

Overview of proposal to change health insurance subsidy for future clergy retirees of the Florida Annual Conference effective January 1, 2014

Note: These proposed changes will not affect current retirees. Approved benefit changes will be effective for retirements on or after January 1, 2014.

These provisions are for clergy who are members of the Florida Annual Conference and meet the Standing Rules criteria for receiving this benefit. The Standing Rules specify only ordained ministers, deacons or Board approved local pastors are eligible for the existing benefit plan.

1. *The Conference currently provides support to retired clergy to purchase health insurance when these criteria are met:*

- A clergyperson must have a minimum of 10 years of service in Florida and credits are limited to 40 years for awarding service credits. Credits are not available until you reach age 65.
- The individual must be serving in an appointment made by the Bishop of the Florida Conference and enrolled in the Conference health insurance program at the time of retirement. In addition, he/she must be continuously enrolled in the health insurance program for a minimum of five years immediately prior to retirement.
- For those who began service in the Florida Conference prior to January 1, 2003, all years of service in all conferences of The United Methodist Church will be credited.
- The Conference funding applies to the clergy's spouse (credits will only be extended to the clergy members spouse at the time of retirement) and will continue for the spouse even if the clergy precedes the spouse in death.

2. *What prompted the CBOPBH review of the health insurance premium subsidy provided to clergy retirees?*

- The current actuarial valuation projects that in 15 years, the financial obligation to support our current arrangement will grow to \$137 million. This equates to almost \$956.00 per average worship attendee. In 15 years, our reserve is projected to be approximately \$4 million. The Church cannot be expected to bear this future burden.
- The marketplace changes in the Medicare insurance market for groups and individuals.
- The expected flexibility and benefits coming under the Affordable Healthcare Act in 2014 and beyond.

3. *The CBOPHB concluded they must consider alternatives to manage expected future cost. These were the guiding principles established to direct their work on this issue:*

- Preserve support for current and near-to-retirement clergy and their families.
- Look for a means to continue support for our career clergy not yet near retirement.
- Weigh alternatives to help clergy beginning their careers in the United Methodist Church to prepare for their future.

Proposed Benefit Plan and Eligibility Criteria beginning January 1, 2014

The CBOPHB proposes converting the credit-based approach into a Health Reimbursement Account (HRA) arrangement. This approach utilizes an account-based plan that provides an annual subsidy for the purchase of health insurance in retirement based upon total years of service at the time of retirement in the Florida Conference. The following are specific details on plan eligibility and benefit provisions:

- As of 1-1-2014 those **clergy age 64 or those age 60 or older with a minimum of 35 years of service*** and are serving in an appointment made by the Bishop of the Florida Conference and are enrolled in the Conference health insurance program on January 1, 2014 may elect the current credit-based health insurance plan when they retire as outlined above for themselves and any eligible spouse. Or, they can elect the new HRA program. It is their choice at the time of retirement. This group is “grandfathered” with the existing credit-based plan remaining an option. * (Clergy who transferred their membership to the Florida Conference after 1/1/2003 will not receive credit for prior service in other Annual Conferences).
- **HRA Plan Eligibility:** Non-grandfathered clergy at least **age 50 or those under age 50 who have completed at least 15 years of full-time service**, serving in an appointment made by the Bishop of the Florida Conference to the local church or under paragraph 344.1(a) on January 1, 2014 will be eligible for the **new HRA** benefit upon retirement.
- Anyone not meeting the HRA Plan eligibility requirements as of 1-1-2014 (and is not grandfathered) is **NOT eligible** for a future HRA benefit or any subsidy from the Conference for the purchase of health insurance as a retiree.
- After January 1, 2014, service credits will not be awarded to clergy serving appointments outside of paragraph 344.1(a) or who have prior years of service outside the geographical boundaries of the Florida Conference.
- After 1/1/2014 service credits will not be awarded to clergy who are currently on or take a future medical/personal/sabbatical leave of absence.
- Clergy receiving a disability benefit from the Clergy Protection Plan (CPP) will be subject to the same eligibility rules for the grandfathered or HRA plan upon retirement. Service credits will be awarded while receiving CPP disability benefits.
- **HRA Plan Benefit Provisions:** Effective January 1, 2014 those eligible clergy who complete a minimum of 20 years of service **and** are at least age 60 will receive an annual HRA contribution upon retirement.
- The amount of the annual HRA contribution will vary with the retiree's age and service at retirement. The schedule below illustrates the annual contributions based on age and service at retirement.
- Clergy couples will be provided individual HRA account contributions based on their own individual age and service at retirement.
- A retiree's spouse at time of retirement (who is not receiving an individual HRA contribution under this plan) will receive an annual HRA contribution equal to 75% of the retiree's amount rounded to the nearest \$100 upon the death of the retiree. The surviving spouse will continue receiving the annual HRA contribution until their death or re-marriage.
- The CBOPHB will review the annual HRA contribution schedule at least every four years to determine future increases.

Years of Service Schedule Effective January 1, 2014

Annual HRA Contribution* For Early Retirement						Traditional Retirement (eligible for Medicare)
Years of Service Schedule	Age 60	Age 61	Age 62	Age 63	Age 64	Medicare Retiree Age 65+
20-24	\$2,000	\$2,200	\$2,300	\$2,400	\$2,600	\$2,700
25-29	\$2,500	\$2,700	\$2,800	\$3,000	\$3,100	\$3,300
30-34	\$2,900	\$3,100	\$3,300	\$3,500	\$3,700	\$3,900
35-39	\$3,400	\$3,600	\$3,800	\$4,100	\$4,300	\$4,500
40+	\$3,600	\$3,800	\$4,100	\$4,300	\$4,600	\$4,800

*Annual HRA contribution is reduced by 5% each year prior to age 65 for early retirement. Married retirees (that are not part of a clergy couple) share HRA contribution with spouse. Surviving spouse's benefit at retiree's death is equal to 75% of the retiree's amount while living - rounded to the nearest \$100. The clergyperson's age on the date of retirement determines the amount of the HRA contribution. Years of service is determined by the General Board of Pension & Health Benefits official Service Record.