

Report of the Diocesan Insurance Committee
February 2, 2007

Your Diocesan Insurance Committee has been very focused over the past few years at documenting the policies surrounding the provision of health insurance to clergy and lay employees. The need for clarification emerged given the variety of interpretations that surround Canon 36 and the commitments that arise from it.

As a result of these efforts, the Committee has approved a document that will provide much needed clarity to our Diocesan health insurance policies and should prove especially helpful to clergy and lay employees in understanding their benefits when they commence their employment with the Diocese and also as they plan for their retirement. These policies are attached to and made a part of this report.

I also feel it is important to express my concern that there could be a problem brewing regarding a current Diocesan insurance practice that has the potential to ultimately cause the Diocese significant financial difficulty. This issue surrounds the current provision of health insurance to retired clergy age 65 or older and their spouses where the spouse is not yet of Medicare age. When a clergy spouse is not yet 65, they can participate in an "early retiree" health insurance plan offered by the Church Medical Trust -- a situation known as a "Medicare split." Under these circumstances, the Diocese currently pays all of the expenses associated with insuring the younger spouse which exposes the Diocese to more than \$9,000 in annual cost for each of the cases we currently handle in this manner. Under this policy, the Diocese covers all or a part of the cost of the Medicare supplemental insurance (presently \$100 per month) for retired clergy who are age 65 or older, and "early retiree health insurance" for the spouses under 65. There are five (5) so-called "Medicare Split" spouses in this circumstance at a current annual cost of \$36,564. This equates to an annual cost per spouse of just over \$7,300.

We project that the number of these so-called "Medicare splits" will continue to increase, and with inflation worked in, this item, left unabated, could become a very significant cost in the near future. Indeed, a projection prepared by our insurance consultant sets an estimate of the exposure at \$381,349 within 10 years (assuming a 10% annual inflation adjustment). This is most likely why the Diocesan auditors have requested an actuarial opinion regarding the retirement cost exposure before they will opine on the Diocesan financials.

While there is a reluctance to limit insurance options for retiring clergy, "grandfathering" current retirees and allowing a small planning "window" of a year or two for older clergy would allow for adequate planning and may provide more appropriate stewardship over Diocesan funds earmarked for health benefits. It is, however, important to note that I believe that any change from our present practice, whether requiring some cost sharing or otherwise, would likely require a change in Canon 36. Our committee has discussed this matter with the Bishop and the Chancellor and they are aware of the issue. In any event, the guidance of the Convention is warranted here.

We have prepared some Frequently Asked Questions for both Active and Retiree insured for Convention' s perusal.

It has been a privilege to serve the Diocese of New Jersey in this regard. Thank you for the privilege of service. I hope you will recognize the members of the Insurance Committee how have given so selflessly of their time in support of this effort.

Faithfully yours,

The Insurance Committee of the Diocese of New Jersey

By:

David L. Knowlton
Chairman

Members of the Committee

The Rev. Dr. Andrea P. Baldyga
Mr. William G. Bloor
The Rt. Rev. George E. Councill
The Rev. Carolyn H. Eklund
Canon Wanda Greene
Mr. Jules Herbert

The Rev. Dr. Frank K. Jago
Mrs. Cynthia A. Miller
Mr. David Mulcahy
The Rev. Canon Lee Powers
The Rev. Dr. Alan K. Salmon
The Rev. Philip W. Stowell
Ms. Ardelle B. Zervos

Attachments:

- Diocesan Insurance Comparisons
- Benefit Summary
- Health Insurance Benefits Policies

DIOCESE OF NEW JERSEY LIFE, MEDICAL AND DENTAL INSURANCE

FREQUENTLY ASKED QUESTIONS

SOON TO BE RETIRED AND RETIRED EMPLOYEES

What benefits does the Diocese provide for a Priest that retires prior to age 65?

The Diocese does not provide any benefits to a Priest that retires prior to age 65 until such time that the Priest attains age 65.

If I retire prior to age 65, can I maintain my life, medical and dental insurance in force and pay the premium myself?

No, however, there are coverage options available to you.

For life insurance, you can convert your coverage to an individual policy at retirement. The premium for this type of policy will be considerably higher than the cost of coverage under the group plan. For medical and dental insurance, the Church Medical Trust (CMT) makes plans available to pre-65 retirees. Information on these plans is available on the Church Medical Trust website at www.cpg.org or by calling CMT at 1-800-223-6602.

When I do turn age 65, what benefits will the Diocese provide to me as a retiree?

For qualified retirees, the Diocese will pay up to 100% of the premium charged by the CMT for its Medicare Supplement Plan. The criteria for qualified retiree status and the percentage of Diocesan payment each such retiree earns is based on several factors including the number of years of service in the Diocese. These factors are outlined in the attached Retired Clergy and Lay Health Insurance Benefits Policies.

When I do turn age 65, my spouse will not yet have attained age 65. How will this affect me?

An under age 65 spouse can be covered under one of the pre-65 retiree health insurance programs available through the CMT. The Diocese will pay the premium for this coverage at the same percentage it pays for the retired Priest's Medicare Supplement Plan. When the spouse attains age 65, he/she will be enrolled in the Medicare Supplement Plan and the Diocese will pay the premium for this coverage at the same percentage it pays for the retired Priest's Medicare Supplement Plan.

If I die first, how will my surviving spouse be affected?

If as a qualified retiree you die first, the Diocese will continue to pay the premium for your surviving spouse at the same percentage the Diocese paid for the premium while you were alive.

DIOCESE OF NEW JERSEY LIFE, MEDICAL AND DENTAL INSURANCE

FREQUENTLY ASKED QUESTIONS (ACTIVE EMPLOYEES)

As a Priest employed on a full-time basis by a member church in the Diocese of New Jersey, what benefits am I entitled to?

You are entitled to be covered for life, medical and dental insurance.

What is the life insurance benefit I am entitled to?

\$50,000 of group term life insurance and \$50,000 of accidental death & dismemberment insurance. As of January 1, 2007, the insurance is underwritten by the Standard Insurance Company.

What medical benefits am I entitled to?

In 2007, you have a choice of four medical plans available to you, i.e., Aetna HMO (health maintenance organization), Aetna POS (point of service), United Healthcare Choice (HMO plan design) and United Healthcare Choice Plus (preferred provider plan design). Summaries of the benefits of these plans are available on the Church Medical Trust website at www.cpg.org, or by calling the Diocesan benefits administrator at 1-800-257-9228, ext. 215.

What about prescription drug and vision care benefits?

In 2007, prescription drug benefits are provided through the Medco Prescription Drug Program. Vision care benefits are provided through EyeMed Vision Care. Summaries of the prescription drug and vision care benefits are available on the Church Medical Trust website at www.cpg.org or by calling the Diocesan benefits administrator at 1-800-257-9228, ext. 215.

What dental benefits am I entitled to?

In 2007, dental benefits are provided through Delta Dental Plan of New Jersey. A summary of the dental benefits can be obtained from the Diocesan benefits administrator by calling 1-800-257-9228, ext. 215.

What family members can be covered for medical and dental benefits?

For medical, your spouse and your unmarried dependent children up to age 19 (age 25 if a full-time student) are eligible for coverage. For dental, your unmarried dependent children up to age 19 (age 23 if a full-time student) are eligible for coverage.

Do I have to pay any of the premium cost for the insurance?

No. The Diocese requires that the member church pay the full premium cost of the sponsored life, medical (plan of your choice) and dental insurance programs for you and your eligible dependents.

Do I have to take the insurance provided through the Diocese?

You should enroll for the group term life insurance. There is no legitimate reason not to take this coverage. If you are covered under another plan of medical and/or dental insurance that you are satisfied with, you do not have to enroll in the Diocesan sponsored programs.

Diocesan Insurance Comparisons

Insurance for:

Diocese	ASA (2005)	# Congregations	Active Clergy	Lay Employees	Retired Clergy	Retired Lay
New Jersey	16,923					
New York	21,723		100% of HMO premium for all clergy, dependents and same-sex partners for all clergy working 20 or more hours per week; employee decides on plan, must pay difference in premiums	must offer access to medical insurance if working 20 or more hours per week or on salary, but not required to pay premiums	no plan	no plan
Alabama	10,846		canonical requirement: provide medical benefits; 100% premiums; Health Reimbursement Accounts optional; Blue Cross-Blue Shield of Alabama (PPO)	eligible for medical benefits; churches may cover any % (or none) of premiums; Health Reimbursement Accounts optional; health provider optional		
West Texas	10,619		100% of premium for full-time clergy; offer Medical Trust- 3 PPO's, 2 EPO's, 1 HMO, 1 HDHP/HAS	churches set own policy regarding coverage for lay employees	provide set amount towards whatever plan the retiree chooses	provide set amount towards whatever plan the retiree chooses (Diocesan staff only)

California	9,899		for those working 30+ hours/week: required to provide long & short term disability, salary continuation, dental PPO, Medical (2 HMO, 1 PPO); employee make choice, employer may request cost difference between lowest premium and chosen plan	for those working 30+ hours/week: required to provide long & short term disability, salary continuation, dental PPO, Medical (2 HMO, 1 PPO); employee make choice, employer may request cost difference between lowest premium and chosen plan	Medical Trust supplement; 5 years canonical residence prior to retirement & 10 years credited service with Church Pension Fund	
Michigan	8,975		100% of premium for full-time clergy; 50% for part-time; offer 3 HMO's, 1 PPO, 1 BC traditional; full-time clergy may elect for 403(b) annuity up to \$406.52/month if covered by spouse's insurance; dental	100% of premium for full-time employees; 50% for part-time; offer 3 HMO's, 1 PPO, 1 BC traditional; full-time employees may elect for 403(b) annuity up to \$406.52/month if covered by spouse's insurance; dental	no plan	no plan
Southern Ohio	8,859		Churches encouraged to provide 100% of premium, some charge a %; offer 2 HMO's, 1 PPO, 1 Health Fund, 1 EPO; must provide dental	Churches encouraged to provide 100% of premium, some charge a %; offer 2 HMO's, 1 PPO, 1 Health Fund, 1 EPO; must provide dental	100% premium for Medical Trust supplement if canonically resident 10 or more years; premiums prorated if less than 10 years	100% premium for Medical Trust supplement if worked 10 or more years on diocesan level

Upper South Carolina	8,468		EPO- full premium paid by diocesan Statement of Mission; parishes & missions required to pay clergy family premium using Medical Trust plans; may pay difference for higher cost plan, offer BC/BS PPO & EPO; long-term disability	EPO- full premium paid by diocesan Statement of Mission; parishes & missions encouraged to pay family premium using Medical Trust plans (not enforced); may pay difference for higher cost plan, offer BC/BS PPO & EPO; long term disability	"buy-up" premium for medicare supplement , paid 100% for clergy & medicare-eligible spouses serving 10 years in diocese immediately prior to retiring; 50% of premium for those serving 5-10 years in diocese	medicare supplement premium paid 100% with 20 or more years of service
Oregon	7,087		full premiums for clergy only; different rates for Single, Employee + 1, Family; 10 plans offered through Medical Trust: Empire BCBS Plans EPO I & II & PPO I & II; Coventry Plans EPO I & II & PPO I & II; Aetna EPO and Aetna POS	no plan	no plan	no plan
Oklahoma	6,321		all congregations required to fund plan for clergy & family 100%; six plans: Aetna HMO & POS II, United PPO, 2 Blue Cross PPO's, local HMO	all mission congregations required to fund plan for employee & family 100% (recommended that parishes do so); income replacement & life insurance; six plans: Aetna HMO & POS II, United PPO, 2 Blue Cross PPO's, local HMO	were providing insurance when CPF assumed responsibility; began 10 year declining cash supplement to help with out-of pocket expenses	provides health insurance benefits in line with CPF retired clergy policy

Western Massachusetts	6,305		EPO, PPO & HMO through Medical Trust; parishes required to pay 85%		set amount paid towards whatever plan retiree chooses; amount set annually by Diocesan Council	
East Tennessee	5,846		Family coverage, one plan not through medical trust; dental available	Family coverage, one plan not through medical trust; dental available	medicare buy up for clergy & spouses canonically resident 10 or more years	
Maine	5,104		canonical requirement: all congregations pay at least 90% of health & dental insurance; Medical Trust: Cigna HMO & Aetna HMO; Delta Dental	canonical requirement: all congregations pay at least 90% of health & dental insurance for lay employees working 1,500 or more hours annually; Medical Trust: Cigna HMO & Aetna HMO; Delta Dental	no plan	no plan
Montana	2,081		not a canonical requirement; pay insurance for all employees & families; offer Aetna & Blue Cross		no plan; with Bishop's approval, provide assistance to retired clergy in great financial need	

Utah	1,793		diocese pays 80% of premium for health & dental for clergy & families; parishes may pay the remaining 20%, but individual's responsibility; 8 plans offered through Medical Trust: 2 United Health Care, 2 Empire Blue PPO, 2 Empire Blue EPO, 2 Empire Blue HDHP		full premium for medicare supplement, 50% of dental premium for clergy active in diocese for 7 or more years; 75% of spouse's premium until medicare eligible	
------	-------	--	---	--	---	--

**DIOCESE OF NEW JERSEY INSURANCE AND BENEFITS ADMINISTRATION
C/O DFS&A INSURANCE AGENCY, INC.
80 WEST UPPER FERRY ROAD – SUITE 5
P.O. BOX 77358
EWING, NJ 08628
1-800-257-9228**

CATEGORY	NUMBER OF CONTRACTS	NET MONTHLY RATE TO DNJ	ANNUAL COST TO DNJ
MEDICAL			
Retired Clergy and/or Spouses	125	\$100.00	\$150,000.00
Retired Clergy and/or Spouses	4	\$25.00	\$1,200.00
Retired Clergy	1	\$17.75	\$213.00
Retired Lay Employees and/or Spouses	10	\$325.00	\$39,000.00
Former Bishop and Spouse	1	\$1,400.00	\$16,800.00
Spouses under age 65 of Retired Clergy	5	\$3,047.00*	\$36,564.00
Total Medical Costs			\$243,777.00
DENTAL			
Various	5	\$502.00*	\$6,024.00
Total Dental Costs			\$6,024.00
Combined Costs			\$249,801.00

* For all contracts combined.

Contract counts are from the November, 2006 invoice. Monthly rates are for 2006.

Retired Clergy and Lay Health Insurance Benefits Policies

Diocese of New Jersey

Final draft approved by Diocesan Insurance Committee on 09 November 2004

The Diocese will carry a supplemental policy to Medicare for all retired, eligible persons, clergy and lay. (Canon 36)

1. Eligibility Requirements: Clergy

- 1.1 Must be canonically resident in the Diocese at the time of retirement.
- 1.2 Must have been employed¹ full time in the Diocese by one of its congregations, by the Diocese, the Procter Foundation, or the Evergreens retirement home at the time of retirement.
- 1.3 If coming out of retirement and taking employment or special assignment elsewhere, the Bishop's Office must be contacted to determine the benefit impact.
- 1.4 Premium payment allocation will be based on the years of service requirements found in the Canon (see below).
- 1.5 The years of service requirement shall be interpreted as cumulative full time employment to the Diocese.
- 1.6 Must be 65 years of age or older.¹
- 1.7 Must be a beneficiary of the Church Pension Fund.
- 1.8 Must be enrolled in Medicare Parts A and B.

¹Clergy and Lay Employees who retire before age 65 are responsible for providing their own health insurance until they are Medicare eligible and meet the additional requirements set forth in this document.

**Retired Clergy and Lay Health Insurance Benefits Policies
Diocese of New Jersey**

2. Eligibility Requirements: Lay Employees

- 2.1 Must have been employed² full time by the Diocese at the time of retirement.
- 2.2 Premium payment allocation will be based on the years of service requirements found in the Canon (see below).
- 2.3 The years of service requirement shall be interpreted as cumulative full time employment by the Diocese.
- 2.4 Must be 65 years of age or older.³
- 2.5 Must have worked five continuous years for the Episcopal Church.
- 2.6 Must be enrolled in Medicare Parts A and B.

2. Years of Service Requirements (Canon 36)

- 3.1 For those employed prior to January 1, 1991: No years of service requirement applies.
- 3.2 For those employed on or after that date:

Years Employed	Paid by Diocese	Payable by Individual
20 or more	100%	0%
15 – 20	75%	25%
10 – 15	50%	50%
5 – 10	25%	75%
Under 5	0%	100%

²For the purposes of this policy, “Full time” is defined as a minimum of 20 hours of employment per week.

³Clergy and Lay Employees who retire before age 65 are responsible for providing their own health insurance until they are Medicare Eligible and meet the additional requirements set forth in this document.

**Retired Clergy and Lay Health Insurance Benefits Policies
Diocese of New Jersey**

4. Nature of Benefit

4.1 Supplement to Medicare Program of the type offered by the Episcopal Church Medical Trust.

5. Eligibility Requirements of Spouses of Clergy

5.1 Cleric must meet the eligibility requirements as described above.

5.2 Premium payment allocation will be based upon the cleric's years of service found in the Canon (see above).

5.3 Spouses (65 and above) of eligible clergy shall be provided the same Medicare supplemental health insurance on the same terms as their ordained spouses.

5.4 Spouse must be a beneficiary of the Church Pension Fund.⁴

5.5 Spouse must be enrolled in Medicare Parts A and B.

6. Eligibility Requirements for Spouses of Lay Employees

6.1 Lay Employee must have met the eligibility requirements⁴ as described above.

6.2 Premium payment allocation will be based upon the lay employee's years of service found in the Canon (see above).

6.3 Spouses (65 and above) of eligible lay employees shall be provided the same Medicare supplemental health insurance on the same terms as their spouses.

6.4 Spouses must be enrolled in Medicare Parts A and B.

⁴The Church Pension Group has special requirements for divorce, remarriage and marriage after retirement. Please consult the Church Pension Fund for these requirements.

**Retired Clergy and Lay Health Insurance Benefits Policies
Diocese of New Jersey**

7. Eligibility Requirements under Special Circumstances

- 7.1 Clergy spouses who are covered by the Medicare Supplement Health Benefit at the time of the ordained spouse's death, shall continue to receive the benefit on the same terms as before the ordained spouse's death.⁵
- 7.2 If a retired cleric is age 65 or older and is eligible for Medicare, but his or her spouse is too young to be eligible for Medicare, the spouse may obtain health insurance under the Church Medical Trust plan for pre-65 retirees until the spouse turns age 65 and becomes eligible for Medicare. The Diocese shall cover the premiums for this plan in accordance with the years of service requirement of the cleric as set forth in Section 3.2.
- 7.2 Should a full time Canonically Resident cleric or lay employee under age 65 die while employed in one of the congregations of the Diocese, by the Evergreens, by the Procter Foundation, or by the Diocese, the Bishop will work in conjunction with the employing agency so to continue health insurance for the surviving spouse and minor children for one year to assist the survivors as they make transitions in life before assuming responsibility for providing their own insurance protection. If after this period of time the Bishop and/or the employing agency feel that the surviving spouse and family need additional help, their health insurance premiums can be subsidized at the Bishop's or employing agency's discretion as either party see fit.

8. Special Exceptions

- 8.1 In extraordinary circumstances the Insurance Committee or Bishop may consider making special exceptions to these policies.

⁵Clergy and Lay Employees who retire before age 65 are responsible for providing their own health insurance until they are Medicare eligible and meet the additional requirements set forth in this document.

The policy statements set forth herein that pertain to the Diocese's payment of premium for post-retirement health insurance are current as of November 9, 2004. This policy may be altered in the future and if altered, could change the amount and/or percentage of the Diocese's payment of premium for post-retirement health insurance.