

# 2020 Standards and Plan Offerings

## **Health, Pension, and Life & Disability Insurance Benefits for All Active Employees, as well as Clergy Salaries for 2020**

(as of 24 October 2019)

### **FOR MORE INFORMATION**

Benefits for current employees or to enroll new employees  
or for plan design, tax, and reporting information:

Mary Jane Hodges at 501-372-2168 ext. 3 or [mjhodges@episcopalarkansas.org](mailto:mjhodges@episcopalarkansas.org)



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## What's needs to be done?

- ✓ During the open enrollment period the employer will make available one or more of the Episcopal Church Medical Trust plans to every employee who is scheduled to work 1,500 or more hours per year in 2020 (a “qualified employee”).
- ✓ The employer will decide exactly how much the employer will pay toward the cost of health insurance, and that contribution will be the same for lay employees and members of the clergy. The exceptions are:
  - Clergy and qualified lay employees already employed on December 31, 2012, may keep the plan already negotiated as long as they stay in their same position at their current congregation. This is a “grandfather clause” for existing clergy.
  - If the employee desires to be insured by a spouse’s or partner’s employer-provided plan, the employee may choose to do so.
  - If the employee is insured by a government-sponsored plan, such as Medicaid or TRICARE, the employee may choose to continue to do so. However, the church employer cannot pay the premiums.
  - See Page 5 in this brochure for insurance rates available to small employers with employees who have Medicare Part A.
  - If the employee wishes to remain covered under a previous employer’s group insurance plan, the employee may choose to do so (e.g., person with COBRA coverage or with retiree coverage provided by former employers).
  - The qualified employee decides whether or not to have family coverage through the Episcopal Church Medical Trust. The employer will decide how much of the added family premium will be paid by the employee (always through payroll deduction) and how much by the employer. Please remember that the same benefit is to be offered to all employees, lay or ordained, unless exempted as previously stated.
- ✓ Executive Council has approved an exemption from this health insurance requirement for school employees (i.e., someone who works exclusively with children of any age on weekdays in an educational setting), but at the same time urges you to provide this health insurance benefit.
- ✓ The employer needs to decide if it wants to offer the same dental insurance benefit to lay employees as it offers to members of the clergy.
- ✓ The employer needs to determine which lay employees are scheduled to work at least 1,000 hours in 2020 and then contribute to an approved defined benefit pension plan or an approved defined contribution pension plan. When approving the budget, the employer needs to allot an amount equal to 9% of the salary cost of eligible lay employees for lay pension contributions.
- ✓ The employer will need to decide which life and disability insurance plans it wants to pay the premiums on for its ordained and lay employees (realizing that it is already required through the diocesan compensation standards to pay for diocesan-sponsored life insurance for eligible members of the clergy). The Pension Fund pays short-term disability premiums for active clergy for whom pension assessments are paid.

## The Episcopal Church Medical Trust Plans Offered in 2020

Name	Employee-only coverage	Family coverage
Blue Cross Consumer Directed plan:		
Premium	\$7,056	\$16,224
Health Savings Account funding	<u>2,800</u>	<u>5,450</u>
Total	9,856	21,674
Blue Cross PPO 80/50	9,300	21,396
Blue Cross PPO 90/50	10,272	23,638

**The diocesan minimum standard is that the employer pays the first \$8,500 in insurance costs for employee-only coverage.** Employees pay the difference for the plan that they choose, unless that local congregation or other employer has established a higher benefit that is available to all qualified employees, lay and ordained. For example, the standard in the diocesan office for its employees is that the office pays \$8,500 toward the cost of employee-only coverage, or \$14,300 toward the cost family medical coverage, provided that family coverage is under an Episcopal Church Medical Trust plan.

This diocese has an open enrollment period in which employees already insured by the Episcopal Church Medical Trust go online and confirm the insurance coverage they wish to receive in 2020. Other employees seeking initial enrollment must contact the diocesan office during the open enrollment period.

### Dental Insurance

The rates for 2020 for dental insurance through Delta Dental are:

Single	Family
\$531.60	\$1,294.80

The diocesan minimum standard is that vestries pay \$531.60 for employee-only dental insurance. Although not mandated by General Convention, parity is ethically important as we provide benefits to lay and clergy employees. As guidance for the decision that your vestry will make, please note that the diocesan office pays an additional \$400 for both its lay and clergy employees who desire family coverage.

Enrollment and termination for Delta Dental insurance is through the diocesan office, NOT online during the Medical Trust's open enrollment period.

## Coverage Under the Affordable Care Act

The Affordable Care Act provides an option for buying healthcare coverage for employees who are not required to have coverage through The Episcopal Church Medical Trust (because they are scheduled to work less than 1500 hours in 2020). For details visit [healthcare.gov](http://healthcare.gov).

This state has a Health Insurance Marketplace through which individuals may apply for private health insurance and enroll in a health plan.

## Alternate Rates for Employees Enrolled in Medicare Part A

The federal government provides a Medicare Secondary Payer Exemption for small employers. Under certain circumstances it allows Medicare Part A coverage to be primary, with employer-provided coverage to become secondary for hospital stays, resulting in lower Medical Trust premiums for employees who are on these specific plans. The two plans offered have benefits identical to the benefits of our standard plans.

The requirements of such plans are very specific: 1) The employee or the employee's spouse must be enrolled in Medicare Part A; and 2) the employer (that is, the local congregation) must never have more than 19 employees during a calendar year. For information on whether or not you meet these eligibility requirements, contact Mary Jane Hodges at [mjhodges@episcopalarkansas.org](mailto:mjhodges@episcopalarkansas.org).

2020 Medicare Secondary Payer Exemption Rates	Employee only	Family
Anthem BCBS PPO 80/50 (age 65+)	\$7,536	\$17,328
Anthem BCBS PPO 90/50 (age 65+)	\$8,304	\$19,104

The diocesan standard for employees covered under this program is that the employer pays the first \$8,500 in insurance costs for coverage for an employee only or family coverage. If the employer offers a higher benefit to its employees using the standard health insurance policies, it must offer the same benefit to employees who choose this Medicare Secondary Payer Exemption option.

Please note that an employer is not legally allowed to encourage an employee to choose full Medicare coverage over an employer-provided insurance.

## Life and Disability Insurance

The Church Life Insurance Corporation makes available life and disability insurance for active members of the clergy and lay employees who work at least 1000 hours per year. **All newly hired members of the clergy and lay employees need to contact the diocesan office immediately upon employment in order to enroll for the appropriate coverage because enrollment is guaranteed only during the first 30 days after hire date.** The following chart details the insurance coverage that is available.

Benefit	Clergy	Lay Employees
Church Pension Fund-sponsored Life Insurance (based on salary, with a cap of \$150,000 for clergy, \$50,000 for lay)	Automatically enrolled as long as the employer pays assessments to the clergy defined benefit pension plan.	Automatically enrolled as long as the employer pays assessments to the lay employee defined benefit pension plan ONLY.
Diocesan-sponsored \$40,000 Life Insurance with an accidental death and dismemberment rider	The employer must pay the premium for this policy. The cost is currently \$302.40 per year. <b>The employee must sign up through the diocesan office.</b>	If choosing to offer this policy, the employer must pay the premium (currently \$302.40 per year). <b>The employee must sign up through the diocesan office.</b>
Optional Supplemental Life Insurance (The employee pays the additional premium.)	Additional life insurance that provides coverage above CPF and diocesan-sponsored insurance.	Additional life insurance that provides coverage above CPF and diocesan-sponsored insurance.
Supplemental Spouse Life Insurance	Available only if the employee signs up for at least \$10,000 supplemental life insurance.	Available only if the employee signs up for at least \$10,000 supplemental life insurance.
Income Replacement Insurance (Short-Term Disability)	Provides 66.67% income replacement for loss of income due to disability for 26 weeks following covered accident or illness. Automatically enrolled as long as the employer pays assessments to the clergy defined benefit pension plan.	Provides 66.67% income replacement for loss of income due to disability for 26 weeks following covered accident or illness. The employer must pay the premium for this optional coverage. The cost is 0.456% of compensation.
Long-Term Disability	Provides 40% income replacement for approved disability that lasts more than 26 weeks. The employer must pay the premium for this optional coverage. The cost is 0.092% of compensation.	Provides 40% income replacement for approved disability that lasts more than 26 weeks. The employer must pay the premium for this optional coverage. The cost is 0.092% of compensation.

In early 2020, there will be a one-time open enrollment period for short- and long-term disability insurance for existing employees. New employees must sign up within 30 days after their hire date.

More information on life and disability insurance is available at [www.cpg.org](http://www.cpg.org).



## Pension Plans for Lay Employees

Employers must supply a pension benefit offered by the Church Pension Fund (or another provider as detailed later in this brochure) for each lay employee in a church or school who is scheduled to work at least 1000 hours each year. The Church Pension Fund (CPF) offers both defined benefit and defined contribution plans. The defined benefit plan requires employer contributions of 9% of the employee's salary. The defined contribution plan requires employer contributions of 5% of the employee's salary, plus up to 4% contributions to match employee contributions of that amount. Certain existing plans, such as TIAA-CREF plans, are also acceptable. If you need to enroll one or more employees in a Church Pension Fund retirement plan, please contact Mary Jane Hodges in the diocesan office for instructions.

If a church employer does not have a lay employee pension plan but does have eligible lay employees, that employer will offer one of CPF's sponsored lay employee pension plans. If a Church employer has a non-CPF sponsored lay employee pension plan:

- *If a defined benefit plan*, the employer shall be permitted to continue the plan as long as the plan design delivers pension benefits not less than the pension benefits required by Resolution A138, as determined by the Plan Administrator (the Church Pension Fund). Annual certification will be required.
- *If a defined contribution plan*, the employer shall be required to begin participation in a CPF sponsored lay employee pension plan (Note: There are IRS regulations that should be considered prior to terminating an existing defined contribution plan. The CPF recommends that the employer freeze the existing defined contribution plan rather than terminating it.)

If a school currently participates in a defined contribution plan for lay employees administered by TIAA-CREF that provides contribution levels equal to or exceeding those required by Resolution A138, that plan may be retained. Annual certification will be required.

If a Church employer does not have a lay employee pension plan and does not have eligible lay employees, nothing needs to be done until such time as the employer has a lay employee who is scheduled to work 1,000 or more compensated hours per year.

## Pension Plans for Clergy

The employer pays a pension premium of 18% of compensation for any non-retired member of the clergy (including supply priests) who is scheduled to work for that employer for at least five (5) consecutive months.

## 2020 Minimum Clergy Compensation Guidelines

Minimum compensation comprises the base on which the Church Pension Fund calculates clergy pension assessments. Minimum compensation (salary) in Arkansas includes stipend, cash and non-cash housing and utilities allowances, and self-employment tax reimbursement (SECA).

SECA reimbursement is 7.65% of the sum of stipend and housing/utilities. To determine stipend and housing/utilities, divide gross compensation on the following grid by 1.0765. SECA reimbursement will be the difference between that number and gross compensation. The IRS regulates the tax-exempt housing/utilities allowance.

### Minimum compensation for 2020

(including housing allowance and reimbursement for self-employment taxes):

2020 minimum compensation for pension assessment		Average Sunday Attendance (ASA)			
		1-75	76-140	141-225	226+
Years of Credited Service  (YCS)	0-2.9 years	\$54,600	\$54,600	\$54,600	\$54,600
	3-9.9 years (senior)	\$60,500	\$65,000	\$72,000	\$87,000
	3-9.9 years (assistant)		\$60,500	\$60,500	\$60,500
	10+ years (senior)	\$62,800	\$72,500	\$78,000	\$97,000
	10+ years (assistant)		\$62,800	\$62,800	\$62,800

Please note that other optional forms of compensation, as defined by the Church Pension Fund, will add to the pension base. Some examples are expense allowances not accounted for by clergy, year-end bonuses, housing equity allowances, church contributions to 403(b) accounts, utilities paid for clergy, athletic club fees, tuition paid for dependents, one-time payments (e.g., retirement gifts), etc.

Additionally, vestries must be cognizant of the complexity of the job (often based on the congregation's size) and any special skills (such as advanced education and/or other work experience) that the priest brings to the job. Median compensation throughout the church is higher than these minimums. As you are considering compensation, please call the diocesan office for assistance in determining a suitable amount.

## Other Costs Associated with Employees

Even though church employees are working in a religious (versus secular) setting, there are certain costs of employment that are common to all work places. These include:

- **Continuing education:** The diocesan standard is that your vestry needs to include \$2,000 in the congregation's budget in 2020 to cover the cost of continuing education for your member(s) of the clergy. The canons of the church require that they regularly engage in such educational opportunities. This budget item would pay for such things as conference fees and materials for a continuing education event. You also need to determine what is the appropriate amount to allot for continuing education for your lay employees.
- **Business and travel expenses:** Diocesan policy is that travel expenses are paid on a reimbursable basis. Employees, whether lay or members of the clergy, are reimbursed for actual expenses associated with church business. Your vestry needs to put an appropriate amount in its budget to cover the expected expenses of both its clergy and lay employees. As a guide for clergy, use the IRS business mileage rate (57 cents per mile as of June 2020) multiplied by the number of business miles that your member of the clergy is expected to travel, plus a sufficient amount to cover expected, qualified travel/business expense, such as lodging, airfare, business and travel meals, and business use of a cell phone. An amount to consider initially is \$2,000. Reimburse your lay employees at the IRS business rate as well. If you choose to reimburse volunteers for their mileage, the IRS-approved rate is 14 cents per mile.
- **Workers compensation:** Employers with one or more employees (including some independent contractors) will participate in the Workers Compensation insurance program as administered by Church Insurance and is required to submit an annual compensation audit.
- **Unemployment insurance:** Churches are not required by law to participate in state and federal unemployment insurance programs, but may do so voluntarily. Employees must be notified if the church does not participate in the unemployment insurance program.

## Some Overall Comments

Although the cost of health insurance is a matter of much debate and costs a lot of money, we want to set an example for the larger community as to how employees are to be valued. (For example, it is difficult to make a case for having employees work only 1,490 hours each year as a way to save on health insurance costs, or to work only 990 hours each year as a way to save on pension premiums.)

## **Leave a Legacy**

Including the Diocese of Arkansas or your local congregation in your estate plan can be as simple as adding a few words to your will.

Call James Matthews in the diocesan office to learn more.

