CEO

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## Pension Fund Assets Available for Benefits Stood at \$7.45 Billion at Year-End

As of December 31, 2008, Assets Available for Benefits were at \$7.45 billion as the decline in stock markets worldwide impacted CPF assets.

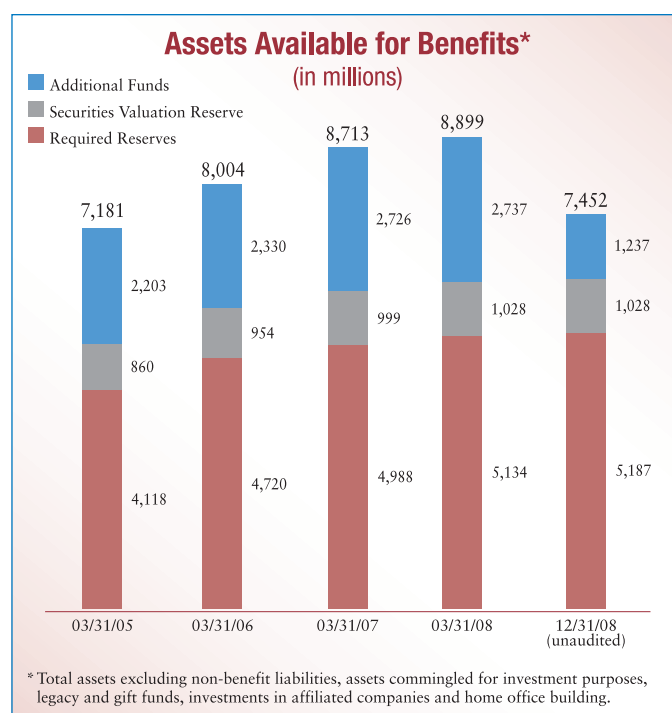
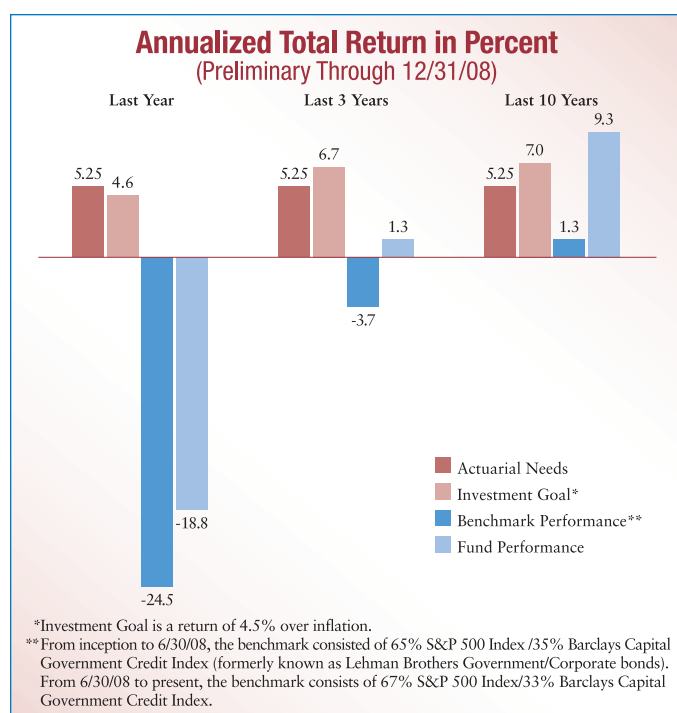
The U.S. stock market had one of its worst years in history in 2008, falling 37.0% as measured by the S&P 500 Index. Stocks fell in the first half of the year as liquidity concerns in the banking sector and weakness in housing began to spread to other parts of the economy. The bankruptcy of Lehman Holdings in September precipitated a much more dramatic decline in the fourth quarter, with the S&P 500 falling 16.8% in October alone and 21.9% for the full quarter. Stock markets around the world experienced even greater declines, with the EAFE Index of developed markets declining 43.4% and the Emerging Markets Index falling 53.3%. There was simply no place to hide in equities. Bonds provided a measure of stability although credit spreads in investment-grade securities expanded to their widest level over Treasuries since the Great Depression. Only Treasury securities and money market instruments provided positive returns in 2008.

The CPF portfolio is, of course, not immune to this type of market environment and declined 18.8% in 2008. The Fund's 33% allocation to bonds cushioned the decline from equities. Within equities, the Fund's broad diversification did help. Notably, the Fund's investment in Specialized Strategies, including hedge funds, event arbitrage, distressed debt, and absolute return strategies, declined much less than the overall stock market. The Fund's investments in private equity and private real estate also helped. The values in these investments, however, are not fully reflective of the underlying economics and may be marked down in subsequent periods.

The left-hand exhibit below shows the performance of the Fund over three time periods through the end of 2008. It compares the portfolio return with three key benchmarks: actuarial needs, investment goal, and an index portfolio of 67% S&P 500 stocks and 33% bonds. As you can see, Fund performance compared favorably with the benchmark return for the one- and three-year time periods but fell below the investment objective and actuarial needs. On a ten-year basis, however, Fund performance exceeded all three benchmarks.

These are clearly very challenging times, with a great deal of uncertainty with respect to the economic and investment outlook. We are in a global recession with the likelihood of continued negative economic growth and rising unemployment. While the current period has been likened to the Great Depression, the policy responses from governments and central banks around the world are very different this time. The fiscal and monetary stimulus is unprecedented. The severity and global nature of this recession make its length unusually difficult to predict. However, the unprecedented policy responses give us comfort that this one, too, will end.

Despite the recent declines, the Fund's reserves are sound and benefits are secure. We do not know what the next several months will bring, but we believe the investment portfolio is well-positioned for the long term. While recent economic and market events can be disturbing, they also provide the foundation for very attractive return opportunities and the Fund is in a strong position to take advantage of them.



## Pension Benefits are Secure, and Have Been Enhanced for 2009

Enhancements for 2009 include a 5.8% cost-of-living-related pension increase for retirees, increases in life insurance coverage for eligible active and retired clergy, and an increased subsidy of the post-65 Medicare supplement program.

Financial market volatility continues to impact the economy, creating growing uncertainty about personal finances and retirement security whether you're near retirement or years away.

Therefore, to reiterate what was said in the letters of October 2 and December 17, 2008: Although the Fund is not immune to market volatility, you don't need to worry about the safety of your pension benefit under the Church Pension Fund Clergy Pension Plan and the Episcopal Church Lay Employees' Retirement Plan (the Lay DB Plan).

We are committed to helping you achieve a comfortable quality of life in retirement. For this reason, and after much study, the CPF Board approved a number of benefit enhancements for 2009. These enhancements have been announced in various communications already, but it is worth restating them here:

- **5.8% Cost-of-Living-Related Pension Increase for Retirees**

Although not obligated by Plan rules, effective January 1, 2009, the CPF Board increased the monthly pension benefits payable under the Clergy Pension Plan to offset increases in the cost of living. Retired clergy, surviving spouses, and dependent children received a 5.8% cost-of-living-related increase, as did beneficiaries of the Episcopal Church Lay Employees' Retirement Plan<sup>1</sup>. This 5.8% is equal to Social Security's 2009 COLA increase.

- **Increase in Life Insurance Coverage for Active and Retired Clergy**

Effective January 1, 2009, the life insurance benefit for all current and future eligible retirees increased from two times Highest Average Compensation with a maximum of \$30,000 to four times Highest Average Compensation with a maximum of \$50,000, and the life insurance benefit for eligible clergy who

have not yet retired increased from two times Total Compensation with a maximum of \$50,000 to four times Total Compensation with a maximum of \$100,000<sup>2</sup>. These increases are intended to provide greater support to surviving spouses, especially those whose clergy spouses die in active service.

- **Funding for Pension Benefit Enhancements for Non-Domestic Dioceses of The Episcopal Church**

While recognizing that non-domestic dioceses may have unique needs and that more study is necessary before making formula changes, the CPF Board is serious about providing benefit increases for non-domestic dioceses of The Episcopal Church when doing the same for the domestic dioceses. Therefore, the CPF Board has approved setting aside \$7 million for benefit increases for non-domestic dioceses and is currently studying recommendations regarding how these increases might best be effected.

- **Increased Subsidy of Post-65 Medicare Supplement Program and Plan Enhancements**

The CPF Board approved raising the CPF subsidy of the post-65 Medicare supplement program from \$250 per member per month to \$265 per member per month for 2009, thereby eliminating the need for any cost increases to be passed along to members of the "Comprehensive," "Plus," and "Premium" medical plans for 2009<sup>3</sup>. In addition, several enhancements were added to the post-65 medical program. See page 10 for details.

### Increase in Clergy Retiree "Allowed Earnings"

Many clergy continue to serve the Church through temporary or part-time employment during retirement. Retired clergy can now earn up to \$32,000 during 2009 and still receive full pension benefits.

### The Church Pension Fund Will Adopt GAAP During 2009

The Church Pension Fund was notified in early 2008 by the New York State Insurance Department (the "Department") that the annual audited financial statements for retirement systems and pension funds will be required to be prepared based on U.S. generally accepted accounting principles ("GAAP") instead of the current accounting practices prescribed or permitted by the Department. The Church Pension Fund agreed with the Department to adopt this change for the year ending March 31, 2009. The 2009 Annual Report will explain the financial statement implications of this change.

<sup>1</sup>Those whose benefits began during 2008 will receive a prorated increase proportional to the number of months retired.

<sup>2</sup>Information on imputed income and possible minor tax consequences will follow at a later date.

<sup>3</sup>Although not obligated by Plan rules, we hope to continue to provide similar post-retirement assistance in the future; however, we cannot make "forever" promises.

## CPG Hosted Six Full-Day Regional Forums Around the Church

These informational meetings included presentations about the financial strength of the Fund, the lay employee benefits study, and the recommendation for a denominational health plan.

As we move toward General Convention, we have been communicating directly with the Church in a variety of ways. One of those was a series of six full-day Regional Forums, held between January and March of this year, in various locations around the Church.

Each forum dealt with the mission and financial strength of the Fund, and our work in response to General Convention resolutions concerning a denominational health plan and the lay employee benefits study, and included a question-and-answer period. It is because we feel these issues are so important that we have been traveling around the Church to discuss them in person.

The availability of these full-day meetings was communicated to the Church through flyers mailed to all clergy and lay constituents, diocesan bishops, and General Convention deputies, and advertisements placed in *Episcopal Life*, *The Living Church*, and local diocesan papers. National and local press ran stories promoting attendance, as well.

As a result, the turnouts for these forums were impressive and gratifying. It has been a wonderful

experience for us to meet so many of you face to face, and to have the opportunity of hearing your reflections and answering your questions directly.

Of course, we realize that many people were unable to attend. Please know that we value your input and are ready to answer your questions at any time. We invite you to communicate with us toll-free at (866) 802-6333.

### Regional Forums Were Held in the Following Cities

San Juan, Puerto Rico	January 27
Dallas/Fort Worth, Texas	February 5
Atlanta, Georgia	February 26
San Francisco, California	March 12
Cincinnati, Ohio	March 19
Hartford, Connecticut	March 26

## Look For Us at General Convention in Anaheim

Come visit us at the CPG booth, where we'll have resource materials for clergy and lay employees, and where CPG advisors will be on hand to review your personal retirement benefits with you, one-on-one. We're also planning special Theme Days around topics such as the denominational health plan, lay benefits, CREDO, and Planning For Tomorrow conferences, as well as an international day.

### Retirees Dinner Planned – Save the Date!

Once again, we will host a dinner for all retirees living in the Anaheim area – and any others who are visiting General Convention. Invitations will be mailed in May; if you would like to receive one, please contact BJ Cohan at [bcohan@cpg.org](mailto:bcohan@cpg.org) or (800) 223-6602 x6353. We look forward to seeing you there.

## And Watch for Our Report to the 76th General Convention, Coming in June

As in past years, we will be disseminating an extensive triennial report in advance of General Convention. We expect it to be in your mailbox during the early part of June.

## We Are Here to Serve You

### Contact Us

As always, we encourage you to give us your feedback. We are here to serve you and welcome your input.

**T. Dennis Sullivan**  
[dsullivan@cpg.org](mailto:dsullivan@cpg.org)

**The Rev. Canon Patricia Coller**  
[pcoller@cpg.org](mailto:pcoller@cpg.org)

We also invite you to contact us with any questions about your personal retirement planning or other benefit questions. Please call Pension Services at (866) 802-6333 or email us at [benefits@cpg.org](mailto:benefits@cpg.org). And please check out the CPG website at [www.cpg.org](http://www.cpg.org) where all of our publications as well as answers to frequently asked questions are available.

We hope this *Perspective* is helpful to you. Of course, we can only provide highlights here, and the official plan documents govern all aspects of the implementation of plan benefits.

# Overview of the Findings and Conclusions of the Comprehensive Lay Employee Study and Resolution to Establish a Mandatory Lay Employee Pension System

As authorized by the 75th General Convention through Resolution A125, the first comprehensive research study of Episcopal Church lay employees was undertaken by the Church Pension Group. Our findings to date, highlights of which appear below, support the work of the Church's Task Force to Study Employment Policies and Practices and the Feasibility Study Group.

The Comprehensive Lay Employee Study, which took over a year to complete, began with a census that included every Episcopal congregation in the U.S.; Episcopal dioceses and institutions were also surveyed. Then an individual survey of all lay employees was conducted by The Gallup Organization.

The study also looked at comparable employees in other sectors to see if Episcopal Church lay employees differ significantly from their peers. We researched pension benefits provided by other denominations and not-for-profit employers, and reviewed retirement plan documents from dioceses and congregations that do not provide lay employee retirement plans through the Church Pension Group.

The data collected from the employer census and individual lay employee survey revealed much about the lay employees serving the domestic dioceses and congregations of The Episcopal Church. **The full report of the *Comprehensive Lay Employee Study* is available at [www.cpg.org](http://www.cpg.org).**

## Highlights of the Conclusions Drawn from the Study

The Episcopal Church has a highly motivated group of lay employees with a strong sense of mission and service to the Church. 58% of lay employees are Episcopalians, and 43% of lay employees said they were members of the congregations in which they were employed.

**There is a high level of anxiety about the future**, particularly among those who rely most on the Church for retirement income. These include many single, divorced, and widowed women, a group that, in the wider population, is most likely to experience poverty in old age. This anxiety about the future negatively affects the lay employees' sense of satisfaction with and engagement in their work.

**Lay employees value the Church as a work environment** that provides a sense of flexibility and that has people in it who care about them personally. In terms of the formal structures of employment, such as the correct assignment of employees into exempt and non-exempt from overtime compensation classifications, the creation or updating of job descriptions, and annual performance evaluations, the record of the Church as a whole is poor. These weak formal employment practices of the Church gradually erode the sense of mission and joy that lay employees receive from their work.

**Findings indicate that approximately 30% of the lay employees working in congregational settings who meet the eligibility criteria of the 1991 General Convention Resolution D165a – the intent of which was to provide pensions to lay employees working 1,000 hours or more per year – do not receive the lay pension benefits contemplated by that resolution more than 17 years after its passage.**

The estimated annual percentage of operating revenue to provide lay pension benefits for those lay employees who currently do not have these benefits ranges from 0.03% to 1.02% with an average mean of 0.60%, or \$12 to \$34 per pledging unit, depending on the size of the congregation, with an average mean of \$20.80. To compute the mean costs for congregations, cost estimates were based on the compensation reported via the 2007 lay employee census, along with the parochial report data for these congregations. We assumed a 9% employer contribution rate.

Further study is needed of the unique contexts of non-domestic dioceses owing to the diverse tax regulations and local laws. While it would be difficult, if not impossible, to structure a single defined contribution pension plan covering lay employees in the non-domestic dioceses, pension benefits for these employees might be provided through one or a series of defined benefit pension plan(s). However, creating a single defined benefit plan covering all of the non-domestic dioceses may not be feasible due to local laws. Further, any plan design must take into account the varying government-supplied pension plans in the non-domestic dioceses.

## Report Supports the Work of the Church's Task Force to Study Employment Policies and Practices and the Feasibility Study Group

The findings of the *Comprehensive Lay Employee Study* supported the work of the Church's Task Force to Study Employment Policies and Practices and the Feasibility Study Group's research regarding whether pension benefits for lay employees should be made compulsory and be administered by a single provider.

The Task Force determined that the 1991 General Convention Resolution D165a which required pension benefits for lay employees working a minimum of 1,000 hours per year has been complied with to a substantial degree (approximately 70% of domestic congregations and 93% of domestic dioceses have complied), but many eligible lay employees remain uncovered.

The Task Force and Feasibility Study Group's reports, along with a proposed resolution and canonical change, were presented to and approved by the Executive Council of The Episcopal Church at its meeting in October 2008, and the resolution and canonical change were endorsed by the Church Pension Fund Board of Trustees at their November 2008 meeting.

### **Highlights of the Resolution and Proposed Canonical Change**

- That the Church establish a mandatory lay employee pension system for employees who are scheduled to work a minimum of 1,000 hours annually for any domestic diocese, parish, mission, or other ecclesiastical organization or body subject to the authority of the Church.
- That the Church Pension Fund be authorized to establish and administer the lay employee pension system of the Church.
- The lay employee pension system should provide benefits that shall, initially, include defined benefit plan(s) and defined contribution plan(s).

- Contribution levels are to remain at the same level as the 1991 General Convention Resolution D165a which requires an employer contribution of not less than 9% for a defined benefit plan, and if a defined contribution plan, the employer's base contribution shall not be less than 5% with at least a 4% match of the employee's contribution.
- Existing defined benefit plans will be permitted to continue as long as their plan design delivers pension benefits not less than the pension benefits required by the proposed resolution.
- The implementation of the mandatory lay employee pension system shall be completed no sooner than January 1, 2011 and no later than January 1, 2012.
- That further study be undertaken by the Church Pension Fund on the feasibility of inclusion of non-domestic Episcopal dioceses in the lay employee pension system and reported back to the 77th General Convention.

**We welcome your feedback and questions.**

**Contact Linda Puckett at (800) 223-6602 x6260;  
*lpuckett@cpf.org.***

## Denominational Health Plan: Study and Recommendations

After three years of study and deliberation, the CPF Board has approved a denominational health plan for recommendation to the 76th General Convention. Advantages of the plan include addressing the disparity in the provision of healthcare benefits to Church employees, financial sustainability, diocesan control and choice, and significant cost savings to the Church.

In these challenging economic times, the social justice issues that our Church has long embraced are more important than ever. One of the most pressing of those issues today is the continued accessibility and affordability of healthcare for all those who serve the Church. In recognition of this, the 75th General Convention authorized CPG to conduct a Church-wide study of the costs and issues surrounding the provision of healthcare benefits to all clergy and lay employees, including an analysis of and recommendation for a denominational healthcare benefits program, and to report back to the 76th General Convention this July.

The primary objective of this study was to conduct comprehensive research regarding the provision and funding of employee healthcare benefits throughout The Episcopal Church. Healthcare benefits for clergy and lay employees working in the Church today are provided through a voluntary program. At present, there is no binding General Convention resolution or canon requiring dioceses, congregations, or official agencies of the Church to provide such benefits to their employees. At the time of this writing, more than 75% of domestic dioceses offer employer group health benefits through the Episcopal Church Medical Trust.

The resulting denominational health plan, as recommended by the Church Pension Fund Board of Trustees, is a socially and financially sustainable model for delivering employee healthcare benefits. Not only was it designed with social justice issues in mind, the savings it will generate, the benefits it will enhance, and the access it will provide are unmatched by any available alternative.

### Significant Advantages of Denominational Health Plan Include Meaningful Cost Savings

The establishment of the denominational health plan will achieve a number of objectives:

- The first is an estimated savings of \$134 million to The Episcopal Church in the first six-year period by leveraging its aggregated size for the large-scale purchasing of healthcare benefits.
- Second, it balances the Church's financial constraints with the cost of providing adequate employee healthcare benefits.
- Third, it addresses the disparity in health benefits coverage between clergy and lay employees who are regularly scheduled to work 1,500 or more hours per year.

- Fourth, it provides for diocesan/group level control so that dioceses, agencies, and institutions have the flexibility to make decisions about healthcare benefits that reflect local polity and preferences.
- Finally, it provides access for all eligible<sup>4</sup> employees, according to the rules of the Episcopal Church Medical Trust, of participating employers to purchase healthcare benefits at a group rate, even if their employers are not required by canon to fund any portion of the cost of coverage.

### Denominational Health Plan is Based on Extensive Research

Since the last General Convention, comprehensive data was gathered from dioceses, congregations (cathedrals, parishes, missions, and chapels), Episcopal agencies, and other sources to further the understanding of the current healthcare benefits situation in The Episcopal Church. An in-depth evaluation was performed regarding the Church's current approach to providing employee healthcare benefits and past, current, and projected costs, collecting data on healthcare benefits, demographics, policy, compensation, budget information, awareness, and opinions.

Episcopal employers and clergy and lay employees were extensively polled throughout the study process through a formal census, multiple surveys and data collection requests, in-person presentations, focus groups, and group discussions. Responses and data were received from 95 dioceses, 3,000 congregations, and more than 8,000 clergy and lay employees.

Additionally, throughout 2007 and 2008, the project team traveled extensively to conduct more than 30 focus and feedback groups with more than 1,100 clergy and lay employees to learn their perspectives about eligibility, cost-sharing, plan design, and the proposed model and resolution.

### The Denominational Health Plan Model: Centralized Administration with Diocesan/Group Control, Choice, and Options

The overall goal of the denominational health plan is to offer dioceses, congregations, and agencies of The Episcopal Church a choice of plans that provide benefits equal to or better than those provided through existing health benefit plans — at the same or lower cost.

<sup>4</sup>Currently, the guidelines of the Episcopal Church Medical Trust generally provide that those hourly employees routinely scheduled to work 20 or more hours per week and all salaried employees are eligible.

Each diocese and group will have the ability to make decisions, as they do today, about benefit plan specifics, as well as the number of options to offer employees. While the denominational health plan will be administered by a single plan sponsor (The Episcopal Church Medical Trust), it will give Episcopal employers the ability to offer *multiple* health plan options for employees, ranging from preferred provider organization (PPO) plans with a variety of deductibles, co-insurances, and office copayments, to health maintenance organization (HMO) plans. In addition, at least one high deductible health plan/Health Savings Account (HDHP/HSA) benefit plan will be available.

Each diocese will have the ability to establish minimum employer cost-sharing guidelines and make decisions about whether or not to offer domestic partner benefits, as well as to determine the participation of schools, day care facilities, and other diocesan institutions. Finally, it is important to understand that the resolution and recommended canonical language do not require the participation of parish schools — this is a decision to be made at the local diocesan level.

In addition to giving Episcopal employers multiple benefit options from which to choose, the denominational health plan will also give dioceses and groups the ability to choose plans working with one or more of its national product partners, including BlueCross BlueShield, Aetna, United Healthcare, CIGNA, Kaiser, Group Health, and a number of regional managed care plans. Our research and analysis reveal that more than 95% of employees can be transitioned into a health plan under the denominational health plan using one of these six product partners without an increase in out-of-pocket costs and without the loss of individual providers.

### *Leveraging the Size of The Episcopal Church*

The resolution recommends that all domestic U.S. dioceses including Puerto Rico and the Virgin Islands, including all congregations (i.e., cathedrals, parishes, missions, and chapels) and official agencies of The Episcopal Church, combine under one umbrella for the purchasing of employee healthcare benefits. The official ecclesiastical organizations or bodies (subject to the authority of the General Convention) have been defined as The Domestic and Foreign Missionary Society, the Church Pension Fund, Episcopal Relief and Development, Forward Movement, The General Theological Seminary, and the Archives. Other societies, organizations, or bodies in the Church may participate on a voluntary basis.

### *Employees Required to Be Offered Benefits*

The resolution and canon require dioceses, congregations, and official agencies to offer and agree to fund a portion of the health benefits premium costs for clergy and lay employees regularly scheduled to work at least

1,500 hours per year for one or more Episcopal Church employers. The portion of the employee's premium funded by a congregation will be determined by each diocese. Other eligible clergy and lay employees may participate on a voluntary basis if their employer participates in the denominational health plan.

### *Benefit Flexibility for Employees*

While the canon requires the participation of certain Episcopal employers, it does not require the participation of all clergy and lay employees. Those employees who have health benefits through approved sources will be allowed to waive coverage (“opt out”) under the denominational health plan and may choose to maintain their healthcare benefits through the approved source. Examples include coverage through a spouse's or partner's employment, military service benefits through Tricare, or coverage from a previous employer.

### *Providing Consistency, Choice, and Efficiency*

If the General Convention approves the recommended resolution, then a number of positive outcomes will become real over the next triennium. The first is a significant level of savings for our dioceses, congregations, and agencies, savings that are much needed, especially in these times of economic uncertainty.

Additionally, the denominational health plan provides Episcopal employers with a variety of plan options that provide affordable and comprehensive benefits, portable coverage, and financial protection from catastrophic healthcare expenses for our clergy and lay employees. All of this is accomplished while helping dioceses and congregations to realize substantial savings.

Yet another advantage is simplified administration for Episcopal dioceses and congregations, as well as for our health insurance partners, resulting in lower costs.

## **Addressing the Disparity in the Provision of Healthcare Benefits Today**

In The Episcopal Church today, full-time employees are not treated equally when it comes to the provision and funding of employee healthcare benefits. Research has revealed that 83% of full-time clergy are obtaining their healthcare benefits from their Episcopal employer and, in two-thirds of the cases, for their dependents. Approximately 90% of all clergy reported that their diocese or congregation was funding the full cost of their clergy healthcare benefits.

The picture for full-time lay employees is strikingly different. Only 64% of full-time lay employees report obtaining their healthcare benefits from their Episcopal employer. Approximately one-third of lay employees, who have their healthcare benefits through the Church, also report covering their dependents through their Episcopal health plan. However, 50% of lay employees reported paying 50% or more of their healthcare premiums.

Addressing this disparity is a goal of the denominational health plan. Under the denominational health plan, each diocese will determine a policy for its congregations regarding the amount each congregation must contribute towards the cost of healthcare benefits for employees who work full-time, i.e., at least 1,500 hours per year. The resolution requires the diocesan policy to apply to all employees, clergy and lay, who work at least 1,500 hours per year. Each diocese must have its policy in place no later than December 31, 2012. Thus, effective January 1, 2013, all full-time clergy and lay employees will receive the same level of funding for healthcare benefits.

### **\$134 Million in Estimated Savings to the Church in First Six-Year Period**

The economics of the U.S. healthcare environment require that purchasers strive for economies of scale, as larger groups yield lower unit costs. Conservative actuarial estimates demonstrate that, under the mandated denominational health plan, the potential first-year savings to the Church of the fully implemented plan will be at least 10%, or approximately \$17.7 million, for Episcopal clergy and lay employees who are currently provided healthcare benefits, three-year cumulative savings of \$58.2 million, and six-year cumulative savings of \$134 million.

### **Determining Future Costs and Their Impact**

As currently recommended, the denominational health plan will require Episcopal employers to offer and contribute towards the cost of healthcare benefits for all employees working 1,500 hours or more per year, except for those who opt out of the Plan due to having coverage through approved sources. Further, the denominational health plan eliminates the disparity in the funding of healthcare benefits between clergy and lay employees. With the introduction of parity, some 300 currently uninsured lay employees will become insured by their Church employers due to both hours worked and more attractive pricing. With future staffing levels of The Episcopal Church nearly impossible to predict, it is difficult to project the diocesan- or parish-level financial impact when parity requirements go into effect in 2013, or beyond. However, extensive research and analysis to date show the cost savings realized through economies of scale from our larger group purchasing power, elimination of most state premium taxes and brokerage fees, reduction in administrative service fees from our product partners, and improvement in the underlying health risk of the new employee population pool, will outweigh any increased costs due to an increase in covered employees and still provide the Church with solid savings.

### **Situation in Non-Domestic Dioceses is Complex; Country-by-Country Solutions Needed**

The completed in-depth study and research regarding healthcare in non-domestic Episcopal dioceses have led to a new appreciation of the enormity of the task facing The Episcopal Church as it seeks to provide adequate employee healthcare benefits, especially to employees working in these different countries.

Several of the non-domestic dioceses (e.g., Ecuador, Colombia, and Venezuela) have national healthcare programs. However, the situation in these countries is complicated, and the presence of a national healthcare system does not guarantee that clergy and lay employees have access to adequate healthcare. In fact, analysis reveals that clergy and lay employees are often without access to adequate healthcare services despite the availability of these national health insurance programs. The problem is compounded by the fact that the cost of even the most basic private healthcare insurance plan typically exceeds the ability of the congregations and/or dioceses to provide it.

Many issues and concerns have arisen from this research, and the Church Pension Fund is actively engaged with the bishops and leadership of non-domestic dioceses to develop meaningful recommendations that can assist them in addressing their employee healthcare benefits needs.

We welcome your feedback and questions. Email us at [dhpstudy@cp.org](mailto:dhpstudy@cp.org) or call Tim Vanover at (800) 223-6602 x9405.

We hope you will also refer to the Church Pension Group's *Report to General Convention*, to be distributed in June 2009, which will contain expanded information about the denominational health plan.

For updated information about the study, visit the dedicated CPG website page at [www.cpg.org/healthcarestudy](http://www.cpg.org/healthcarestudy)

## Increase in CPF Subsidy for Medicare Supplement for Clergy Retirees: Full Cost of Comprehensive Plan Still Covered Despite Increased Premiums

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The Episcopal Church Medical Trust modernized the post-65 Medicare supplement plans in 2003. The Comprehensive and Premium Plans were introduced, later supplemented by the Plus Plan. Thus, retirees can now choose from three plans to meet their healthcare needs and fit their financial resources. Although the plans have been continually improved — hearing and travel benefits were added for all plans and additional benefits were added to the Comprehensive Plan — the cost to retirees for these plans has risen only once since the program's inception five years ago.

Despite the addition of some government funding for the inclusion of prescription drugs, as well as administrative savings and group purchasing savings via Medco, it became necessary to increase the per-month cost of the three plans for 2009, primarily because of medical and prescription drug price inflation and the high usage of prescription drugs.

However, the Church Pension Fund Board approved increasing CPF's subsidy of the post-65 Medicare supplement from \$250 per member per month to \$265, thus fully covering the cost increase of the Comprehensive Plan for 2009, while eliminating the need for any cost increases to be passed along to members of the Plus and Premium Plans for 2009<sup>5</sup>.

In addition, several enhancements were added to the post-65 medical program:

- **Health Advocate Program:** This program provides a wide range of healthcare-related assistance, including answers about a medical condition, help in finding the best doctors and hospitals and securing second opinions, resolving insurance claims and assistance in correcting billing errors, and assistance with eldercare issues.
- **Employee Assistance Program:** This program provides free counseling and support services to plan members and members of their households.
- **Elimination of the \$10 Eye Exam Copay:** Effective January 2009, there is no copay charged for an eye exam.

For a full description of the healthcare benefits and costs of the post-65 Medicare supplement plans, please contact the post-retirement member services team at (866) 273-4545 or [mtcustserv@cpge.org](mailto:mtcustserv@cpge.org).

## Safeguarding Program Expanded

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One of the ways we serve the Church is through the provision of a variety of risk management tools and programs. The *Safeguarding* program, a training and education series aimed at preventing sexual abuse, exploitation, and harassment, has been significantly expanded.

This misconduct prevention program was initially introduced in 2004 via *Safeguarding God's Children*, a video-based training and education program to prevent and respond to child sexual abuse, and the *Model Policies for the Protection of Children and Youth from Abuse*. Both are available in English and Spanish. Last year, we began offering a web-based version of this program as well, in order to extend the reach and convenience of child sexual abuse prevention training.

During 2008, in response to requests from many people and groups in the Church for new training materials and policies on sexual exploitation of adults and sexual harassment in the workplace, we developed two training and education programs: *Safeguarding God's People: Preventing Sexual Exploitation in Communities of Faith*, and *Safeguarding God's People: Preventing Sexual Harassment of Church Workers*. By the end of 2008, we had trained over 200 people from more than 65 dioceses as trainers of these programs. In partnership with The Nathan Network, we also developed and introduced *Model Policies for the Prevention of Sexual Exploitation of Adults* and *Model Policies for the Prevention of Sexual Harassment of Church Workers*.

<sup>5</sup>Although not obligated by Plan rules, we hope to continue to provide similar post-retirement assistance in the future; however, we cannot make "forever" promises.

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*Serving the Episcopal Church and Its People*  
445 Fifth Avenue  
New York, NY 10016  
(800) 223-6602  
[www.cpg.org](http://www.cpg.org)