

# 2021 Standards and Plan Offerings

## **Health, Pension, and Life & Disability Insurance Benefits for All Active Employees, as well as Clergy Salaries for 2021**

(as of 29 October 2020)

### **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)



## **Table of Contents**

What Needs to Be Done	2
Medical Trust Plans Offered in 2021	3
Dental Insurance	3
Coverage Under the Affordable Care Act	4
Alternate Rates for Employees Enrolled in Medicare Part A	4
Life and Disability Insurance	5
Details About Pension Plans for Lay Employees	7
2021 Minimum Clergy Compensation Guidelines	8
Other Costs Associated with Employees	9

## 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 2021 (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 pre-tax 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 2021 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 2021

Name	Employee-only coverage	Family coverage
Blue Cross Consumer Directed plan:		
Premium	\$7,440	\$17,112
Health Savings Account funding	<u>2,800</u>	<u>5,450</u>
Total	10,240	22,562
Blue Cross PPO 80/50	9,768	22,464
Blue Cross PPO 90/50	10,788	24,816

**The diocesan minimum standard is that the employer pays the first \$9,000 in insurance costs for employee-only coverage.** Employees pay the difference for the plan that they choose, unless that local congregation 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 \$9,000 toward the cost of employee-only coverage, or \$15,400 toward the cost of family medical coverage, provided that coverage is under an Episcopal Church Medical Trust plan.

This diocese has an annual 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 2021. The dates for 2020 are Oct. 28–Nov. 18.

Employees not already covered by Medical Trust plans must enroll through the diocesan office before December 24, 2020. For new enrollments, it is essential for employee data to have been entered in the church’s online Employee Roster (ER), a Church Pension Group database administered via your own church portal by someone authorized by your clergy or vestry. New insurance enrollments are not allowed for any employee without an existing ER record. For more information, contact Mary Jane Hodges at [mjhodges@episcopalarkansas.org](mailto:mjhodges@episcopalarkansas.org).

### Dental Insurance

The rates for 2021 for dental insurance through Delta Dental are:

Single	Family
\$579.60	\$1,411.44

The diocesan minimum standard is that vestries pay \$579.60 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 \$460 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 1,500 hours in 2021). 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).

2021 Medicare Secondary Payer Exemption Rates	Employee only	Family
Anthem BCBS PPO 80/50 (age 65+)	\$7,908	\$18,192
Anthem BCBS PPO 90/50 (age 65+)	\$8,724	\$20,064

The diocesan standard for employees covered under this program is that the employer pays the first \$9,000 in insurance costs for coverage for employee-only 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 or incentivize an employee to choose full Medicare coverage over an employer-provided insurance plan.

## Life Insurance for Clergy

**Clergy must sign up through the diocesan office for all group life insurance benefits described in this brochure.**

### **Basic Coverage:**

*As long as clergy are active participants in the Clergy Pension Fund, and the employer is paying pension assessments to the Church Pension Fund, clergy are automatically enrolled for a life insurance benefit that is six times the cleric's annual compensation, with a benefit cap of \$150,000.*

The diocese has an additional group life insurance policy through Church Life Insurance, which provides an additional \$40,000 life insurance benefit for clergy *whose employer is paying the premium* (currently \$25.20 per month). Letters of agreement mandate this employer-provided benefit.

### **Optional Coverage:**

Compensated clergy may sign up at their own expense for supplemental life insurance coverage, including coverage for spouses.

For any supplemental coverage for either the cleric or the cleric's spouse, the cleric must initially sign up for at least an additional \$10,000 in life insurance coverage above the diocesan \$40,000 life insurance benefit that is provided by the employer.

Church Life Insurance will provide quotes for premium costs upon request. Please contact the diocesan office for an initial discussion on how to proceed.

## Disability Insurance for Clergy

**Clergy must sign up through the diocesan office for all disability insurance benefits described in this brochure.**

### **Basic Short-Term Disability Coverage:**

*As long as the employer pays pension assessments to the Church Pension Fund, clergy are automatically covered (after a fourteen-day elimination period) for up to 24 weeks of disability payments that equal 70% of their current weekly compensation, with a cap of \$1,000 per week. If the disability is due to childbirth, benefits are available for 12 weeks (or longer if the disability continues), with no elimination period.*

### **Basic Long-Term Disability Coverage:**

Following 26 weeks of short-term disability, clergy remain covered for long-term disability payments for approved disabilities. The benefit is 70% of the cleric's highest average compensation, as determined by the Church Pension Fund.

### **Optional Short-Term and Long-Term Disability Coverage:**

To cover the gap between the clergy's compensation prior to disability and the basic benefit, additional short-term disability coverage and long-term disability coverage are both offered, provided the employer has selected either or both types of disability plans. There are options that are paid by the employer and options that are paid by employees.

*Clergy need to talk with their employer about any optional disability insurance programs that the employer may have chosen to offer.*

## Life Insurance for Lay Employees

**Employees must sign up through the diocesan office for all group life insurance benefits described in this brochure.**

### **Basic Life Insurance Coverage:**

For lay employees who are *enrolled in the Church Pension Fund Lay Defined Benefit pension plan*, the employees are automatically enrolled for a life insurance benefit that is two times the employee's annual earnings, with a benefit cap of \$50,000.

*Employees enrolled in the defined-contribution plan do **NOT** have this benefit.*

### **Optional Employer-Provided Coverage:**

The diocese has an additional group life insurance policy through Church Life Insurance, which provides an additional \$40,000 life insurance benefit **as long as the EMPLOYER pays the cost of the premium** (currently \$25.20 per month).

For any additional coverage for either the employee or the employee's spouse, the employee must initially sign up for at least an additional \$10,000 in life insurance coverage above the \$40,000 life insurance basic insurance. The employee pays premiums through payroll deductions.

Church Life Insurance will provide quotes for premium costs upon request. Please contact the diocesan office for an initial discussion on how to proceed.

## Disability Insurance for Lay Employees

**Employees must sign up through the diocesan office for all disability insurance benefits described in this brochure.**

### **Optional Short-Term and Long-Term Disability Coverage:**

Short-term disability coverage and long-term disability coverage are both offered, provided the employer has selected either or both types of disability plans. There are options that are paid by the employer and options that are paid by employees.

*Employees need to talk with their employer about any optional disability insurance programs that the employer may have chosen to offer.*

## 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 1,000 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 at least 4% contributions to match employee contributions of that amount. Certain existing plans, such as TIAA-CREF plans, are also acceptable.

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 total assessable 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, including work that is not related to ordination (for example, work as a sexton or yard maintenance employee).

### ***Enrolling in Lay and Clergy Pension Plans***

Pension plan enrollments are to be handled by the employer rather than through the diocesan office. Since January 1, 2018, the Church Pension Fund has required enrollments to be made via the online Employee Roster (ER). Persons authorized by the clergy or vestry to administer that church's ER will enter employment data for each employee, the final step of which is enrollment in the appropriate Church Pension Fund plan. Contact Mary Janes Hodges at [mjhodges@episcopalarkansas.org](mailto:mjhodges@episcopalarkansas.org) to set up the administrative officer(s) for your church's online Employee Roster.

## 2021 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 housing/utilities allowance, which is exempt from income taxes.

### Minimum compensation for 2021

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

2021 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, employer 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.

### *Updating Your Compensation with the Church Pension Fund*

The Church Pension Fund has required compensation changes and new assignments to be made via the online Employee Roster (ER) since January 1, 2018. **It is of utmost importance to maintain correct compensation records** in real time for Pension Fund assessments to be billed properly and paid promptly. Not only future retirement benefits, but also life and disability benefits, while actively working are based on compensation records at the Church Pension Fund. What they don't know can hurt you, so be sure the Pension Fund has your latest compensation. For more information on how to update compensation in the ER, contact Mary Jane Hodges at [mjhodges@episcopalarkansas.org](mailto:mjhodges@episcopalarkansas.org).

## 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 2021 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 (57.5 cents per mile as of October 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 are 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 and prospective 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.

