The Church Pension Group

Serving the Church in a Season of Change

A Report to the Episcopal Church and the 76th General Convention

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In the event of a conflict between the information contained in this document and the official plan document or contract, the plan document or contract will govern. The Church Pension Fund and its affiliates retain the right to amend, terminate, or modify the terms of any benefit plan or contract described in this document at any time, without notice, and for any reason.

Introduction

The Church Pension Fund (CPF), an independent agency of The Episcopal Church incorporated by a special act of the New York State legislature in 1914, provides pension and related benefits to clergy and lay employees of The Episcopal Church. Because the Clergy Pension Plan is mandated by the canons of the Church, retirement and related benefits for those ordained are our primary focus. Since its inception, CPF has paid out over $3 billion in benefits for clergy, their surviving spouses and dependent children.

With the authorization of General Convention, the Church Pension Fund oversees a number of affiliated companies, including Church Life Insurance Corporation, the Episcopal Church Medical Trust, the Church Insurance Companies,[1] Church Publishing Incorporated, and CREDO Institute, Inc., to serve Episcopal clergy and lay employees, and their families, as well as Episcopal churches and institutions. Collectively known as the Church Pension Group (CPG), we provide pension benefits and services, CREDO conferences, wellness strategies, retirement planning, life and disability insurance, health benefits, property and casualty insurance, and book and music publishing, including the official worship materials of The Episcopal Church.

The Board of Trustees of the Church Pension Fund and the management of the Church Pension Group submit this comprehensive *Report to the Episcopal Church and the 76th General Convention* as an aid to the House of Bishops and House of Deputies, in order to provide information to the Church about the activities of the Church Pension Group during this past triennium, and to discuss subjects presented in the CPF section of the *2009 Blue Book*.

In addition to describing our governance, the work of the CPF Trustees, and investment results through December 31, 2008, this report provides detailed information about a number of major areas of focus over the past three years, including:

- The Comprehensive Lay Employee Study and recommendation (Resolution A138)
- The Church-wide Healthcare Coverage Feasibility Study and recommendation for a denominational health plan (Resolution A177)
- Benefit enhancements for clergy and lay employees since 2006
- Province IX and other non-domestic jurisdictions

We hope you will find the material contained in this report to be useful. As always, we invite you to contact us with any questions or reflections.

The past triennium has indeed been a season of change for us. The global economic situation presented, and continues to present, profound challenges; yet CPF's reserves remain sound and benefits are secure.

[1] "The Church Insurance Companies" means, collectively, The Church Insurance Agency Corporation, The Church Insurance Company, The Church Insurance Company of New York, and The Church Insurance Company of Vermont.

Because of our work in response to the resolutions mentioned above, we gained insight into the changing demographics of the Church's lay employees, and we studied, and formulated a recommendation to address, the changing world of healthcare provision and costs and the disparity in clergy and lay employee healthcare benefits.

In this time of change, our mission of service to the Church provides a constant, overarching context for everything we do: *to fulfill our fiduciary responsibility by serving the clergy, lay workers, dependents, parishes, dioceses, and other institutions in The Episcopal Church through the provision of pensions and other benefits and services that will contribute to their lifetime economic, physical, emotional, and spiritual well-being.*

Governance and the Work of the Church Pension Fund Trustees

Governance of the Church Pension Fund is provided by a 25-member board of trustees which consists of 24 trustees elected by General Convention, and the CPF President, who is elected by and serves at the pleasure of the board. Governance of the affiliate companies is provided by their respective boards of directors, the memberships of which include both CPF Trustees and additional directors with specific industry expertise, with oversight provided by the CPF Board of Trustees.

Thus, the Trustees of the Church Pension Fund play vital roles both in the governance and oversight of Church Pension Fund affairs and the Church Pension Group's varied and complex businesses.

The CPF Trustees make significant policy decisions affecting investment strategy and policy, pension benefits, and CPG services. They provide governance and oversight of the management of a broad and varied consortium of businesses. They are responsible for the oversight and stewardship of CPF assets totaling approximately $8.3 billion as of December 31, 2008. Of the many aspects of the Church Pension Group organization, investment management, pension policy, health benefits strategy, and property and casualty insurance are among the most challenging business areas in America today. As they address the complex issues of the pension fund and affiliated companies, recognizing the need for compassion and flexibility while ensuring fiscal accountability, the trustees have the challenge of balancing sometimes-conflicting social and fiduciary responsibilities.

The CPF Board of Trustees is enriched by the presence of lay and ordained leaders, as well as experienced investment managers, attorneys, accountants, healthcare experts, and business and financial professionals. It is essential to bring to the board's deliberations the most expert and thoughtful advice available to The Episcopal Church.

The Election Process and the Current CPF Board

As set out in the Church canons, General Convention deputies will elect 12 trustees, selecting from the slate of nominees proposed by the Joint Standing Committee on Nominations.

As shown in Exhibit 1 on the following page, eight trustees — the Very Rev. M.L. Agnew, Jr., Sheridan C. Biggs, David L. Brigham, the Rev. Carlson Gerdau, the Rt. Rev. Gayle E. Harris, D.D., Canon Joon D. Matsumura, Virginia A. Norman, and David R. Pitts — are retiring from the CPF Board in 2009, having faithfully served the two consecutive six-year terms allowed by the canons. Four trustees — James E. Bayne, the Rt. Rev. Robert H. Johnson, D.D., the Rt. Rev. V. Gene Robinson, D.D., and the Rt. Rev. Wayne P. Wright, D.D. — are eligible and have agreed to stand for reelection. The twelve trustees elected in 2006 will continue to serve, as will CPF President and CEO, T. Dennis Sullivan.

The continuing CPF Trustees and the CPG staff strongly support the reelection of all incumbent trustees. We hope the General Convention deputies will recognize the value to the Church of their knowledge and understanding of ongoing CPG initiatives as well as their accumulated experience, continuity, and wisdom. Beyond endorsing our incumbents, we welcome all new trustees, noting that a balance of experience, viewpoints, and skills is essential.

Exhibit 1

The Current Church Pension Fund Board of Trustees

Continuing

The Rev. A. Thomas Blackmon
Rector, Christ Episcopal Church, Covington, LA

The Rev. Dr. Randall Chase, Jr.
Acting President, Episcopal Divinity School
Cambridge, MA

Barbara B. Creed, Esq.
Of Counsel, Trucker Huss, APC, San Francisco, CA

Vincent C. Currie, Jr.
Administrator, Diocese of the Central Gulf Coast
Pensacola, FL

Deborah Harmon Hines, Ph.D.
Associate Vice Chancellor
University of Massachusetts Medical School
Worcester, MA

The Rt. Rev. Peter James Lee, D.D. (Vice Chair)
Bishop of Virginia

The Rt. Rev. Claude E. Payne, D.D.
Bishop of Texas (retired), Salado, TX

Diane B. Pollard
Independent Benefits/Human Resources Consultant
New York, NY

Quintin E. Primo III
Chairman and CEO, Capri Capital Partners LLC
Chicago, IL

Katherine Tyler Scott
Managing Partner, Ki ThoughtBridge
Indianapolis, IN

T. Dennis Sullivan
President and CEO, The Church Pension Fund
New York, NY

Cecil Wray, Esq.
Partner (retired), Debevoise & Plimpton
New York, NY

The Very Rev. George L. W. Werner, D.D.
Dean Emeritus, Trinity Cathedral
Sewickley, PA

Standing for Reelection

James E. Bayne
Manager (retired), Benefits Finance and Investment
Exxon Mobil Corporation, Dallas, TX

The Rt. Rev. Robert H. Johnson, D.D.
Bishop of Western North Carolina (retired)
Asheville, NC

The Rt. Rev. V. Gene Robinson, D.D.
Bishop of New Hampshire

The Rt. Rev. Wayne P. Wright, D.D.
Bishop of Delaware

Retiring

The Very Rev. M. L. Agnew, Jr.
Dean (retired), St. Mark's Cathedral
Bullard, TX

Sheridan C. Biggs
Partner (retired), Price Waterhouse
Quaker Street, NY

David L. Brigham
Partner, Manchester Capital Management
Weston, VT

The Rev. Carlson Gerdau
New York, NY

The Rt. Rev. Gayle E. Harris, D.D. (Vice Chair)
Bishop Suffragan of Massachusetts

Canon Joon D. Matsumura
Comptroller (retired), Diocese of Los Angeles
Yorba Linda, CA

Virginia A. Norman
Treasurer, Iglesia Episcopal Dominicana
Santo Domingo, Dominican Republic

David R. Pitts (Chair)
Chairman and CEO
Pitts Management Associates, Inc.
Baton Rouge, LA

Exhibit 2

Directors of Major Affiliate Boards

Church Life Insurance Corporation
Barbara B. Creed, Esq. (Chair)
Quintin E. Primo III (Vice Chair)
The Very Rev. M. L. Agnew, Jr.
James E. Bayne
Elizabeth D. Conklyn
Samuel P. Johnson
Arthur K. Kusumoto
The Rt. Rev. Peter James Lee, D.D.
W. Steve Sandahl, CPA
T. Dennis Sullivan

The Church Insurance Company of New York
David L. Brigham (Chair)
Cecil Wray, Esq. (Vice Chair)
The Very Rev. M. L. Agnew, Jr.
Sheridan C. Biggs
Vincent C. Currie, Jr.
James Forsyth
The Rev. Carlson Gerdau
Canon Karen N. Hanson
The Rt. Rev. Robert H. Johnson, D.D.
Michael J. Kerr
Canon Joon D. Matsumura
The Rt. Rev. Claude E. Payne, D.D.
Diane B. Pollard
The Rev. Canon Joseph Y. Seville
T. Dennis Sullivan

The Church Insurance Company of Vermont
David L. Brigham (Chair)
The Rt. Rev. Robert H. Johnson, D.D. (Vice Chair)
The Very Rev. M. L. Agnew, Jr.
Sheridan C. Biggs
Vincent C. Currie, Jr.
James Forsyth
The Rev. Carlson Gerdau
Canon Karen N. Hanson
Michael J. Kerr
Canon Joon D. Matsumura
The Rt. Rev. Claude E. Payne, D.D.
Diane B. Pollard
The Rev. Canon Joseph Y. Seville
T. Dennis Sullivan
Cecil Wray, Esq.

The Episcopal Church Medical Trust*
David R. Pitts (Chair)
The Very Rev. George L. W. Werner, D.D. (Vice Chair)
The Rev. A. Thomas Blackmon
The Rev. Dr. Randall Chase, Jr.
Barbara B. Creed, Esq.
Vincent C. Currie, Jr.
The Rev. Carlson Gerdau
Deborah Harmon Hines, Ph.D.
Robert E. Leamer, Esq.
Diane B. Pollard
Edgar S. Starns, CPA
T. Dennis Sullivan
The Rt. Rev. Wayne P. Wright, D.D.

Church Publishing Incorporated
The Rev. Dr. Randall Chase, Jr. (Chair)
The Rev. A. Thomas Blackmon (Vice Chair)
The Rt. Rev. J. Neil Alexander, D.D.
The Rev. James W. Farwell, Ph.D.
Dorothy S. Linthicum
The Rev. Stephanie Spellers
T. Dennis Sullivan
Sandra S. Swan
The Very Rev. George L. W. Werner, D.D.
Sally Wood
The Rt. Rev. Wayne P. Wright, D.D.

CREDO Institute, Inc.
Vincent C. Currie, Jr. (Chair)
The Rev. Dr. Randall Chase, Jr. (Vice Chair)
The Rt. Rev. Richard S. O. Chang
The Rev. Canon Patricia M. Coller
The Rt. Rev. Gayle E. Harris, D.D.
The Rt. Rev. Robert H. Johnson, D.D.
The Rev. Katherine M. Lehman
The Rt. Rev. F. Clayton Matthews, D.D.
H. M. McFarling III, M.D.

Honorary Directors of CREDO
The Most Rev. Katharine Jefferts Schori
Bonnie Anderson

*The Strategy and Policy Committee

Investment Results

Financial Stewardship in a Time of Market Volatility

CPF's investable assets (the "Fund") are invested in a broad range of asset classes through a disciplined investment process supported by our internal staff, advisors, trustees, and outside investment managers. Since the early 1990s, we have had a broadly diversified portfolio invested in a variety of strategies consistent with the objectives of the Fund. These objectives are established by the Investment Committee of the CPF Board of Trustees, and reviewed and approved by the full board.

The work of these individuals and the overall financial market environment are the primary determinants of how well CPF can meet its pension and related obligations. It is important to review our investment performance both in absolute terms and relative to the overall market environment and how that performance affects Assets Available for Benefits.

Beginning in the early 1990s, CPF's investment program was broadened to include a sophisticated and diversified program of traditional and non-traditional strategies. Traditional strategies include both U.S. and non-U.S. stocks and bonds, which are publicly traded on major financial exchanges around the world. Non-traditional strategies include private equity, venture capital, and real estate. These are usually organized as partnerships and do not enjoy the same liquidity as publicly traded securities. They do, however, offer greater return potential and diversification benefits that compensate for the inherent disadvantages of illiquidity. These non-traditional strategies have been an important source of the significant gains the Fund experienced over the past two decades.

Relative Investment Performance

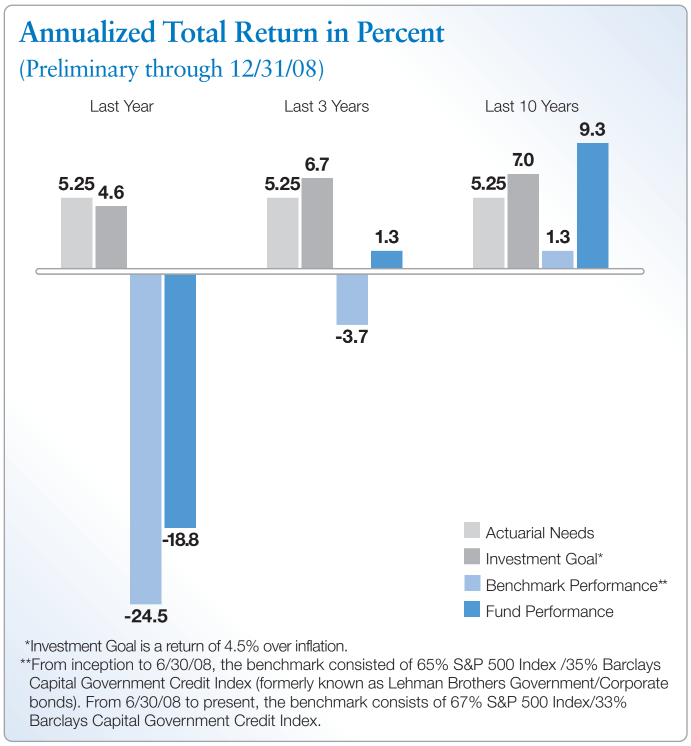
The U. S. stock market had one of its worst years in history in 2008, falling 37.0% as measured by the S&P 500 Index. Stocks fell in the first half of the year as liquidity concerns in the banking sector and weakness in housing began to spread to other parts of the economy. The bankruptcy of Lehman Brothers Holdings Inc. 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%. 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 from 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 investments in Specialized Strategies, including 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.

Exhibit 3 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 a market index portfolio of 67% S&P 500 stocks and 33% bonds. As you can see, the Fund's 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.

Exhibit 3



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 described as being unprecedented in modern financial times, 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 hope that this one, too, will end.

Despite the recent declines, CPF's reserves are sound and benefits are secure. We do not know what the future 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.

Assets Available For Benefits

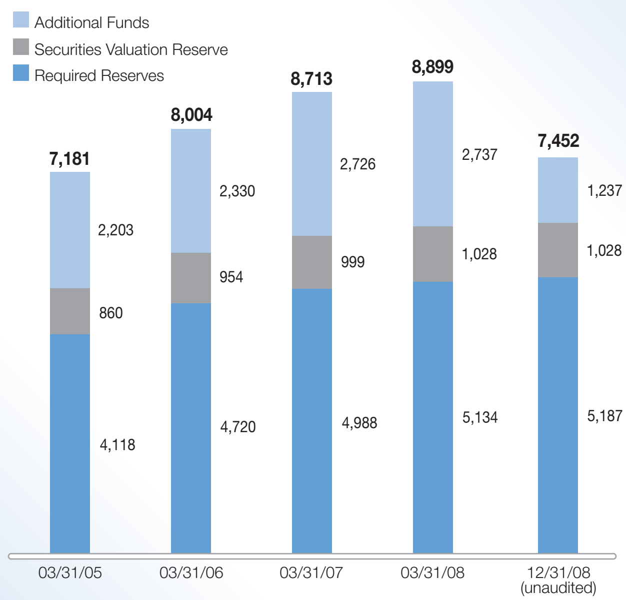
Assets Available for Benefits is a figure that represents the total assets in the Fund after excluding non-benefit liabilities, assets commingled for investment purposes, and investments in affiliated companies and home office building. As Exhibit 4 shows, Assets Available for Benefits stood at $7.45 billion as of December 31, 2008 (unaudited).[2]

We show three segments in each of the bars in the graph. The bottom segment is the actuarially determined value of the clergy pension liabilities, including the amount needed to pay all the benefits of the Clergy Pension Plan to all current beneficiaries and Clergy Pension Plan participants. These are the Required Reserves for pension and other benefit obligations. The middle segment is the calculation of a Securities Valuation Reserve, an amount held as a provision against the possibility of a significant loss of value in the investment portfolio. These two amounts, as represented by the bottom two segments of each bar, represent a conservatively-determined value of the assets needed to have confidence that all promised benefits can be paid in the future to those who are currently participating in the Clergy Pension Plan. The top segment of each bar is the amount of Additional Funds, those assets which are in excess of the Required Reserves and the Securities Valuation Reserve. As shown, Additional Funds were $1.237 billion as of December 31, 2008.

Exhibit 4

Assets Available for Benefits*

Dollars in millions



* Total assets excluding non-benefit liabilities, assets commingled for investment purposes, investments in affiliated companies and home office building

The Church Pension Fund Has Adopted 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 required to be examined by the Department must now be prepared based on U.S. generally accepted accounting principles ("GAAP") instead of the current statutory accounting principles prescribed or permitted by the Department. The Church Pension Fund agreed with the Department to adopt this change for CPF's fiscal year ending March 31, 2009. The CPG 2009 Annual Report will explain the financial statement implications of this change.

[2] Our fiscal year runs from April 1 through March 31. Results as of March 31, 2009 were not available at the time of printing, but will be available at General Convention in July.

Socially Responsible Investments

As an owner of shares of over 1,000 publicly-traded companies, we use our proxy power in collaboration with the Corporate Social Responsibility Committee of Executive Council of the General Convention and the Domestic and Foreign Missionary Society. We have co-sponsored proxy questions with the Executive Council relating to a variety of issues.

As part of our policy to consider socially responsible investments, our investment team has identified several investment opportunities that provide important social benefits while also providing attractive prospective returns for the Fund. These investments include:

Urban Redevelopment
Urban redevelopment focuses on real estate investments primarily in low to moderate income census tracts. These areas have historically been overlooked by mainstream investors for a variety of reasons. This has led to a chronic shortage of quality housing, retail, and other types of real estate, even though there is strong demand. This mismatch of supply and demand has led to interesting investment opportunities for the Fund. After careful study of a number of community development opportunities, the Fund has committed to investing over $200 million, of which $130 million has been invested to date. While still early in the life of the investments, we believe the prospects for attractive returns and significant social gain are very good.

Microfinance
The Fund has also looked for ways to benefit individuals in emerging economies through microfinance opportunities. Microfinance is the provision of financial services, especially the extension of credit, to the working poor, who historically have not had access to the world's financial system. Typically, a micro-entrepreneur such as a street vendor, tradesperson, or small farmer, borrows a small sum of money, sometimes as little as $25, to start a business. Over the past 30 years, microfinance has become one of the most effective tools for fighting poverty in emerging economies. The Fund has committed $15 million of debt financing to the Global Microfinance Consortium at an attractive expected rate of return.

Women- and Minority-Owned Firms
In order to encourage diversity in the investment management industry, the Fund continues to actively search for investment managers that are women- or minority-owned, or have substantial women or minority ownership. Today, the Fund has roughly $644 million invested or committed in this important area, with investments in public and private equities, public fixed income, and real estate.

As fiduciaries, the investment team understands that the Fund's investment objectives cannot be compromised, even with the best of social intentions. We are very pleased that the carefully selected and managed programs in which the Fund is invested provide the opportunity for attractive investment returns while fulfilling greater social purposes.

Comprehensive Study of Lay Employees — Resolution A125 of the 75th General Convention
Recommendation coming to the 76th General Convention as Resolution A138

Introduction

This report summarizes the results of the actions taken by the Church Pension Group in response to the directives articulated in Resolution A125 of the 75th General Convention of the Episcopal Church. Resolution A125 of the 75th General Convention reads, in part:

> *Resolved*, the House of Bishops concurring, That the 75th General Convention of the Episcopal Church continue the Task Force to Study Employment Policies and Practices in the Episcopal Church during the coming triennium with the intention of offering a resolution to the 2009 General Convention that will address the issues of employment, striving to make the Episcopal Church a fair and just workplace, and be it further
>
> *Resolved*, That the Convention authorize and request the Church Pension Group to conduct a survey of lay employees concentrating on employee demographics, the exercise of authority in the employment setting, and compensation and benefits. The Bishop or other ecclesiastical authority of each diocese shall be requested to supply relevant data for each employing unit in the diocese to the Church Pension Group. The findings of the survey and any recommendations for action, if appropriate, shall be reported to the 76th General Convention; and be it further
>
> *Resolved*, That the Office of Ministry Development take the lead in determining the best way to conduct a feasibility study examining whether pension benefits for lay employees should be made compulsory and be administered by a single provider. The results of said study shall be reported, along with recommendations for action, if appropriate, to the 76th General Convention…

It is our hope that this report, in conjunction with reports from the Church's Task Force to Study Employment Policies and Practices and the Feasibility Study Group, will form the basis for a thorough discussion of the Church's employment practices with regard to its lay employees during the 76th General Convention of the Episcopal Church. See Appendix A for the full report of the *Comprehensive Lay Employee Study*.

A Brief History of Lay Pension Benefits in The Episcopal Church

While the Church has enjoyed the benefits of the many committed lay employees for decades, the issue of employer-provided pension benefits for these employees took center stage in the early 1990s. Prior to that time, several General Conventions of the Episcopal Church, including the 65th General Convention (1976), the 66th General Convention (1979), and the 68th General Convention (1985), asked the Church Pension Group to study the issue of lay pensions and to determine if a mandatory pension plan for lay employees was feasible. Following these studies, both the 69th General Convention (1988) and the 70th General Convention (1991) passed resolutions that called upon all units of the Episcopal Church under ecclesiastical authority to provide pension benefits for their lay employees.

The resolution passed by the 69th General Convention encouraged the provision of pension benefits for all lay employees who work over 1,000 hours annually through enrollment in either The Episcopal Church Lay Employees' Retirement Plan or an equivalent plan by no later than January 1, 1990. This resolution also called upon the Church Pension Group to conduct a census of lay employees with the aid of the bishop or other ecclesiastical authority in each diocese. Further, this resolution requested that CPG report to the 70th General Convention the results of the census along with suggestions for implementing a mandatory pension plan for lay employees together with a proposal for an amendment to the canons that would authorize the implementation of the mandatory pension plan for lay employees.

Resolution D165a of the 70th General Convention incorporated the phrase "shall provide all lay employees who work a minimum of 1,000 hours annually pension benefits through participation in The Episcopal Church Lay Employees' Retirement Plan or an equivalent plan." Implementation was to occur not later than January 1, 1993. The resolution allowed an employer to opt for participation in a defined contribution plan. Minimum employer base contributions to a defined contribution plan were set at 5% with a dollar-for-dollar matching contribution of up to 4% of the employees' compensation (the latter being dependent on the employee contributing an equivalent amount).

Rather than an amendment to the national canons of the Church, the resolution stated that "each diocese of this Church shall implement this resolution by Diocesan Canon or appropriate resolution." Diocesan administrators of the domestic dioceses[3] were polled to determine if, indeed, a diocesan resolution had been passed, or the diocesan canons had been amended to include a resolution or canon requiring pension benefits for lay employees meeting the eligibility criteria established by Resolution D165a. The responses received indicate that a majority of the dioceses have not enacted such a resolution or amended their diocesan canons. Ohio is an example of a diocese that has.[4]

The 74th General Convention of the Episcopal Church adopted Resolution A006 requesting Executive Council to appoint a task group that would work in conjunction with the Church Pension Group to study employment policies and practices of the dioceses and congregations of the Church. This task group was asked to offer policy recommendations to the 75th General Convention that would address issues of equity and justice for Church employees working in circumstances of both affluence and poverty.

In response to Resolution A006, Executive Council created the Task Force on Employment Policies and Practices in the Episcopal Church in October, 2004. In the course of its work, the Task Force examined the diocesan manuals for employment policies, benefits, and procedures from 59 dioceses. (Manuals were requested from all of the domestic dioceses. Of the 74 dioceses that responded, 15 dioceses indicated they did not have a written manual covering employment practices.) At the Executive Council's meeting in October 2005, the Task Force recommended to Executive Council that the work of the Task Force be continued through the next triennium (2007–2009) with a focus on offering a resolution to the 76th General Convention addressing employment policies and practices in an effort to make The Episcopal Church a more fair and just workplace.

[3] The term "domestic dioceses" as used in this report generally refers to the dioceses contained within the 50 United States and Washington, D.C.

[4] The Diocese of Ohio enacted a Canon that includes the following: "Congregations that, on October 1 of each year, have not fully funded a lay pension plan as described herein shall have seat and voice, but no vote at any Convention of the Diocese until any delinquency has been cured. There is no power entrusted to the Convention or a committee thereof to waive this failure."

The Task Force also recommended the introduction of a resolution at the 75th General Convention directing the Church Pension Group to undertake a Church-wide survey of lay employees during the 2007–2009 triennium. Further, the Task Force recommended the introduction of a resolution at the 75th General Convention calling for a feasibility study as to whether the Church should mandate pension coverage for its lay employees through a single administrator. These two proposed resolutions were combined into Resolution A125 of the 75th General Convention. Resolution A125 was passed by a majority vote of the House of Deputies with the House of Bishops concurring.

The Current Cadre of Lay Employees of The Episcopal Church

The Census Process

Commencing in February 2007, the Church Pension Group launched a Church-wide census of lay employees serving the domestic dioceses, congregations, and institutions of The Episcopal Church. The census was the first step in the two-step "employer census followed by an individual lay employee survey" process. The census was necessary since it was determined that neither the Church Pension Group nor the Episcopal Church Center had an up-to-date record of the names of all of the lay employees serving The Episcopal Church. (All lay employees were to be invited to participate in the survey.)

The census form was sent to every domestic diocese and congregation of The Episcopal Church.[5] While questionnaires were sent to all Episcopal institutions known to the Church Pension Group (e.g., hospitals, retirement homes, and free-standing schools), CPG did not receive a sufficient number of responses to draw statistically valid conclusions from them. Further, many of the responses received stated that it was the respondent's view that the institution was not under the ecclesiastical authority of The Episcopal Church.

The response to the census request exceeded all expectations. Approximately 95% of the dioceses and approximately 60% of the congregations responded. Through this census, data was collected on approximately 17,500 lay employees — by far the most extensive collection of Episcopal lay employee data since the Church's founding. This response rate, coupled with the demographics of the dioceses and congregations responding, allowed the Church Pension Group to project that the total population of lay employees serving domestic dioceses and congregations is approximately 28,800, with approximately 1,300 serving on domestic diocesan staffs and approximately 27,500 serving in domestic congregations.

The Census Data

The data collected revealed much about the lay employees serving the domestic dioceses and congregations of The Episcopal Church. Approximately 72% of the lay employees are female, with an average age of 49. The average age for all lay employees is 53. The majority of the lay employees (approximately 68%) are either married or in some form of partnership.

Not surprisingly, the majority of the lay employees are responsible for some form of congregational administration. Lay employees occupying secretarial, administrative assistant, or clerical positions account for 33% of the total lay employee work force. 18% of the lay employees are church musicians, 7% work in parish pre-schools or parish schools, and 7% are Christian educators. Diocesan employees make up approximately 5% of the lay employee workforce. Social outreach employees, facilities workers, and "other" account for the remainder. Compensation averaged $50,300 for all lay employees working 40 hours per week, $37,800 for those working 30 to 39 hours per week, and $17,600 for those working 20 to 29 hours per week.

[5] Data was also obtained from the non-domestic dioceses. This data is analyzed in the section entitled "The Current Cadre of Lay Employees Serving in the Non-domestic Dioceses" included on page 21 of Appendix A.

Average compensation for Episcopal Church male lay employees exceeded that of Episcopal Church female lay employees in all employment classifications except diocesan employees and church musicians. Episcopal Church male lay employees' compensation compared favorably with male lay employees' compensation in other denominations in all employment classifications except facilities, maintenance, and building service employees. Female lay employees of The Episcopal Church did not fare as well. The average annual compensation for female lay employees dedicated to congregational administration in The Episcopal Church was approximately $9,000 below their counterparts in other denominations. Likewise, the average annual compensation of female lay employees who are part of Episcopal Church facilities, maintenance, and building service staffs is approximately $12,100 less than their counterparts in other denominations. While Episcopal Church female lay employees who are church musicians, pre-school, day care, and parish school workers, and Christian educators fare better, these latter groups in total make up only 40% of the female lay employee population in The Episcopal Church. See page 7 of Appendix A for a summary of these findings.

Pension Benefits Provided to Lay Employees

While the census data revealed a high degree of compliance at the diocesan level with Resolution D165a of the 70th General Convention, which required pension benefits for any lay employee who is 21 years of age or older, works 1,000 or more hours annually, and has been employed by his/her employer for at least one year, the compliance with Resolution D165a is less satisfactory at the congregational level.

Approximately 93% of diocesan employees who work 20 or more hours per week and who have been employed for a minimum of one year have employer-provided pension benefits. In contrast, only 70% of lay employees who work 20 or more hours per week in a congregational setting and who have been employed for a minimum of one year have employer-provided pension benefits. **This means that approximately 30% of the lay employees working in congregational settings who meet the eligibility criteria of Resolution D165a do not receive the lay pension benefits contemplated by that resolution more than 15 years after its passage.**

Further, while the compliance rate with Resolution D165a increases based on the hours a lay employee works per week, even at the highest level, 40 hours or more per week, **approximately 18% of the lay employees who have been employed by a congregation for a minimum of one year are not provided lay pension benefits**.

When we segment the population of lay employees employed by congregations who have pension benefits by their tenure and hours worked, we find that only 29% of the lay employees who have been employed for less than four years and who are working between 20 and 29 hours per week have lay pension benefits. While the percentage increases for longer-tenured lay employees who work between 20 and 29 hours per week, **only 50% of the employees whose tenure exceeds 20 years are provided lay pension benefits**.

Further segmenting the population based upon gender reveals that 77% of male lay employees who work 20 or more hours per week in congregational settings have lay pension benefits. At the same time, only 68% of female lay employees who work 20 or more hours per week in congregational settings have lay pension benefits. When combined with the fact that 72% of the lay employees are female, it illustrates a trend of under-providing pension benefits to the lay employees of The Episcopal Church.

Finally, the census data reveals that pre-school, day care, and parish school lay employees of the Church who work 20 or more hours per week and who have worked for the Church for more than one year are also underserved with regard to lay pension benefits. Again, only 58% of these lay employees are provided pension benefits.

An Analysis of the 2007 Survey of Lay Employees as Conducted by The Gallup Organization

After completing the census of all lay employees working for domestic dioceses and congregations of The Episcopal Church, the Church Pension Group engaged The Gallup Organization to survey these lay employees regarding the employment practices they experienced while working for the Church. All of the Church's lay employees were invited to participate in an online version of this survey. (The invitation was printed in both English and Spanish.) In an effort to ensure that every voice had an opportunity to be heard, any lay employee who did not have access to a computer could receive a printed copy of the survey by requesting one from The Gallup Organization.

In addition, a representative sample of 4,000 lay employees identified by the census were sent a printed version of the survey, the goal being to ensure that sufficient responses were received to allow statistically valid conclusions to be drawn about the lay employee population. In total, approximately 20,000 invitations and printed surveys were distributed by The Gallup Organization and over 5,000 responses to the factual and attitudinal questions included in the survey were received.[6] (A copy of the survey is included in Appendix A as Attachment B.)

Employee Satisfaction

An analysis of the attitudinal questions included in the survey allowed The Gallup Organization to discern what the lay employees who responded feel about being an employee of The Episcopal Church.

When respondents were asked if they felt their supervisor or someone at work seemed to care about them as a person, 88% responded positively, while 45% stated they felt their opinion seemed to count. When asked why they chose to work for The Episcopal Church, 43% of the respondents reported that mission and purpose were extremely important in making their employment decision. Another 34% stated that being part of The Episcopal Church was extremely important. 47% of the respondents reported that they had been given an opportunity to work and grow in the previous twelve months.

Of those lay employees responding to the survey, 32% strongly agreed and another 32% agreed with the statement, "The sense of satisfaction that I get from performing my job well is far more important to me than the financial benefits I receive." 36% of the respondents reported that they were satisfied with their current compensation, and 17% stated that they were extremely satisfied with their current compensation. Finally, 39% of the respondents who had prior employment reported that they had taken a pay cut of 25% or more when they began working for The Episcopal Church.

Notwithstanding all of these positive responses, the survey revealed that this positive attitude diminished as hours worked increased. That is, those lay employees who worked less than 30 hours per week were more positive about their role, the mission of the Church, and their compensation, than those who worked 30 hours or more. Likewise, those lay employees who worked less than 40 hours per week were more positive about their role, the mission of the Church, and their compensation, than those who worked 40 hours or more.

[6] As previously noted, the Church Pension Group projected that the total population of lay employees serving the domestic dioceses and congregations of The Episcopal Church is approximately 28,800. This projection was based on the employees identified through the census process coupled with the demographics of the dioceses and congregations that responded to the census request.

To further support this finding, The Gallup Organization developed a job satisfaction scale with rankings of one to five (with five being the highest) based on seven elements that they felt were essential to overall job satisfaction. The Gallup Organization reported that lay employees who worked less than 20 hours per week scored significantly higher on the job satisfaction scale than their counterparts who worked 20 hours or more per week. The former group of lay employees had an overall job satisfaction rating of 4.29, while the latter group had an overall job satisfaction rating of 4.17.

Of the lay employees working 20 hours or more per week, Christian education employees reported the highest job satisfaction levels (4.23), followed closely by social outreach lay employees (4.21). The lowest ratings came from church secretaries and other clerical personnel, who reported a job satisfaction rating of 4.04.

Job Descriptions and Performance Appraisals
A majority of the respondents reported that they had a written job description (73%), but of those who did, only 27% stated that their job description was up to date. Further, approximately 43% of the respondents felt that their roles and responsibilities were unclear at least part of the time. Finally, only 38% reported that they had received a formal performance appraisal or annual review in the twelve months prior to responding to the survey.

Exempt vs. Non-exempt Status of Lay Employees
In accordance with the Fair Labor Standards Act, non-exempt employees must be paid for all hours worked, including overtime. The nature of the job as it is performed determines the employee's exempt or non-exempt status. Among others, non-exempt positions typically include church secretaries, clerical workers, janitors, and sextons. In addition to the Fair Labor Standards Act, many states have their own wage and hour laws, including overtime pay provisions that may apply to lay employees.

54% of the lay employees working in a secretarial or clerical position and 43% of the facilities/maintenance workers responded that they were exempt employees and not entitled to overtime pay. An additional 21% of the lay employees working in a secretarial or clerical position and 24% of the facilities/maintenance workers indicated they were not sure if they were entitled to overtime pay.

Retirement Readiness
The survey data revealed that, for married respondents, their spouse's pension plan plays a significant role in their retirement planning. About 83% of respondents agreed that their spouse's pension plan was either somewhat or extremely important.

When asked how confident they were of being able to maintain their current standard of living in retirement, 43% of the respondents felt either not too confident or not at all confident about being able to do so.

As previously stated, approximately 72% of all lay employees are female and of these, approximately 69% are either married or partnered. Notwithstanding the importance placed on their spouse's or partner's pension plan, 42% of the married or partnered female lay employees are not confident that they will be able to maintain their current standard of living in retirement. And among single and divorced female lay employees, a startling 63% do not believe they will be able to maintain their current standard of living in retirement.

When we add to the above information the facts that women spend, on average, 11.5 years away from work while caring for children or elderly parents, and the majority of married women will outlive their husbands,[7] which may result in a reduction in household income,[8] the plight of the female lay employee who has a limited or no employer-provided pension benefit becomes exacerbated. This, coupled with the facts that the average annual compensation of the clerical lay employees of The Episcopal Church is below the average annual compensation of clerical lay employees in other Christian denominations, and that 72% of these lay employees are female, leads one to conclude that the majority of our female lay employee population is indeed rightfully concerned about their ability to maintain their current standard of living in retirement.

The Current Cadre of Lay Employees Serving in the Non-Domestic Dioceses

A summary of the government-sponsored retirement plans provided in the non-domestic dioceses, along with census data for each diocesan office, can be found on pages 21–23 of Appendix A.

It would be difficult to structure a single defined contribution pension plan covering lay employees in the non-domestic dioceses due to the diverse tax regulations and other local laws. Furthermore, any plan design must take into account the varying government-supplied pension plans in the non-domestic dioceses. The Church Pension Fund is currently exploring the possible options available to the lay employees in the non-domestic dioceses.

The Church Pension Fund currently provides a defined benefit plan for the lay employees in the Diocese of Puerto Rico.

A Summary of Pension Benefits

Pension Benefits Provided to Employees of Other Denominations and Other Not-for-Profit Organizations

While it is true that none of the other major Christian denominations have mandated pension benefits for their lay employees (and in this regard, The Episcopal Church has demonstrated leadership within the faith-based community in much the same way that it did when the Church Pension Fund was established in 1914 for Episcopal clergy), the Presbyterian Church (USA) and the Lutheran Church-Missouri Synod have come close. For additional information about these plans, see pages 24–25 of Appendix A.

Neither the Southern Baptists nor the United Methodists have church-wide policies covering pension benefits for their lay employees. The Southern Baptists allow each congregation to determine whether or not pension (and other) benefits will be provided for its lay employees. Employees of the General Agencies of the United Methodist Church working 20 or more hours per week are eligible to participate in the Retirement Security Program for General Agencies. However, there is no mandate. Those participating will receive pension benefits through a combination of a formulaic defined benefit coupled with a defined contribution account that can either be paid in a lump sum or annuitized. As with the Southern Baptists, each congregation determines whether or not pension (and other) benefits will be provided for its lay employees.

[7] According to the U.S. Census Bureau, there are four times as many women age 65 and older who are widowed than there are men. Further, less than 2% of these women will re-marry after age 65.

[8] Many defined benefit pension plans (and all ERISA compliant defined benefit pension plans) allow a participant to provide a benefit for a surviving spouse by reducing the participant's retirement benefit. The most common form of the surviving spouse's benefit is termed a 50% joint and survivor (50% J&S) benefit. Under the terms of a 50% J&S benefit, the surviving spouse will commence receiving 50% of the participant's benefit at the time of the participant's death. Social Security benefits may likewise be reduced at the time one's spouse dies. Of course, these reductions may be offset through personal savings or benefits provided by a defined contribution plan.

See page 26 of Appendix A for a comparison of the employer contribution rates for various denominationally-sponsored defined contribution and defined benefit plans.

A summary of the pension benefits provided to employees of several broad-based mission-driven not-for-profit organizations can be found on pages 27–28 of Appendix A.

Pension Benefits Provided to Episcopal Church Lay Employees through Sources Other than the Church Pension Group

Currently, employees in 80 of the 101 domestic dioceses participate in one of the Church Pension Fund-sponsored lay pension plans. Likewise, employees in approximately 500 of the 750 program- and resource-sized congregations participate in one of the Church Pension Fund-sponsored lay pension plans.

In an effort to develop a complete picture of the pension plans that are being offered to the lay employees of The Episcopal Church, the Church Pension Fund requested copies of the plan documents and/or summary plan descriptions from those dioceses and program- and resource-sized congregations that are not participating in a Church Pension Fund-sponsored lay pension plan. We found the plan documents did not reveal any significant features that are not already part of our Plans. The lay pension plans sponsored by other providers by and large comply with the provisions of Resolution D165a of the 70th General Convention.

Estimated Additional Cost to Provide Retirement Benefits to All Lay Employees

As previously stated, approximately 93% of diocesan lay employees who work 20 or more hours per week and who have been employed for over one year have employer-provided pension benefits, and approximately 70% of lay employees who work 20 or more hours per week in a congregational setting and who have been employed for over one year have employer-provided pension benefits. This begs the question, "What will it cost to provide pension benefits for the employees who meet the coverage criteria of General Convention Resolution D165a but who do not presently have these benefits?"

The table in Exhibit 5 displays the cost of providing pension benefits to the 30% of the lay employees working in congregational settings who do not have these benefits. Costs are shown both per pledging unit in a congregation and as a percentage of the congregation's operating revenue.[9]

[9] Cost estimates are based on the compensation reported via the 2007 Lay Employee Census for those lay employees who do not currently have pension benefits. Estimates assume a 9% employer contribution rate. Therefore, this conservative estimate assumes that every lay employee will contribute at least 4% to his/her retirement account if the employer participates in a defined contribution plan. Estimated costs were allocated to each congregation that reported having lay employees who work 1,000 or more hours per year and does not provide lay pension benefits. Cost per pledging unit and cost as a percentage of operating revenue were based on Parochial Report data for these congregations. Mean costs were then computed for congregations in each of the categories.

Exhibit 5

Cost of Providing Pension Benefit to Eligible Lay Employees Who Don't Currently Receive Them		
Parish Size	**Mean Annual Cost Per Pledging Unit**	**Mean Cost as a Percentage of Operating Revenue**
Family	$34.04	1.02%
Pastoral	$23.54	0.79%
Transitional	$18.80	0.66%
Program	$12.07	0.40%
Resource	$30.81	0.03%
All Parishes	$20.80	0.60%

Based on the data displayed above, the total cost of providing pension benefits for the employees who meet the coverage criteria of General Convention Resolution D165a and do not presently have these benefits is, on average, less than 1% of the employer's operating revenue in all but the smallest congregations, and even in these cases (assuming there are lay employees working 20 or more hours per week), the cost is only slightly above 1% of the operating revenue. Further, the average annual cost across the Church to provide lay pensions for those lay employees who work 1,000 or more hours annually and do not have employer-provided lay pension benefits is approximately $20 per pledging unit.

Conclusions

The following conclusions can be drawn from the information contained in this report:

- The Episcopal Church has a highly motivated group of lay employees with a strong sense of mission and service to the Church.
- 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 could be improved.
- This gradually erodes the sense of mission and joy that lay employees receive from their work.
- Lay employee pension benefits are already provided to the employees in 80% of the domestic dioceses and to 67% of the employees working for the largest domestic congregations through one provider — the Church Pension Fund.
- A review of the plan documents and the summary plan descriptions that were submitted by the dioceses and parishes who are not participating in a Church Pension Fund lay pension plan did not reveal any significant features that are not already part of the Church Pension Fund's lay pension plans.

- The lay pension plans sponsored by other providers by and large comply with the provisions of Resolution D165a of the 70th General Convention.
- Mandating lay employee pension benefits through the passage of a canon will allow The Episcopal Church to once again assume a leadership role among the major Christian denominations in the United States.
- The estimated average annual cost to provide lay pension benefits for those lay employees who currently do not have these benefits ranges from $34 to $12 per pledging unit, depending on the size of the congregation; the average annual cost across the Church is approximately $20 per pledging unit.
- The average annual cost to provide lay pension benefits for those lay employees who currently do not have these benefits is less than 1.0% of the Church's operating revenue.

Recommendations from the Task Force and 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 many eligible lay employees do not receive pension benefits.

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 resolutions and canonical change were endorsed by the CPF Board of Trustees at their November 2008 meeting.

Highlights of Resolution A138 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 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.

Please refer to the full Report, included here as Appendix A.

Church-wide Healthcare Feasibility Study — Resolution A147 of the 75th General Convention

Recommendation coming to the 76th General Convention as Resolution A177

In these challenging economic times, from which The Episcopal Church is by no means immune, one of the most pressing issues is the continued accessibility and affordability of healthcare benefits 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 multiple and different diocesan programs. At present, there is no binding General Convention resolution or canon requiring dioceses, congregations,[10] or official agencies of the Church to provide such benefits to their employees. In The Episcopal Church today, each diocese functions separately and alone in the purchasing, administration, and delivery of health benefits. This results in a duplication of effort, the inability to take advantage of economies of scale, and unequal costs and benefits across the Church.

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 a denominational health plan, **the potential first-year savings[11] to the Church of the fully implemented plan are estimated to be least 10%, or approximately $17.7 million, for clergy and lay employees who are currently provided healthcare benefits, and totaling $64 million in the first four full years after approval.**

After almost three years of research and analysis, the denominational health plan, as recommended by the Church Pension Fund Board of Trustees and described below, is a socially and financially sustainable model for delivering employee healthcare benefits. Not only is it designed with fairness and equity in mind, but the savings it will generate, the benefits it will enhance, and the access it will provide, are unmatched by any available alternative.

The Denominational Health Plan: A Healthcare Benefits Model for the Church's Future

The reality is that many congregations across the Church are having difficulty providing affordable health insurance for their employees. Further, current research indicates that more and more congregations

[10] In the context of this report, "congregations" include cathedrals, parishes, missions, and chapels.

[11] Overall savings come from a variety of sources including elimination of most state premium taxes and brokerage fees, reduction in administrative service fees from product partners, and improvement in the underlying health risk of the employee population.

are experiencing financial difficulties and may be forced to make budget changes for 2010, if not during 2009. In a matter of a few years, the number of congregations unable to provide employee healthcare benefits could increase significantly.

So what is the denominational health plan, and how does it address the financial problems facing Episcopal employers? At its core, it is **a model for central administration of employee healthcare benefits for The Episcopal Church**. While administration is centralized, the denominational health plan, as recommended to General Convention, provides dioceses and groups with autonomy over key aspects such as plan choice and design, while lowering costs to employers and employees.

Centralized Administration Brings Better Choices

The words “the denominational health plan” may stir images of rigidity, requirements, and restrictions. This is simply not true. Dioceses will have control and choice. The denominational health plan is really about leveraging the Church’s aggregate size for the large-scale purchasing of employee healthcare benefits. This aggregation will be accomplished by the Episcopal Church Medical Trust. The Medical Trust will serve the Church as the central point, plan administrator, and sole plan sponsor for the purchasing and administration of employee healthcare benefits for dioceses, congregations, and official agencies of The Episcopal Church.

All domestic U.S. dioceses — including their cathedrals, congregations, missions and chapels — including Puerto Rico and the Virgin Islands, along with official ecclesiastical organizations or bodies subject to the authority of the General Convention, will be required to participate in the denominational health plan. Any other societies, organizations, or bodies in the Church may participate on a voluntary basis.

Centralized Administration Balanced with Autonomy

Each diocese or group will have autonomy over benefit plan options and designs, cost-sharing between employer and employee, participation of schools, day care facilities, and other institutions, and eligibility, including whether or not to cover domestic partners. In fact, the denominational health plan may enable dioceses and groups to offer more plan choices for their employees than they do today.

Plan Design Options: The breadth of healthcare plan types currently available to clergy and lay employees today will remain largely intact. This is possible because the Medical Trust already offers a variety of plan designs (including HMOs, PPOs, and HSAs), with a variety of deductibles, coinsurances, and copayments. Plans will be offered through a number of healthcare vendors that will include BlueCross BlueShield, Aetna, United Healthcare, CIGNA, Kaiser, Group Health, and other regional plans that are best in market or are required to ensure adequate access to healthcare providers. Who chooses the plans that are offered to employees? The diocese or group administrator alone. In addition, each diocese and group may change plans and vendors on an annual basis based upon changing local preferences and needs.

Cost-Sharing: Each diocese will need to establish its own policy for congregations regarding the required employer cost-sharing. That means that a diocese can choose to cover 100% of the premium cost for employees and families, or only a portion. The diocesan policy regarding employer cost-sharing must be the same for both clergy and lay employees working 1,500 hours or more per year (full-time). This will eliminate the disparity that exists today between full-time clergy and lay employees. The policy regarding employer cost-sharing must be implemented no later than December 31, 2012 in preparation for the 2013 plan year.

Domestic Partner Benefits: Dioceses and groups also will determine whether or not they wish to offer domestic partner benefits to employees. If they choose to do so, they will be administered in accordance with the 1997 General Convention Resolution C024.[12]

Congregational Schools, Day Care Facilities, and Diocesan Agencies: Each diocese will choose annually whether or not schools, day care facilities, and other diocesan institutions participate in the denominational health plan. If a diocese does not require participation by these institutions, voluntary access is available but will not be required.

Freedom of Choice for Employees

Full-time clergy and lay employees who have health benefits through an approved non-denominational health plan source may waive their coverage (opt out) under the denominational health plan and choose to maintain their healthcare benefits through a spouse's or partner's employment, military service benefits, governmental program, or coverage from a previous employer. However, employees may choose to enroll in a plan offered by the denominational health plan during the next annual open enrollment or at the beginning of any month when a significant life event occurs.

Required Participation Versus Freedom of Choice

If all of a congregation's employees have their healthcare benefits through an approved non-denominational health plan source, is the congregation expected to contribute towards the cost of administering the denominational health plan? The answer is no. However, in the event that a new employee without healthcare benefits is hired, or an existing employee loses his/her non-denominational health plan coverage and desires the congregation to provide him/her with healthcare benefits, the congregation will be required to offer and fund those healthcare benefits through the denominational health plan and in accordance with the employer cost-sharing policy as established by the diocese.

Centralized Administration for the Common Good

Research shows the denominational health plan will result in a variety of benefits for dioceses, along with financial stability and cost savings for the entire Church. But approving the denominational health plan isn't simply about administrative and fiscal responsibility — it's also about fairness and equity. It offers individual dioceses the opportunity to make a choice for the benefit of the whole. It is, in a sense, a symbol of what can be done for the common good when we work together as one Church, striving for a positive outcome for all.

Today's Church Healthcare Benefits Model: Costly and Complex

Today, there is no binding General Convention resolution or canon requiring dioceses, congregations, or official agencies of the Church to provide healthcare benefits to employees. This means that healthcare benefits for clergy and lay employees working in our Church are provided through multiple and different diocesan programs.

Although the system is voluntary, current data indicates that more than 13,000 clergy and lay employees are covered through congregation- and diocesan-sponsored healthcare benefits programs. Of these 13,000 employees, 8,300 are currently in plans administered and sponsored by the Episcopal Church Medical Trust for active employees.

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[12] **Resolution C024: Request the Medical Trust to Cover Domestic Partnerships in Health Plans**
Resolved, That the Episcopal Church Clergy and Employees' Medical Trust be authorized to offer to dioceses which desire such coverage provision for the inclusion of domestic partners in its health insurance plans. The extension of such coverage shall not constitute an opinion as to what constitutes an ecclesiastically sanctioned domestic unit.

The Costliness of the Current Model

Our Church is at a crossroads. Benefit costs are increasing, and congregational budgets are not able to keep pace. In 2010, the projected cost to The Episcopal Church for employee healthcare benefits is expected to increase by 9.5%. Total spending on employee healthcare benefits for 2010 by domestic congregations, dioceses, and official agencies, not including any dioceses in Province IX, is projected to be $161.2 million, or $12,343 per employee. The 2010 increase of 9.5% is expected to be more than four times the rate of inflation and approximately four times the rate of average clergy salary increases.

Further, total annual spending on employee healthcare benefits in 2010 could represent more than 10% of Plate and Pledge income. Left unchecked, spending on employee healthcare benefits could increase at similar levels for the next two triennia, reaching $250.4 million in 2015, potentially 15% of the Plate and Pledge income, as projected by the Feasibility Study. (Projected Plate and Pledge assumes a growth rate of 2.5% for the years 2009 to 2015 which may need future revision if the current economic conditions continue.)

The Complexity

In total, there are more than 100 different health plans being sponsored by domestic dioceses, not including the health plan options sponsored by congregations outside of their diocesan health program. The Medical Trust administers approximately 20 health plan options for 78 dioceses, and there are almost 60 health plans administered locally by the remaining 20 dioceses not participating in the Medical Trust. Nearly 60% of all Church employees are enrolled in traditional participating provider organization (PPO) and exclusive provider (EPO) plans. While PPO plans have out-of-network benefits, EPO plans only allow employees and their dependents to access healthcare through a participating provider. Another 35% of employee households are enrolled in a health maintenance organization (HMO) or a point-of-service (POS) plan. The remaining 5% of employees are enrolled in high-deductible/health savings account (HDHP/HSA) plans. The majority of employees (65%) are covered through BlueCross BlueShield (BCBS), and the largest numbers of employees are in a BCBS plan sponsored and administered by the Medical Trust.

A History of Financial Stability: The Church Pension Group

The Church Pension Group consists of the Church Pension Fund, founded in 1914, and its affiliates, which include Church Life Insurance Corporation, the Episcopal Church Medical Trust, the Church Insurance Companies, and Church Publishing Incorporated.

The Church Pension Fund provides pension and related benefits to clergy and lay employees of The Episcopal Church. Because the Clergy Pension Plan is mandated by the canons of the Church, retirement and related benefits for those ordained is the primary focus. Since its inception, CPF has paid out over $3 billion in benefits for clergy, their surviving spouses, and dependent children as of March 31, 2008.

Through its affiliated companies, CPG further serves Episcopal clergy and lay employees, and their families, as well as Episcopal churches and institutions, by providing retirement savings plans and educational programs, life and disability insurance, health benefits, risk management tools and property and casualty insurance, educational and church resources, and book and music publishing including the official worship materials of The Episcopal Church.

The Episcopal Church Medical Trust

The Medical Trust's mission is to "balance compassionate Christian benefits with financial stewardship." This is a unique mission in the world of healthcare, and one that makes the Medical Trust the best choice to administer the denominational health plan for our Church.

The Medical Trust's unique qualifications to serve the Church include:

- A strong market position and competitive strength in pricing
- The broad geographic scope of its provider networks
- Established relationships with world-class vendors and extensive product offerings
- A solid membership base and the financial stability guaranteed by pooling large claims across all participants
- A state-of-the-art information technology infrastructure
- High quality service delivery standards and a dedicated staff of professionals
- Administrative billing services and support

The Medical Trust offers an extensive selection of health plan options to meet the unique needs of clergy, lay employees, and retirees of The Episcopal Church. Using its already existing relationships with world-class healthcare partners such as BlueCross BlueShield, Aetna, CIGNA, United Healthcare, and Medco, the Medical Trust can offer in-network access to 98% of all Episcopal employees. The remaining 2% of employees is presently served by local, best-in-class, healthcare plans. The Medical Trust will work closely with the dioceses to carefully analyze the best alternative for these employees and, if appropriate, the local or regional healthcare plan will be maintained.

The Medical Trust currently serves 101 Episcopal dioceses, as well as institutions, providing medical coverage for 8,300 active employee families and 6,600 retiree/surviving spouse families, and dental benefits for over 9,100 active employee and retiree families. In the last three years, the Medical Trust added 11 dioceses to the plans for a total of 78, a 16.4% increase from 2006. The Medical Trust's personalized service model, flexibility, commitment to wellness education, and billing and administrative support, as well as the seamless transition into post-retirement healthcare benefits, ensure that employees and retirees of the Church can focus on their mission, confident that their healthcare needs are being effectively managed.

Unlike most health plan underwriters, the Medical Trust was created to serve members — Episcopal clergy and lay employees and their families — not for the profit of shareholders. The Medical Trust understands the unique medical, emotional, and spiritual needs of clergy and lay employees, and offers customized healthcare solutions to meet those unique needs.

Balancing Financial Stewardship with Compassionate Christian Benefits

The Medical Trust's unique mission in the world of healthcare benefits encompasses the following best practices on behalf of the Church:

The best health plans at the most reasonable cost:

- A service center that understands the Church
- Plans that can help participants through all stages of life
- World-class partners in healthcare benefits delivery

The AMA (citing a study by Irving Levin Associates) states that there were 400 health insurance mergers between 1995 and 2005. The Episcopal Church Medical Trust was created in 1978, and has steadily evolved over the past three decades to meet the changing needs of our Church and its families. This means it brings stability, along with a history of innovation.

The Evolution of the Medical Trust

In the beginning, the Medical Trust offered what everyone wanted at the time — one indemnity plan option for the entire Church. Each diocese was independently rated and individually priced. As a result, plan costs escalated through the late 1980s when managed care came into vogue in the western part of the country. Membership decreased as dioceses migrated to the lower costs found in managed care through insurance carriers such as Kaiser in California.

During the next two decades, the Medical Trust expanded its offerings and reengineered plan options and technology platforms through 2008. And for the 2009 plan year, the Medical Trust saw the largest year-over-year increase in enrollment. Today, the Medical Trust works with leading national carriers and premier regional plans, offering a variety of plan options and designs, and maintains the management systems necessary to provide world-class support for Church employers and employees.

The Changing Employee Benefits Landscape

With rising costs increasing the burden on employers and employees, there is no shortage of frightening statistics. According to the Kaiser Family Foundation, since 2000, cumulative wage income has risen 20% while the cost of health insurance has risen 87%. With healthcare benefit costs rising so rapidly, the number of uninsured working Americans has risen. Without medical insurance, an unplanned illness can be devastating, especially to those who serve The Episcopal Church and whose income may be lower than national averages.

Industry surveys have shown that the U.S. healthcare system suffers from high direct costs and a reimbursement scheme that rewards activity and treatment instead of outcomes and prevention, and serves an aging population with deteriorating health. Healthcare costs have increased faster than costs in the rest of the economy for over 30 years. In fact, healthcare costs have climbed from 9% of the U.S. economy in 1980 to over 16% in 2007. Many experts project healthcare costs to increase a further 8% in 2009 and 9.5% in 2010. The cost of healthcare looms for public and private employers across the country.

What does this mean for the Church? Healthcare benefits are at risk: the current voluntary system is no longer sustainable. Employers nationwide continue to struggle with the high cost of employee healthcare benefits, and continue to use cost-shifting as a means of controlling increasing premium costs and in an effort to change consumer behavior. The majority of small employers are offering employees only one healthcare plan option.

It's All in the Numbers

The numbers tell a compelling story and support the implementation of the denominational health plan. The costs of providing healthcare benefits at present are typically 7% to 9% of a median congregation budget. While this percentage does not vary significantly by size of budget, there are considerable differences among individual congregations as well as dioceses. Congregations with smaller budgets and an average Sunday attendance below 100 may have costs of 14% or higher of the total operating budget. Moreover, the cost of providing healthcare benefits is expected to continue to increase by 9.5% annually while congregational operating revenues are increasing at a rate of only 2.5% per year.

While the impact on an individual congregation will vary due to many factors — including congregational operating revenue and staffing levels — congregations and institutions currently offering healthcare benefits can expect a cost savings of 8% to 10% annually under the denominational health plan. And, in most cases, a congregation will find that the cost savings achievable through the denominational health plan will cover the additional costs associated with offering parity between clergy and lay employees. In fact, the denominational health plan works for all categories of congregations; Family (1 to 75 average Sunday attendance [ASA]), Pastoral (76 to 140 ASA), Transitional (141 to 225 ASA), Program (226 to 400 ASA), and Resource (400+ ASA). More information on this topic can be found in Appendix B of this Report. Impact analyses were done for all dioceses and the information was offered to bishops and diocesan administrators.

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 has 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 in the context of 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 benefit needs.

The Denominational Health Plan Principle is Working Today: Your Pharmacy Benefits

As a member of the Church Benefits Association, a coalition of 32 denominational benefit programs, the Medical Trust uses the collective buying power of multiple denominations for the purchase of pharmacy benefits to lower Episcopal employer premiums and to reduce member out-of-pocket costs.

The basic concept is simple: the economics of the U.S. healthcare environment are such that larger groups, with their greater purchasing power, are able to secure lower unit costs. The Church has already realized savings of more than $10 million over five years through the participation of the Medical Trust in a multi-denominational coalition for purchasing Medco pharmacy benefits. Participation in this Denominational Benefits Coalition, formed under the auspices of the Church Benefits Association, increased the leverage of The Episcopal Church from 15,000 participating households to the combined purchasing power of over 250,000 households, enabling the renegotiation of existing contracts at more favorable rates.

A Closer Look at Our Peers: What Other Denominations Are Doing

We aren't the first denomination to walk down this path. The principles behind our denominational health plan are tried and true, as witnessed by the experiences of our peers. As part of our feasibility study, we reviewed healthcare benefits and financial data from the Board of Pensions of the Presbyterian Church (USA), the Board of Pensions of the Evangelical Lutheran Church in America (ELCA), the General Board of Pension and Health Benefits of The United Methodist Church, Concordia Plan Services of the Lutheran Church-Missouri Synod, and Guidestone Financial Services of the Southern Baptist Convention. Key findings include the following:

- The Presbyterian Church (USA) provides a denominational health plan that is mandated, albeit only for pastors and associate pastors. Other clergy such as hospital chaplains may also participate.
- The Evangelical Lutheran Church in America mandates healthcare benefits for certain employers (the Lutheran Center, the Board of Pensions, and all synod offices and seminaries) through participation in ELCA's Pension and Other Benefits Program (which includes the health plan). Participation is voluntary for employees of ELCA congregations and institutions.
- Although the Lutheran Church-Missouri Synod does not mandate healthcare benefits for clergy or lay employees, enrollment in their denominational health plan is high as a result of bundling the health plan with the pension plan. A single board manages both the health and pension plans.
- The Board of Pensions of the Presbyterian Church (USA) is the only plan that has a provision for mandatory participation, and this only applies to clergy, not lay employees.
- In almost all denominations studied, the health plan is administered by the pension board. Specifically, the denominations' healthcare benefits plans are "self-insured" or "self-funded" and administered by their pension plan (that is, the plans are underwritten by the pension plan and very few "fully-insured" (off-the-shelf) plans are made available).
- All of the denominations use a Participating Provider Organization (PPO) program as their primary plan design for employee benefits. However, the majority of the plans have higher deductibles than those of the plans currently offered throughout The Episcopal Church.
- Two out of five denominations (the ELCA Board and the Presbyterian Board) offer only one plan option. In other words, employees do not have a choice of plan options from which to choose.

Research Shows Wide Agreement

After soliciting input from Church employers and employees across the country, the research and analysis from our three-year study clearly show that there is general agreement that the current voluntary program should be replaced with a denominational health plan that requires the participation of all dioceses, congregations, and official agencies of the Church. The survey of clergy and lay employees across the Church in 2007 revealed that:

- 95% believe the cost of healthcare is high and rising rapidly toward levels that are unsustainable.
- 95% see controlling the rising cost of healthcare for each Church employer as an important issue for the Church to address.
- 85% believe the cost of healthcare benefits as a percentage of an employee's compensation in The Episcopal Church is growing.
- 79% believe that purchasing healthcare benefits collectively rather than per congregation or per diocese could help slow the rising cost of healthcare coverage.

The Denominational Health Plan: Securing Future Healthcare Benefits for the Common Good

The current, decentralized, and voluntary approach to Church healthcare has many shortcomings. Although a small number of congregations may benefit from the current decentralized model, the benefits for the whole greatly outweigh those benefits for the few.

First and foremost, the voluntary system, by its nature, fails to capitalize on the Church's size and scale, and therefore, the Church loses leverage with health insurance carriers. Second, it increases claims volatility by fragmenting the Church into multiple risk pools, some as small as 15 employee households. Third, congregations with younger and presumably healthier employees often leave the diocesan health plan in order to obtain lower premium rates. This causes dioceses, congregations, and other Church institutions, which typically have an employee base older than the average U.S. workforce, to pay much higher rates or even to be rejected by private sector insurers. Fourth, the current voluntary system leaves clergy and lay employees subject to inconsistent eligibility rules and benefit plan designs that vary diocese by diocese and sometimes congregation by congregation. Finally, the current approach puts an undue administrative burden on the Church, and fails to address inherent justice and equity issues.

In short, the data gathered show that the denominational health plan will bring financial savings without sacrificing employee benefits or diocesan control.

Please refer to the full Denominational Healthcare Plan report, included here as Appendix B, which also includes the text of Resolution A177 and the proposed canonical change.

We welcome your feedback and questions. Email us at ***dhpstudy@cpg.org***.

CPG Responds to Other Resolutions of the 75th General Convention

The Church Pension Group was asked to respond to a number of other important resolutions of the 75th General Convention. The following is a summary of our actions in regard to each of them.

Response to Resolution A083: Clergy Resignation Age

The 75th General Convention asked the Office for Ministry Development (OMD), in collaboration with the Church Pension Fund, to coordinate a study of the optimum mandatory resignation age for clergy, along with the implications for pension benefits, and to report back to the 76th General Convention.

In early May 2008, an initial meeting was held at the offices of the Church Pension Fund, to begin to consider this topic. In attendance were clergy (bishops and priests), lay leaders of the church, two gerontologists, and staff from OMD and CPF. A second meeting was held in October 2008, this one attended mainly by retired priests and bishops as well as staff. Some of the relevant data that was discussed included:

- The Constitution and Canons of the Church provide that the Presiding Bishop and all other bishops, deacons, and priests shall resign their offices upon attaining age 72, although priests may continue to serve in the position from which they resign for one year at a time if they receive permission from the Ecclesiastical Authority.
- Normal retirement for clergy in the Clergy Pension Plan is age 65, with options to begin receiving pension benefits as early as age 55 being available for certain qualified people. Pension Plan rules allow work in the Church after retirement within certain compensation limits that are prescribed annually, but prohibit continuing service in the same position in which the cleric is serving at the point of retirement without a special exception granted by the Committee on Ecclesiastical Offices Held by Beneficiaries. Clergy may work for a non-Episcopal entity with no imposed compensation limit.
- At age 72, any compensation limits imposed by the Church Pension Fund are lifted.
- Increasing the mandatory retirement age would not have a negative impact on the Clergy Pension Plan. In fact, it would increase the number of assessments coming into the Fund, and typically pay a retirement benefit to a cleric for a shorter period of time, thus having a possible positive impact on the Fund.
- In today's workforce, older citizens continue to contribute to the effective functioning of many businesses.
- Having a mandatory retirement age provides a means of offering aging clergy who are no longer effective the opportunity to step down gracefully from a position without controversy.
- A mandatory retirement age also enhances the opportunities for advancement of younger clergy to some desirable positions in the Church.

Participants in both meetings considered three possibilities: a) increasing the mandatory retirement age to 75; b) removing the mandatory retirement age altogether; and c) leaving the mandatory retirement age as it is, at age 72. The clear consensus of both groups was to leave the mandatory retirement age at its current level, noting that work after that age continues to be possible with the permission of the Ecclesiastical Authority of the diocese in which the work will take place, and that limits on the amount permitted to be earned after retirement for work within The Episcopal Church are removed at age 72.

Response to Resolution A121: CPF: An Instrument of Mission

The Church Pension Fund was asked to continue its efforts to establish appropriate formulae for pensions which would meet the needs of clergy in the non-domestic dioceses where compensation for service has been limited by standards of living and costs of living.

A comprehensive review of the Clergy Pension Plan was undertaken in 2007 and 2008, and within the context of that study, some information was acquired concerning average compensation of clergy compared with average compensation of the population at large in the various countries served by The Episcopal Church. In addition to surveying the bishops of the non-domestic dioceses, staff of the Church Pension Fund began making visits to try to identify what the needs are regarding compensation and benefits. This included a meeting in Ecuador with the President of the Church Pension Fund, a group of CPG staff people, and all of the bishops and the Council of Province IX. In September 2008, the CPF Board set aside $7 million for benefit enhancements for the non-domestic dioceses of The Episcopal Church. In response to needs expressed by the non-domestic dioceses, two enhancements were approved by the Retirement Programs Committee of the CPF Board of Trustees. First, it was decided that the dollar amount granted to retired clergy and their spouses for medical expenses would increase from $60 per month to $160 per month. In addition, the minimum pensions will increase on a sliding scale from $2,400 for those with 20 years of Credited Service to $4,800 for those with 40 years of Credited Service. Both enhancements will take effect July 1, 2009.

Response to Resolution A140: Women Clergy Retirement Needs

This resolution affirmed the work of the Church Pension Fund in considering ways to respond to the particular needs of ordained women as they approach retirement, and asked that CPF consult with the Committee on the Status of Women to further the work.

Since the 75th General Convention, staff of the Church Pension Fund has been working with the Committee on the Status of Women and CREDO Institute, Inc. to develop and distribute a survey of clergy women with the purpose of clarifying the needs and the status of that particular group.

In order to meet the requests of Resolution A140, an anonymous survey entitled *Called To Serve* was designed in collaboration with The Episcopal Church's Office of Congregational Research and Office of Women's Ministry and Leadership Development, the Church Pension Group, and CREDO Institute, Inc.

The survey was distributed to 4,000 female clergy members and a random sample of 1,500 male clergy members. This group represented all clergy women for whom CPG had contact information, including both deacons and priests, stipendiary and non-stipendiary clergy. This was the first systematic attempt to reach all clergy women. Available both online and on paper, the survey was comprised of a number of multiple-choice questions and short-answer questions. In addition, at the end of the survey, there was an option for clergy to identify whether or not they would be interested in participating in a one-on-one interview.

A series of questions were included in the survey to elicit useful data on the specific experiences and needs of female clergy as they approach retirement. The survey was split into the following categories:

- Ordination and Training
- The Employment Process
- Personal Perspectives on your Ministry and Lifestyle
- Parish and Non-Parochial Ministries
- Your Family Life
- General Background Information

A few sample questions from the survey:

- How likely is it that you will have sufficient income to live comfortably in retirement?
- How easy has it been to obtain Church positions that include a contribution to your pension?
- How satisfied are you with your pension contribution(s) for the work you have done over the years?
- Were (or are) any children in your household under the age of 12 at the same time you held a ministerial position?
- In general, would you say that your family has been positively or negatively affected by your Church ministry position(s)?

These questions, as well as many others, are being analyzed in comparison with open-ended questions. This analytical strategy will enable us to meet our goal of hearing the stories of female clergy and their ministries.

To date, approximately 2,500 clergy have responded to the study, a response rate of over 60%, which is comparatively high for any survey but particularly one of this length and scope. Approximately 69% of those respondents are female.

A thorough analysis of the survey data is currently underway. Although the analysis is at a preliminary stage, we can already see that a complex set of interlocking forces have shaped the career paths of clergy women, both in terms of forces within the Church, and forces outside it such as family and geographic location.

This study will be made available in multiple formats including a co-authored report in collaboration with CREDO and The Episcopal Church's Office of Congregational Research, and will be available at General Convention.

Response to Resolution B003: Church Pension Fund and Chaplains to the Retired

The 75th General Convention expressed appreciation to CPF for the initiative to develop a network of Diocesan Chaplains to the Retired Clergy, Spouses, and Surviving Spouses, and encouraged every diocese of the Church to make provision to support and enhance this ministry.

Throughout the triennium, the good work of the Chaplains' network has continued, and 82 dioceses are currently involved in the ministry. In April of 2007, the Church Pension Fund hosted the first national meeting of the Chaplains to Retired Clergy, Spouses, and Surviving Spouses in Chicago, and annual provincial meetings of the Chaplains, funded by CPF, continue. A second national meeting of Chaplains is expected to take place in 2010.

Response to Resolution D048: Equitable Benefits for Small Church Workers

This resolution asked the Church Pension Fund to investigate the formula for awarding years of Credited Service for participants receiving part-time compensation.

In the follow-up work done by the Church Pension Fund staff, efforts were made to examine whether or not the current formula for calculating benefits for part-time employees could be adjusted to more accurately reflect the level of service provided by clergy compensated for part-time work. The CPF staff has had initial discussions with the Retirement Programs Committee of the CPF Board of Trustees in order that the board may participate in the discernment of an appropriate response to this request, and the staff has continued to consider various options.

One suggestion has been to simply grant a full year of Credited Service to everyone who works for a full calendar year, regardless of his/her level of full- or part-time service or compensation. However, within the Clergy Pension Plan, a number of auxiliary benefits are granted based on Credited Service — the Resettlement Benefit and the Medicare Supplement, to name two. An increase in the number of recipients of these benefits will add substantially to CPF's liabilities. Moreover, changes to the benefit calculation formula in recent years have been weighted to ensure that those with equal years of Credited Service receive a more similar benefit regardless of what their level of compensation had historically been.

On March 30, 2009, members of the Standing Commission for Small Congregations met with the President and staff of the Church Pension Fund to share information and discuss the questions and concerns of both representative groups. The CPF staff will continue to explore the effects of various possible adjustments to the way Credited Service is calculated, with resolution to be determined by the end of 2009.

Response to Resolution D057: Priorities for Standing Commission on Small Congregations

The 75th General Convention asked the Standing Commission for Small Congregations to work with The Episcopal Church Center staff to develop and offer opportunities for leadership training in Small Church Ministry, and asked the Commission for Small Congregations to continue conversations with CPF regarding compensation and benefit issues for clergy and lay participants in the Church Pension Fund serving small congregations. As noted above, the March 30 meeting between representatives of the Standing Commission for Small Churches and the President and staff of the Church Pension Fund was a fruitful conversation which increased the understanding of those present, not only with regard to the needs and challenges of those who serve smaller congregations, but also the intricacies of the Clergy Pension Plan and the implications for maintaining CPF's sound financial position. It was pointed out that, since 2000, most of the increases to the benefit calculation formula as well as commensurate increases for those already receiving benefits had been constructed in such a way that those with lower compensation and smaller pensions received proportionately larger increases. It was agreed that communication and education are critical to ensuring that those serving smaller congregations are aware of the existing ways in which the Clergy Pension Plan can provide them with the best possible benefit, and the staff of the Church Pension Fund will continue to develop ways to improve communication and education.

Response to Resolution D065: Family Leave Pension Waiver

This resolution asked the Church Pension Fund Board of Trustees to study the feasibility of a Family Leave Pension Waiver policy for clergy taking time off to care for family members, with the result of the study to be reported to the 76th General Convention. CPF was asked to consider the possibility of granting family leave time — in much the same way that it now grants Credited Service for those engaging in graduate study — for new biological or adoptive parents functioning as primary caregivers, or those who, because of a change in circumstance (age, illness, new diagnosis), need to become the primary caregiver of a family member.

During this triennium, in addition to the survey being conducted with the Committee on the Status of Women and CREDO Institute, Inc., the staff of the Church Pension Fund has also considered the ramifications of granting Credited Service for family leave time to clergy. In addition, the maternity benefit granted to Clergy Pension Plan participants, delivered through the short term disability program funded by CPF, has been reviewed. As a guiding principle of the Clergy Pension Plan, especially in the current economic climate, CPF Trustees have reaffirmed that it is financially disadvantageous to the Fund to grant Credited Service for uncompensated work or time off. However, in response to this request and based on the 1993 Family and Medical Leave Act, the CPF Trustees have approved two changes to the Clergy Pension Plan that are intended to assist those who need to take time off due to family concerns.

First, members of the clergy who take unpaid leave from employment for one or more of the following reasons –

- The birth of a son or daughter and in order to care for such son or daughter
- The placement of a son or daughter with the member of the clergy for adoption or foster care
- To care for the spouse, partner, son, daughter, or parent of the member of the clergy who has a serious health condition

– will now be permitted to pay assessments based on the Hypothetical Minimum Compensation ($18,200) or the Cleric's Total Assessable Compensation immediately prior to the leave, for up to 12 weeks during any 12-month period, and receive full Credited Service. The cost of assessments based on the Hypothetical Minimum for 12 weeks would be approximately $750, and would permit Credited Service to accrue without negative financial consequences to the Fund.

In addition, the Short Term Disability benefit through which maternity benefits are provided to female clergy has been amended to provide 12, rather than six, weeks of paid time off following the birth of a child. Moreover, the 30-day elimination period has been removed in the case of maternity benefits, so that benefits will now be paid beginning with the first week following the birth of a child.

The combination of these two changes makes it possible for female clergy to take up to 24 weeks off following the birth of a child without jeopardizing the accumulation of Credited Service in the Clergy Pension Plan.

Response to Resolution D075: Study of Retirement Benefits of Ordained Overseas Clergy

The 75th General Convention asked the Church Pension Fund to study the retirement benefits of members of the clergy originally ordained in another Anglican jurisdiction who have become participants in the Clergy Pension Plan, and to make a report with recommendations to the 76th General Convention.

The rules of the Clergy Pension Plan do not permit service earned in another part of the Anglican Communion to be transferred into the Plan. Doing so without collecting the accompanying pension assessments would have a negative financial impact on the Fund. However, there are several options for those who serve in The Episcopal Church, whether or not they transfer their canonical residence to The Episcopal Church:

- The employer of a cleric who has transferred canonically into The Episcopal Church and who is remunerated at a minimum level of $200 per month for three consecutive months MUST pay assessments on that cleric's Total Compensation. This includes an assessment for the cleric residing in church-owned housing.
- A cleric who is in the process of being received into The Episcopal Church may have his or her employer contribute 18% of Total Compensation to the Clergy Pension Plan for up to one year prior to reception.
- A cleric living and serving for compensation in the domestic dioceses of The Episcopal Church but who is not canonically resident in the Church may enroll in The Episcopal Church Retirement Savings Plan (RSVP), a 403(b) retirement plan. The cleric's employer may contribute the 18% assessment on that cleric's behalf, and the cleric may choose the investment options and receive an amount at retirement based on the investment performance of the individual's plan.

The CPF staff has created a resource sheet that outlines the options available to clergy and employers of clergy who have served non-domestic jurisdictions prior to serving The Episcopal Church. The information is available through Nelida Rivera or Bruce Woodcock in the International Relations department of the Church Pension Fund. While the Church Pension Fund Trustees have not amended the rules in order to permit service in another branch of the Anglican Communion to be transferred to The Episcopal Church Clergy Pension Plan, they have endorsed the creation of the resource document, and will distribute it to all clergy who are licensed but not canonically resident in The Episcopal Church, as well as all bishops and diocesan deployment officers. In addition, the trustees and staff recommend that the Task Force on Employment Policies and Practices in The Episcopal Church, or another body commissioned to do so, can fully study the employment issues raised by General Convention Resolution D075.

Comprehensive Review of the Clergy Pension Plan

For almost a year, the Retirement Programs Committee of the CPF Board of Trustees and the staff of the Retirement Programs and Services department of the Church Pension Fund have been preparing for and engaging in a comprehensive review of the Clergy Pension Plan. After a thorough interview process that included a number of major human resources firms, we engaged the services of Towers Perrin, a highly-respected benefits consulting firm, to assist us in the review. Since Towers Perrin works with the pension plans of a large number of organizations outside the Church, we believed that they could provide a fresh and unbiased perspective on how well the Clergy Pension Plan serves its participants in the domestic and non-domestic dioceses of The Episcopal Church.

While the board and staff believed that the Clergy Pension Plan was a good plan, we wanted to know how it compares with other retirement plans — not only those in the public and non-profit sectors and those of other religious organizations, but those in the corporate world as well. In addition, we wanted to ensure that the Clergy Pension Plan provides our beneficiaries with a retirement that is not just "adequate" but "comfortable."

The work done by Towers Perrin was multifaceted. First, they engaged in conversations with both staff and trustees in individual and group settings. Then, with staff participation, they developed and circulated surveys that were distributed to active clergy, retired clergy, surviving spouses, and the bishops of the non-domestic dioceses, and conducted focus group discussions during several Planning For Tomorrow conferences. Using what was learned during those interviews, surveys, and focus groups, they assisted the staff and trustees in the development of a set of Guiding Principles by which the Clergy Pension Plan, and any future enhancements to that Plan, could be measured. A set of "comparator organizations" was identified so that we could measure our Plan against other organizations' pension plans to see how we compared. Finally, Towers Perrin developed a set of proposals for possible Plan improvements.

The Review of the Clergy Pension Plan Yielded Some Interesting Learnings:

- The Clergy Pension Plan produces a high "replacement ratio" compared with the plans of other organizations. In other words, the retirement benefits provided by the Clergy Pension Plan generally return to clergy who have served a 30-to-40-year career a high percentage of the amount they were earning just before retirement. It is important to note, however, that compared to the other organizations in the comparator group, the compensation of our clergy population is at a lower level. Therefore, despite the higher replacement ratio, our population is actually receiving a lower pension benefit in real dollars than are beneficiaries in many of the comparator organizations.
- Our retired beneficiaries say that they are "comfortable," but, for many, this appears to be an "anxious" comfort, as they also report being worried about their financial future, especially in

regard to increasing medical costs, future housing costs, having enough income once they cease working in retirement, and leaving adequate resources for a surviving spouse.

- Conversation in the focus groups in particular revealed that there is a sensitivity toward a perceived inequality in the Clergy Pension Plan — those who have earned a higher level of income during their working years enjoy a higher pension benefit in retirement, while those who served in smaller and less financially viable settings receive a lower pension benefit despite earning the same number of years of Credited Service. Focus group participants and survey respondents suggested that any future increase in the pension benefit calculation should be done in such a way that the lower-compensated clergy would get a proportionally larger increase, thus continuing our practice of moving toward reducing the disparity among clergy beneficiaries.
- The most anxious group of beneficiaries is the surviving spouses, particularly those whose clergy spouses died during active service. For this group, the combination of survivor pension and life insurance does not seem to produce enough income to render these beneficiaries "comfortable."
- There are a variety of needs among the retiree population, and more flexibility in the Clergy Pension Plan could be helpful. For example, some retired clergy are concerned about future escalating medical costs. Others are concerned about significant future housing costs. Some are worried about entry fees into long term care facilities, or the cost of long term care insurance. Still others are concerned about providing adequate financial support for a surviving spouse in the future. An enhancement to the Clergy Pension Plan which would provide funds which could be used for a variety of purposes could be a positive addition.
- Members of the clergy who retired early or under disability are concerned with the cost of medical insurance prior to reaching age 65, at which time Medicare and the Medicare supplement programs are available to them.
- Seminary debt service has precluded many clergy who were ordained in the last 20 years from saving for retirement.
- The seven-year Highest Average Compensation (HAC), part of the retirement calculation, includes more years than industry practice. A computation based on five years is more normative.
- In regard to the non-domestic dioceses of The Episcopal Church, a single approach to retirement benefits is probably not effective due to differing economies and laws of the countries in which those dioceses are located.

Non-Domestic Dioceses

Within the context of the review of the Clergy Pension Plan, Towers Perrin studied average income levels of the general populations of Province IX and other non-domestic dioceses. In addition, they became familiar with and reported the descriptions of the government-provided pension and medical benefits for each country. CPG staff members studied the income levels of clergy in the various non-domestic dioceses. Staff also visited nearly all of the relevant countries to discuss a possible Church-wide denominational health plan, and via personal meetings with bishops, staff, and clergy in the various dioceses, learned about the effectiveness, or lack thereof, of the government-sponsored programs.

In personal conversations, staff members heard concerns in some non-domestic dioceses about minimum pensions, and concerns in others about the level of clergy compensation. We learned that some non-domestic dioceses have very good retiree medical programs, while others need additional assistance in this area. While we understand that there are significant needs in the non-domestic dioceses, we also believe that we need to learn more. To that end, CPG staff held a meeting with the bishops of Province IX just after their provincial meeting in late October 2008, in order to learn much more about the individual and collective needs in the various dioceses. Plans to meet with representatives from the other non-domestic dioceses are being developed as well. From these meetings, we hope to develop a strategy for the education of clergy in regard to Plan benefits, the training of administrative staff, and a listening process so that we can become more familiar with, and responsive to, the needs of the dioceses located outside the U.S.

Going Forward

In addition to its regular meeting in June 2008, the Retirement Programs Committee of the CPF Board also held full-day meetings in April, May, and July of 2008, during which the report from Towers Perrin was received, survey results were reviewed, and the effects of possible future benefit enhancements were studied. Actuaries from Buck Consultants calculated the effect of specific benefit enhancements on the Required Reserves, as well as the impact of those enhancements on the retirement benefits of clergy and surviving spouses. The changes and enhancements that the Committee considered directly correspond to the needs identified by the review of the Clergy Pension Plan; they also conform to the Guiding Principles identified at the beginning of the study.

At the September 2008 meeting of the CPF Board of Trustees, the Retirement Programs Committee recommended several enhancements to the Clergy Pension Plan. As a result, the Board approved an increase in the life insurance benefit provided through the Clergy Pension Plan, effective January 1, 2009, from two times Total Compensation with a maximum of $50,000 to four times Total Compensation with a maximum of $100,000 for eligible clergy who have not yet retired, and from two times Highest Average Compensation (HAC) with a maximum of $30,000 to four times HAC with a maximum of $50,000 for eligible retirees.

At that same meeting, the Board also approved dedicating $7 million for retirement benefit increases for the non-domestic dioceses. After further conversation and consultation with representatives of the non-domestic dioceses, it became clear that there were two primary areas where benefits could be improved. First, whereas retired clergy living in the domestic dioceses and who have earned 20 years of Credited Service in the Clergy Pension Plan receive a subsidy toward a Medicare Supplement plan for themselves and their spouses when they reach age 65, those who live outside the domestic United States receive a dollar amount equal to $3 per year of Credited Service up to 20 years, per month, for themselves and an eligible spouse for assistance with medical expenses. Therefore, a cleric with an eligible spouse, both over age 65, would receive $60 per month for medical assistance. The feedback we received was that this amount was not sufficient to meet the needs of our beneficiaries. At its February 2009 meeting, the CPF Board approved the recommendation of the Retirement Programs Committee to increase the medical supplement in the non-domestic dioceses to $160 per month, an amount that is estimated to more adequately meet the real cost of medical care in these areas.

The other area where an adjustment had been suggested was in relationship to the minimum pensions. In 2005, the minimum pension formula for clergy in non-domestic dioceses had been developed based upon the principle that a cleric's starting annual pension benefit should not exceed the cleric's

Highest Average Compensation (HAC) provided that no starting annual pension benefit would be less than $2,400 regardless of the cleric's HAC. The effect of this was that the smallest pension benefit that any cleric could receive in non-domestic dioceses was $2,400, whether the cleric had earned five years of Credited Service or 40 years. In conversation with representatives of Province IX, it was noted that this practice acts as a disincentive for lower-paid clergy in non-domestic dioceses to continue in ministry beyond five years. Therefore, a sliding scale has now been implemented in relation to the benefits minimum so it now will equal $120 per year of Credited Service with a minimum of $2,400 and a maximum of $4,800. This change will go into effect as of July 1, 2009.

Clergy Benefit Enhancements Since 2006

Our primary responsibility is to provide retirement and related benefits to the clergy of our Church. Blessed with sufficient resources, the Board of Trustees has approved increased benefits during this triennium for all of our Clergy Pension Plan participants, including those already retired and surviving spouses.

Although CPF is not immune to market volatility, its financial condition remains strong, with assets in excess of liabilities, and pension benefits are secure. In addition, we continue to manage the CPF investment portfolio closely and with Clergy Pension Plan participants' long-range needs in mind. Therefore, Clergy Pension Plan participants can feel confident about CPF's ability to continue to meet its financial commitment to eligible retired and not-yet-retired clergy.

Brief descriptions of benefit enhancements for clergy during the past triennium are provided below. That summary does not offer a full description of the plans, for which you need to refer to the actual plan documents.

Cost-of-Living-Related Increases for Retired Clergy and Surviving Spouses

The CPF Board seeks to maintain the purchasing power of pension benefits. Therefore, although not obligated by Plan rules, the board has approved cost-of-living-related adjustments to the monthly benefits for retired clergy and surviving spouses participating in the Clergy Pension Plan and dependent children receiving a benefit from that Plan, as well as retired lay employees participating in The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) in each of the last three years consistent with the cost-of-living increase announced by Social Security. In addition, for 2007 and 2008, the Board approved a supplementary increase of $10 per month for retired clergy and surviving spouses (as well as Lay DB Plan retirees) in order to give proportionately more to those with the lowest benefits.

Increase in Life Insurance Coverage for Active and Retired Clergy

Effective January 1, 2009, the life insurance benefit was increased for all current and future eligible retirees and for all eligible active clergy participating in the Plan, in order to provide greater support to surviving spouses, especially those whose clergy spouses die in active service.

For current and future retirees, life insurance coverage was 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. For eligible clergy who have not yet retired, life insurance coverage was increased from two times Total Compensation with a maximum of $50,000 to four times Total Compensation with a maximum of $100,000.

Medicare Supplement Plans for Retired Clergy and Surviving Spouses

The Episcopal Church Medical Trust offers eligible retired clergy and surviving spouses the choice of three Medicare supplement plans: Comprehensive, Plus, and Premium. Each of these plans provides benefits supplemental to Medicare's coverage for hospital stays, physician visits, lab work, annual physicals, and prescription drugs.

For almost 28 years, the Church Pension Fund has provided a subsidized supplement to Medicare[13] for qualifying retired clergy. There had been no cost increase to retirees for these plans prior to 2008. Despite the addition of 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 2008, primarily because of medical and prescription drug price inflation and the high usage of prescription drugs. However, the Church Pension Fund increased its subsidy of the post-65 retiree Medicare supplement from $235 per qualifying member per month to $250, thus fully covering the cost increase of the Comprehensive Plan while mitigating the cost increases of the Premium and Plus Plans.

For the 2009 plan year, costs increased slightly by $15 per person per month for each of the plans: Comprehensive, Plus, and Premium. However, as it has in the past, the Church Pension Fund again increased its subsidy, from $250 per qualifying member per month to $265 per qualifying member per month. This increased subsidy means that for retirees with 20 or more years of credited service, the cost of the Comprehensive Plan remains fully covered, and those retirees with 10 to 20 years of credited service pay between $2 and $20 per qualifying member per month, depending on their length of service. The 2009 contributions for retirees who chose the Plus or Premium plan remained the same as in 2008.

The Medical Trust added preventive care enhancements to its Medicare supplement plans for 2009, thus making this benefit even more valuable for our retirees. Now, participants in all plans can access preventive care check-ups for a copay of only $10. In addition, the $10 in-network copay for an annual eye examination was eliminated, and the cost of an out-of-network exam greatly reduced. Also, a third, free cleaning and the related oral examination were added to the dental benefits, up from two a year.

Beginning in 2009, eligible retirees and surviving spouses have access to two exceptional support programs: the Employee Assistance Program (EAP) managed by CIGNA Behavioral Health, and a member advocacy program managed by Health Advocate.

The Employee Assistance Program (EAP) offers an array of family and personal services, assisting Medical Trust members with information, educational materials, resources, referrals, and ongoing support. EAP services are free, confidential, and available 24 hours a day, 7 days a week, through the CIGNA Behavioral Health website or by phone. The plan covers unlimited telephone support and up to 10 in-person visits for a particular issue, at no charge to the member. CIGNA's EAP licensed clinicians can assist with problems, including coping with stress, elder-care, legal, financial, substance abuse, and emotional and physical health.

Health Advocate helps members navigate and facilitate medical and administrative issues in the healthcare system. Eligible members, and their spouses, dependent children, parents, and parents-

[13] 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.

in-law, are covered by this service. Personal Health Advocates, typically registered nurses, backed up by a team of experts, help members navigate the healthcare system, including but not limited to resolving claim or billing issues, finding doctors and hospitals, assisting with elder-care issues, and scheduling appointments with hard-to-reach specialists.

Medical and Dental Plans — Active Clergy and Their Eligible Dependents

The Medical Trust continues to focus its resources on improving its benefits programs to meet the evolving healthcare needs of The Episcopal Church. As with retired clergy, active Clergy Pension Plan participants and their eligible dependents also benefit from a $10 in-network copay for preventive care check-ups (except HDHP plans), the elimination of the $10 in-network copay for an annual eye examination, and three dental cleanings per calendar year.

Since 2007, eligible active clergy and dependents have had access to the Employee Assistance Program (EAP) managed by CIGNA Behavioral Health, and a member advocacy program managed by Health Advocate. Because these programs were recently expanded to include eligible retired clergy and surviving spouses for the 2009 plan year, they were described in the previous section about Medicare supplement plans.

Wellness Programs and Member Education

The Medical Trust continues to expand its wellness programs through member education, health fairs, and diverse communications, while increasing participants' access to preventive healthcare benefits.

Member education meetings increase members' awareness of their benefits and how they can best be accessed for maintaining optimal health. The Medical Trust sponsors health fairs at employer locations, offering free screenings/consultations with local healthcare providers, and educational materials on relevant topics. The monthly *Health & Wellness News* newsletter, available in print and online, offers wellness tips, disease-specific information, and general health articles designed to help members take better care of themselves and their families.

The Medical Trust also works with its network partners to continually adopt the best practices in healthcare. One example is the Medical Trust's innovative Early Disease Detection Program, which is available in all health plans. Early detection helps avoid the sometimes-catastrophic personal repercussions often associated with undetected, untreated conditions and the potential for astronomical costs.

Increase in Clergy Retiree "Allowed Earnings"

For those clergy who continue to serve the Church through temporary or part-time employment during retirement, the annual earnings limit was increased to $30,500 in 2007, $31,500 in 2008, and $32,000 for 2009.

Non-Domestic Clergy

Iglesia Episcopal Puertorriqueña (IEP) rejoined The Episcopal Church and returned to the Church Pension Fund effective April 1, 2007. Puerto Rico is a commonwealth of the United States and has its own tax code and regulations. As a result, technically, clergy in IEP receive benefits under a separate pension plan that mirrors the benefits provided by the Clergy Pension Plan.

As noted earlier, Towers Perrin studied average income levels of the general populations of Province IX and other non-domestic dioceses within the context of the review of the Clergy Pension Plan, and CPG staff made visits to and studied benefits issues in regard to Province IX.

At its September 2008 meeting, the CPF Board approved setting aside $7 million for benefit increases for non-domestic dioceses. In October 2008, CPG staff held a benefits consultation in Guayaquil, Ecuador, to meet with the bishops of Province IX and learn more about the individual and collective needs of the Plan participants in the various dioceses. After further conversation and consultation with representatives of the non-domestic dioceses, it became clear that there were two primary areas where pension benefits could be improved. First, whereas retired clergy living in the domestic dioceses and who have earned 20 years of Credited Service in the Clergy Pension Plan receive a subsidy toward a Medicare Supplement plan for themselves and their spouses when they reach age 65, those who live outside the domestic United States receive a dollar amount equal to $3 per year of Credited Service up to 20 years, per month, for themselves and an eligible spouse for assistance with medical expenses. Therefore, a cleric with an eligible spouse, both over age 65, would receive $60 per month for medical assistance. The feedback we received was that this amount was not sufficient to meet the needs of those beneficiaries. At its February 2009 meeting, the CPF Board approved the recommendation of the Retirement Programs Committee to increase the medical supplement in the non-domestic dioceses to $160 per month, an amount that is estimated to more adequately meet the real cost of medical care in these areas.

The other area where an adjustment had been suggested was in relationship to the minimum pensions. In 2005, the minimum pension formula for clergy in non-domestic dioceses had been developed with the overall principle that a cleric's starting annual pension benefit should not exceed the cleric's Highest Average Compensation (HAC) provided that no starting annual pension benefit would be less than $2,400 regardless of the cleric's HAC. The effect of this was that the smallest pension benefit that any cleric could receive in non-domestic dioceses was $2,400, whether the cleric had earned five years of Credited Service or 40 years. In conversation with representatives of Province IX, it was noted that this practice acts as a disincentive for lower-paid clergy in non-domestic dioceses to continue in ministry beyond five years. Therefore, a sliding scale has now been implemented in relation to the benefits minimum so that it now will equal $120 per year of Credited Service with a minimum of $2,400 and a maximum of $4,800. This change will go into effect as of July 1, 2009.

The CPF Board also approved extending the short term disability benefit to clergy in non-domestic dioceses who give birth. This benefit is paid for 12 weeks commencing the week after giving birth.

The CPF Board of Trustees continues its discernment of benefit enhancement opportunities, especially mindful of the needs of those who serve in ministries with lower compensation.

CREDO Institute, Inc. (CREDO) is headquartered in Memphis, Tennessee. The CREDO mission is to provide opportunities for people to examine significant areas of their lives — spiritual, vocational, financial, and health — and to discern prayerfully the direction of their vocation as they respond to God's call in a lifelong process of practice and transformation. This wellness benefit consists of an eight-day conference and is offered to clergy and lay employees who are enrolled in a Church Pension Fund retirement plan. Each conference includes 30 participants randomly selected from the Church Pension Fund database. Following several pilot conferences designed specifically for lay employees, conferences for this population were initiated in 2008. CREDO conducts 30 conferences per year which are tailored for six different audiences: CREDO I, CREDO II, Lay Employees, Bishops I, Bishops II and Spanish. From its first pilot conference in 1997 through June 2009, over 4,570 priests and deacons, 130 bishops, and 300 lay employees will have participated in 184 conferences. During this triennium, $22 million in CREDO funding was authorized for the five-year period 2008 to 2012, enabling an additional 5,280 clergy to benefit from this extraordinary program. For additional information about CREDO, please see Chapter 12, beginning on page 61.

Financial Planning Resources

Planning For Tomorrow Conferences

These conferences, specifically designed to meet the needs of Episcopal clergy, provide tailored financial and life planning education assistance regardless of age or career stage. In addition, the Church Pension Group has recently added a conference for retired clergy and surviving spouses, called *Enriching Your Retirement*, which runs concurrently with Planning For Tomorrow conferences. During the last triennium, in collaboration with the diocesan staffs, we offered 57 clergy conferences across the country.

PlanAhead for Retirement

This internet-based, interactive, customized financial planning tool can help clergy assess their financial plans and assist in refining goals and saving targets. Developed in association with the international actuarial consulting firm of Milliman, Inc., it is available in a special edition for clergy (***www.cpg.org/planahead***). For those more comfortable with paper and pencil, a workbook form and worksheets are also available.

Retirement Spending Calculator

The Retirement Spending Calculator, introduced during this triennium, is an online tool designed to assist retirees and those nearing retirement to develop an annual budget that allows them to spend a portion of their accumulated savings, as well as their pension and Social Security payments, to make sure these funds last through their retirement years. The calculator helps users determine a reasonable withdrawal rate based on their investment style — from conservative to aggressive — using historical data and projected life expectancy. Designed to help users keep up with inflation in retirement while encouraging them to review their situation every few years, the calculator also includes advanced features dealing with specific financial issues such as purchasing a new home or working in retirement.

Life Insurance Calculator

The Life Insurance Calculator, introduced during this triennium, is an online tool designed by Church Life Insurance Corporation to assist clergy and lay employees determine their life insurance needs by building in the life insurance benefits that they may already have as part of their particular benefits packages. The calculator places an economic value on benefits available for beneficiaries and gives the user a comprehensive picture of any additional life insurance needs based on current coverage and accumulated assets. It allows the user to take into account the many variables in evaluating coverage needs, and offers an easy way to request information about additional coverage that may be available from Church Life.

Exhibit 6

Summary of Benefit Enhancements During the Past Triennium

Retired Clergy and Surviving Spouses

- Cost-of-Living Increases for 2007, 2008, 2009
- $10 per month increases for 2007, 2008
- Increased life insurance coverage for eligible retired clergy
- Increased subsidy of Medicare Supplement for 2007, 2008, 2009
- Elimination of $10 eye exam copay for Medicare supplement participants
- Third free cleaning added to dental benefits
- Health Advocate Program and Employee Assistance Program added
- Funding for pension benefit enhancements for non-domestic dioceses
- *Enriching Your Retirement* conferences added

Not-Yet-Retired Clergy

- Increased life insurance coverage for eligible not-yet-retired clergy
- Medicare Supplement enhancements during this triennium will also assist those retiring in future
- Funding for the CREDO benefit extended to 2012

Enhanced Benefits and Services for Lay Employees

The Episcopal Church's most important asset is its people. When CPF began, "ministers" were considered to be those who were ordained. But the Church's understanding of ministry has expanded to include the work of the laity, including those employed by the Church. Consequently, CPG continually strives to improve its ministry and service to lay employees.

A number of enhancements have been implemented in The Episcopal Church Lay Employees' Retirement Plan (a defined benefit plan) and The Episcopal Church Lay Employees' Defined Contribution Retirement Plan — retirement plans that are specifically designed for lay employee participation. In addition, initiatives and enhancements in health plans, life and disability insurance, and retirement planning and resources have improved the services available to lay employees as well as clergy.

This chapter reviews those initiatives and enhancements, and provides an overview of the benefits and services available to lay employees through CPF and its affiliates. This chapter does not offer a full description of the plans, for which you need to refer to the actual plan documents.

Lay Employee Retirement Plans

The Church Pension Fund administers two pension programs for lay employees of The Episcopal Church: The Episcopal Church Lay Employees' Retirement Plan (a defined benefit plan), and The Episcopal Church Lay Employees' Defined Contribution Retirement Plan. Together, the two Plans, which are designed specifically for The Episcopal Church, provide a wide array of benefit options tailored to the lifestyles of our participants pre- and post-retirement, and provide seamless portability among all participating Episcopal employers. There are currently a total of 12,500 participants in these two plans.

The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan)
The Lay DB Plan was established in 1980. It is funded solely by employer contributions equal to 9% of the employee's pay, and pays a guaranteed retirement benefit to the vested participant for life. The Lay DB Plan provides a defined monthly benefit to retirees based on years of service and highest average compensation. Discretionary cost-of-living-related increases, described more fully below, have been granted each of the past three years for those who are receiving a monthly benefit from the Lay DB Plan.

A pre-retirement survivor benefit is provided to eligible spouses of active participants who die on or after attaining early retirement age. Active participants who are under age 72 are eligible for a death benefit equal to twice the participant's annual compensation, with a maximum benefit of $50,000.

Considered the more traditional of the two plans, the Lay DB Plan was recently updated in order to provide a more comprehensive benefit arrangement for participants. For active participants, the Lay DB Plan now provides more portability when transferring between employers within the Church. In addition, the vesting provisions under the Lay DB Plan have been updated so that the accrued benefits for members who terminate with less than five years of service are no longer forfeited if they return to the Lay DB Plan within a 30-year period and earn at least five years of vesting service prior to retirement. Finally, the compensation used to calculate the benefit under the Lay DB Plan was changed from Final Average Earnings, which was the last seven out of eight years of compensation, to Highest Average Compensation, which is the highest seven out of eight years of compensation.

The Lay DB Plan has implemented a two-year window rule for corrections to assessable earnings and has reevaluated the benefit rules for retirees who are returning to work. In addition, the definition of earnings was amended to include overtime, bonus, and severance, which will provide participants with the opportunity to accrue a larger benefit.

Although not mandated by the Lay DB Plan, the same discretionary cost-of-living-related increases granted to participants in the Clergy Pension Plan during this triennium were also granted to lay employees who received a monthly benefit from the Lay DB Plan during this three-year period.[14] Retired Lay DB Plan participants also received the same discretionary additional increases granted to Clergy Plan Participants for 2007 and 2008. This fixed dollar increase was especially important to our lay retirees because their monthly benefits are small. In 2007, lay employees received a $10 a month increase in addition to the 3.3% cost-of-living increase provided that year, and in 2008, they received a $10 a month increase on top of the 2.3% cost-of-living increase.

The Episcopal Church Lay Employees' Defined Contribution Plan (Lay DC Plan)
Unlike the Lay DB Plan, the Lay DC Plan provides retirement benefits based on the market value of the participant's account at retirement. The amount available at retirement depends on the amount invested and the performance of the investments over time.

Functioning similarly to a 401(k) plan, the Lay DC Plan requires contributions by the employer, allows employees to contribute from their own compensation, and expects employer matching contributions, as well. Under the DC Plan, participants may contribute the maximum determined by the IRS annually, providing they have satisfied the requirements set by the IRS.

Each employee has his/her own account and directs how the vested portion is invested by choosing among a range of investment options. A wide range of investment options are available, providing a full range of asset opportunities. Benefit features include hardship distributions, loan availability, and possible withdrawal for disability situations for participants who meet the eligibility requirements. In addition, the Plan allows terminated participants the options of taking a partial distribution or annuitizing portions of their accounts.

During the past triennium, the number and range of investment options have been changed. As of January 1, 2009, there are nine investment alternatives, including a range of stock funds, a bond fund, and a stable value option (an annuity).

[14] Annual increases of 3.3%, 2.3% and 5.8% were effective each January 1st. Those who retired during this triennium received pro-rated increases during the first year of retirement proportional to the number of months retired.

A comprehensive research study of lay employees was conducted and is featured in Chapter 4 of this Report. While the study revealed a high degree of compliance at the diocesan level with Resolution D165a of the 70th General Convention — which required pension benefits for any lay employee who is working 1,000 or more hours annually and has been employed for at least one year — compliance with this resolution is less satisfactory at the congregational level. Approximately 30% of the lay employees working in congregational settings who meet the eligibility criteria of Resolution D165a do not receive the lay pension benefits contemplated by that resolution more than 15 years after its passage. The CPF Board of Trustees has endorsed the proposed Resolution A138 and canonical change establishing a mandatory lay pension system that was approved by the Executive Council of The Episcopal Church for submission to the General Convention in July 2009.

Exhibit 7

Summary of Benefit Enhancements for Lay Employees During the Past Triennium

Lay DB Plan Participants

- Cost-of-living increases for 2007, 2008, 2009 for those retired from the Lay DB Plan
- $10 per month increases for 2007, 2008 for those retired from the Lay DB Plan
- Inclusion of overtime, bonuses, commissions, and severance in calculation of compensation for assessment purposes
- Elimination of waiting period if employee moves between Episcopal employers after working for 12 months or more
- A two-year look-back for changes or corrections on accessible earnings
- Changes to the suspension of benefit rules for rehiring retired employees
- A change in accrued vesting if employee moves between Episcopal employers
- A change from the use of Final Average Compensation to Highest Average Compensation

Lay Participants in Medical Trust Health Plans

- Elimination of $10 eye exam copay for Medicare supplement participants
- Third free cleaning added to dental benefits
- Health Advocate Program and Employee Assistance Program added

Lay DC Plan Participants

- Changed investment options

Increasing Financial Security

While pension benefits are the foundation of a financial plan for retirement, we also offer other products that employers can use, and employees can take advantage of, to increase financial security.

Retirement Savings Plan (RSVP)

Episcopal lay employees and clergy are eligible to set aside funds to enhance their retirement security by participating in this 403(b) plan. It is usually funded by the individual via pre-tax contributions (subject to IRS limits), thereby reducing that individual's current taxable income. Money invested in the RSVP grows tax-deferred, with taxes due only upon distribution.

The participant is responsible for determining the investment allocations of the funds in his/her account, and the various investment options have varying risk/return profiles. During the past triennium, the number and range of investment options have been changed. As of January 1, 2009, there are nine investment alternatives, including a range of stock funds, a bond fund, and a stable value option (an annuity).

Group Life Insurance Programs

Group life insurance offered by Church Life Insurance Corporation (Church Life) helps ensure the financial security of lay employees and their families in the event of untimely death, and may provide immediately needed funds for final expenses.

Group Life Insurance This is an employer-sponsored program, which means that a diocese, church, or other Episcopal institution may choose to provide a group life insurance program for its eligible employees. Employers must sponsor this plan and pay the required premium.

Supplemental Group Life Insurance Those already covered by one of Church Life's group life insurance programs may purchase up to $500,000 of term life insurance coverage and up to $240,000 of coverage for a spouse at group rates. Supplemental group life insurance is a voluntary program, paid for by the employee. Guaranteed issue opportunities are offered to new hires and during periodic open enrollments; eligibility rules apply.

Disability Coverage

Two types of group disability coverage are made available through CPG. Together, they provide a significant measure of financial security for the employee and his/her employer. Each type is offered in two ways: as an employer-provided benefit and as an employee-purchased coverage.

Short Term Disability Coverage Also referred to as the Income Replacement Plan or IRP, this coverage is available for purchase by individuals or employers and is underwritten by First Unum Life Insurance Company. Benefit payments to the employer or disabled employee (depending on who pays the premium) begin after 30 days of an approved disability and can continue for up to one year.

Long Term Disability Coverage This coverage, also available for purchase and is underwritten by First Unum Life Insurance Company, provides important benefits for lay employees who are permanently disabled. This coverage is also available to clergy. Benefits begin one year after an approved disability and continue for as long as the person is disabled, until age 65 or longer, depending on the age of the employee at the time of the disability.

Individual Life Insurance and Annuity Products

Individual life insurance and annuities are a valuable part of a financial plan. That's why Church Life offers a range of individual life insurance and annuity products for eligible lay employees and clergy, available in each state. These include three different types of life insurance (whole life, annual renewable term life, and level-term life), and several different types of annuity products including a traditional IRA, a Roth IRA, and a deferred annuity for after-tax contributions. Please see the section about Church Life Insurance Corporation on page 55 for more details.

Long Term Care Insurance

Through The Prudential Insurance Company of America, CPG makes available a group long term care insurance program to eligible lay employees, clergy, and their families, as well as to lay volunteers. This program is available for purchase by individuals at their expense. An open enrollment period in the fall of 2009 will provide guaranteed-issue access to this program to eligible at-work Episcopal employees.

Medical and Dental Plans — Active Lay Employees and Their Eligible Dependents

The Medical Trust continues to focus its resources on improving its benefits programs to meet the evolving healthcare needs of The Episcopal Church. Now, participants in all plans (except HDHP plans) can access preventive care check-ups for a copay of only $10. In addition, in 2009, the Medical Trust eliminated the $10 in-network copay for an annual eye examination. Now, an annual, in-network eye examination is free, and the cost of an out-of-network eye exam is greatly reduced.

Also for the 2009 plan year, the Medical Trust's dental plan will now cover three cleanings and the related oral examinations per calendar year, instead of the two previously provided. With an in-network dentist, three cleanings per year are now fully covered by the plan. With an out-of-network dentist, three cleanings are also covered, but there may be some small out-of-pocket costs.

Since 2007, eligible active lay employees and dependents have had access to the Employee Assistance Program (EAP) managed by CIGNA Behavioral Health, and a member advocacy program managed by Health Advocate. Because these programs were recently expanded to include eligible retired lay employees and surviving spouses for the 2009 plan year, they are described in the following section about Medicare supplement plans.

The Medical Trust continues to expand its wellness programs through member education, health fairs, and diverse communications, while increasing participants' access to preventive healthcare benefits.

Member education meetings increase employees' awareness of their benefits and how they can best be accessed for maintaining optimum health. The Medical Trust sponsors health fairs at employer locations, offering free screenings/consultations with local healthcare providers, and educational materials on relevant topics. The monthly *Health & Wellness News* newsletter, available in print and online, offers wellness tips, disease-specific information, and general health articles designed to help members take better care of themselves and their families.

Through its annual Health Benefits Partnership Conference, the Medical Trust empowers administrators to be ambassadors of health and wellness information and initiatives. Workshops, panel discussions, exercise demonstrations, and healthcare experts who offer national perspectives all serve to provide educational information for members and their families.

Health & Wellness Partners for Life is a new email listserv program that enables diocesan and other group administrators to share information and tips about their personal efforts and group programs that have shown results, such as setting up a walking group or offering healthier food choices for meetings. Through this vehicle, the Medical Trust can provide information, resources, and even PowerPoint presentations directly to administrators, who, in turn, can share it with their employees.

The Medical Trust also works with its network partners to continually adopt the best practices in healthcare. One example is the innovative Early Disease Detection Program, which is available in all health plans. Early detection helps avoid the sometimes catastrophic personal repercussions often associated with undetected, untreated conditions and the potential for astronomical costs.

The Medical Trust's benefits management programs leverage financial reporting and analysis to contain costs, achieve savings, and determine where further efficiencies can be realized. Modifications to the Medical Trust's billing and accounting systems have translated into greater processing speed and accuracy. The 2007 implementation of Web Self Service (WSS) for administrators, and enhancement of the Medical Life Participant System (MLPS) — one of the most popular modifications — means that enrollments take place in real time. It also offers administrators the ability to view their bills and payment history, create reports, and generate mailing lists online.

Medicare Supplement Plans — Retired Lay Employees and Surviving Spouses

As with retired clergy, the Episcopal Church Medical Trust offers lay retirees and surviving spouses the choice of three Medicare supplement plans: Comprehensive, Plus, and Premium. Each of these plans provides benefits supplemental to Medicare's coverage for hospital stays, physician visits, lab work, annual physicals, and prescription drugs.

The Medical Trust added the same preventive care enhancements to its Medicare supplement plans for 2009 as it did for its active plans, thus making this benefit even more valuable for our retirees. Lay retirees can also access preventive care check-ups for only a $10 copay; have a free annual in-network eye examination, and avail themselves of three free in-network dental cleanings per calendar year.

As with retired clergy, enrolled lay retirees and surviving spouses now have access to two exceptional support programs: the Employee Assistance Program (EAP) managed by CIGNA Behavioral Health, and a member advocacy program managed by Health Advocate.

The Employee Assistance Program offers an array of family and personal services, assisting Medical Trust members with information, educational materials, resources, referrals, and ongoing support. EAP services are free, confidential, and available 24 hours a day, 7 days a week, through the CIGNA Behavioral Health website or by phone. The plan covers unlimited telephone support and up to 10 in-person visits for a particular issue, at no charge to the member. CIGNA's EAP licensed clinicians can assist with problems, including coping with stress, elder-care, legal, financial, substance abuse, and emotional and physical health.

Health Advocate helps members navigate and facilitate medical and administrative issues in the healthcare system. Eligible members, and their spouses, dependent children, parents, and parents-in-law, are covered by this service. Personal Health Advocates, typically registered nurses, backed up by a team of experts, help members navigate the healthcare system, including but not limited to resolving claim or billing issues, finding doctors and hospitals, assisting with elder-care issues, and scheduling appointments with hard-to-reach specialists.

Financial Planning Resources

Planning For Tomorrow Conferences for Lay Employees

These conferences, specifically designed to meet the needs of lay employees, provide tailored financial and life planning assistance regardless of age or career stage. During the last triennium, in collaboration with the diocesan staffs, we offered 13 lay employee conferences across the country.

PlanAhead for Retirement

This internet-based, interactive, customized financial planning tool can help lay employees assess their financial plans and assist in refining goals and saving targets. Developed in association with the international actuarial consulting firm of Milliman, Inc., it is available in a special edition for lay employees (***www.cpg.org/planahead***). For those more comfortable with paper and pencil, a workbook form and worksheets are also available.

Retirement Spending Calculator and Life Insurance Calculator
The Retirement Spending Calculator is intended to assist retirees and those nearing retirement to develop an annual budget that allows them to spend a portion of their accumulated savings, as well as pension and Social Security payments, while making sure these funds last through their retirement years. The Life Insurance Calculator, designed by Church Life, assists lay employees to determine their life insurance needs and request information about additional coverage from Church Life. Both these online financial planning tools, which were introduced during this triennium, are described more fully on page 45.

Assistance with the Administrative Needs of Episcopal Employers and Institutions

Episcopal Payroll Services (EPS)
EPS provides Episcopal churches and institutions with an accurate, efficient way to pay clergy and lay employees. CPG negotiated a national agreement with Paychex, Inc., and remains proactive to assist churches and institutions with enrollments, payroll information, and resolving any problems. EPS eliminates the tedious routine of payroll processing to help churches and institutions with the peace of mind that comes from knowing clergy and lay employee taxes are being paid accurately and in compliance with the tax laws. The costs are modest, and two options are offered to fit the needs of small to large congregations. During the past triennium, 635 new churches and institutions were added, bringing the total number of employers served to 1,171, with payroll being processed for 12,746 clergy and lay employees in 86 dioceses as of March 31, 2009.

What Every Administrator Should Know
Every church administrator is a vital link with CPG. CPG publishes this reference guide to help church administrators understand pension assessments and how to keep pension accounts current. In addition, every January, CPF publishes a comprehensive tax guide for clergy. The middle section of the tax guide is specifically designed to assist administrators with tax-related issues.

Guide to Human Resources Practices for Lay Employees in Episcopal Churches
Since few churches have human resources professionals on staff, this guide educates churches and institutions about implementing professional human resources policies and practices, complying with applicable employment laws, and creating a positive work environment for employees. Thus it assists both clergy and lay workers who supervise and manage employees.

Episcopal Business Administration Conference (EBAC)
Episcopal Business Administration Conference for Dioceses is an annual three-day conference sponsored by the Church Pension Group and the Episcopal Church Center. The conference provides the opportunity for diocesan staff to develop their professional skills, share resources, and network with their peers from other dioceses. This conference, held in New York City in September, is particularly beneficial for those persons charged with the financial, administrative, and insurance functions of a diocese. A pre-conference workshop is available for new administrators to learn the basics of the Church Pension Group. During the past triennium, CPG also sponsored four Episcopal Business Administration Conferences for Parishes.

Service to the Church Through Our Affiliated Companies

Serving Our Members and Clients Every Day

Over the past three years, the Church Pension Group and its affiliated companies — Church Life Insurance Corporation, the Church Insurance Companies (The Church Insurance Company, The Church Insurance Company of New York, The Church Insurance Company of Vermont, and Church Insurance Agency Corporation), the Episcopal Church Medical Trust, Church Publishing Incorporated, and CREDO Institute, Inc. — have continued to expand and improve the benefits, products, and services we provide to individuals and institutions of The Episcopal Church. Likewise, the number of clients served by each affiliate has risen steadily. Today, we serve over 40,000 individuals and more than 7,000 institutions. In addition, Church Publishing Incorporated serves more than 100,000 individual and institutional customers.

Although the years of their formation range from 1918 to 2001, our affiliate companies share a common origin: they were all created to serve important needs in the Church for improved well-being and protection of Episcopal people and institutions. Today, their mission remains the same: to serve the Church in an outstanding manner and, in so doing, to remain financially sustainable. Our objective is to keep costs to our clients at reasonable levels, consistent with our fiduciary responsibilities.

During the triennium, the affiliate companies, described below, strengthened their capabilities and made major contributions to the Church. Because of the early date of this year's General Convention, the complete financials of CPF and its affiliates cannot be included here. They will be found in our 2009 Annual Report to be disseminated in the fall.

Church Publishing Incorporated (CPI) was founded in 1918 and is headquartered in New York. CPI is an official publisher of worship materials and resources for The Episcopal Church, as well as a multifaceted publisher and supplier to the broader ecumenical marketplace. Book publishing imprints include *Church Publishing*, *Morehouse Publishing*, and *Seabury Books*. Additional CPI divisions include *Morehouse Church Supplies*, a provider of church supplies, ecclesiastical furnishings, vestments, and more which is located in Harrisburg, PA; and *Morehouse Education Resources*, which produces lectionary-based curriculum, faith formation programs, and e-publishing resources and services, and is located in Denver, CO. In 2008, CPI became the sole provider of *Godly Play* materials.

Since 1922, **Church Life Insurance Corporation** (Church Life) has provided essential life insurance protection and retirement savings products to the clergy, lay employees and families of The Episcopal Church. Church Life provides life insurance protection to all eligible active and retired Episcopal clergy through the group life plan sponsored by the Church Pension Fund. In addition, more than 90% of Episcopal dioceses choose to provide group life and disability insurance to their employees through Church Life. It also provides a group annuity to fund the Stable Value Option available in both

The Episcopal Church Lay Employees' Defined Contribution Plan and The Episcopal Church Retirement Savings Plan, a 403(b) plan. For members seeking life insurance protection and retirement savings products on an individual basis, Church Life offers an array of term and whole life insurance products, deferred and immediate annuities, and Roth and traditional IRA products.

Since 1929, the **Church Insurance Companies** have provided the broadest property and casualty insurance available to Episcopal churches and institutions. This group of companies consists of the Church Insurance Agency Corporation (CIAC), the Church Insurance Company of Vermont (CIC-VT), the Church Insurance Company of New York (CIC-NY), and the Church Insurance Company. CIAC provides non-claim client services for all companies as well as access to insurance products of outside product partners (e.g., Liberty Mutual for workers compensation insurance). CIAC representatives visit over 3,000 client locations each year and publish a popular risk management e-newsletter, *The Good Steward*. Two captive insurance companies — CIC-VT and CIC-NY — provide insurance to eligible institutions using a captive insurance structure that is more cost-effective and flexible than any alternative. Most core activities are performed in Bennington, Vermont where CIC-VT is headquartered. A meeting of diocesan participants is held in Vermont each year to gather ideas and suggestions from clients and to introduce new initiatives. These companies also fund periodic, professional valuations for all insured properties and a diocesan-endorsed program (the Episcopal Safety Program) to inspect churches and identify and correct hazards before they turn into claims. While Episcopal churches and other institutions are able to purchase their property and casualty insurance from any insurer they choose, more than 80% of them choose to buy it from the Church Insurance Companies.

The Episcopal Church Medical Trust is funded by a Voluntary Employees' Beneficiary Association (VEBA). Created in 1978, the Medical Trust exclusively serves the dioceses, parishes, schools, missionary districts, seminaries, camps and conference centers, hospitals, and social service agencies subject to the authority of The Episcopal Church. The Medical Trust understands the unique medical, emotional, and spiritual needs of active and retired clergy and lay employees, and offers customized healthcare solutions to meet those unique needs. The Medical Trust conducts extensive outreach to Episcopal dioceses and institutions across the country, educating about and creating awareness of the health plans available to them through the Medical Trust. While the goal is to offer these outstanding benefits to as many employees and retirees of the Church as possible, the guiding principle is to do so in a fiscally responsible, stable, and sustainable manner.

The Medical Trust works with world-class healthcare partners who offer in-network access to 98% of covered Episcopal employees nationwide, through a variety of self-funded health plans, along with mental health, vision, and dental care plans. The Medical Trust currently provides medical coverage for more than 8,300 active and 6,600 retiree families, and dental care for 9,100 active and retiree families. In the last three years, the Medical Trust added 11 dioceses to the plans for a total of 78, up from 67 dioceses in 2006. The Medical Trust's personalized service model, flexibility, commitment to wellness education, and billing and administrative support, as well as the seamless transition to retirement, ensure that employees and retirees of the Church can focus on their mission, confident that their healthcare needs are being effectively managed.

Exhibit 8 provides a summary of the clients served and services provided by CPF and each of the major affiliates.

Exhibit 8

The Church Pension Fund and Affiliated Companies: Services and Clients

The Church Pension Fund

Clergy Pension Plan	18,406	30,906
Lay DB and DC Retirement Plans	12,500	

Church Publishing Incorporated

Church Publishing, Morehouse Publishing, Seabury Books, Morehouse Church Supplies, Morehouse Education Resources

Titles in print	790
Church supply products	469
Curriculum products	603
E-products	24
Vestment products	47
Music recordings	13

Church Life Insurance Corporation

Group insurance policy insureds	23,288
Individual insurance policies	2,173
Annuities	4,154
Disability insureds	4,448

The Church Insurance Companies

Presently, more than 80% of all Episcopal parishes and dioceses are insured by Church Insurance

The Episcopal Church Medical Trust

Clergy		
Not-yet-retired	3,128	24,074
Retired and surviving spouses	5,408	
Lay employees		
Not-yet-retired	5,184	
Retired	1,225	
Family members covered	9,129	

As of December 31, 2008

CPG also serves the Church 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, was significantly expanded during this triennium.

SAFEGUARDING Program Expanded

Some Background

In 2004, the Church Pension Group introduced *Safeguarding God's Children*, a video-based training and education program to prevent and respond to child sexual abuse, especially in church programs and activities. CPG trained over 400 people as trainers of this program, and dioceses have gone on to train hundreds of additional trainers. In partnership with The Nathan Network, CPG also introduced the *Model Policies for the Protection of Children and Youth from Abuse*. These two resources assisted dioceses and congregations in complying with 2003 General Convention Resolution B008 requiring dioceses to have child sexual abuse prevention policies and training programs. *Safeguarding God's Children* has been used throughout the Church, including non-domestic dioceses, in both English and Spanish, to train several hundred thousand people.

New Online Training Also Available

To extend the reach and convenience of child sexual abuse prevention training, CPG now offers *Safeguarding Online*, the web-based version of *Safeguarding God's Children*. Over 45 dioceses are actively using the program with an additional 25 dioceses in the process of implementing it or considering it.

Two New Adult Programs Target Sexual Exploitation and Sexual Harassment

The Church Pension Group received 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. The 2006 General Convention adopted Resolution A156, which required both dioceses and congregations to have policies and training programs on these topics. To assist dioceses and congregations in complying with this resolution, CPG developed and introduced 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, CPG had trained over 200 people from more than 65 dioceses as trainers of these programs. These programs are now available in English from Church Publishing Incorporated, and the Spanish versions will be available later in 2009.

Adult Model Policies Introduced

In partnership with The Nathan Network, CPG 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*.

Province IX and Other Non-Domestic Jurisdictions

Throughout the triennium, the Church Pension Group continued to develop relationships with its plan participants in non-domestic jurisdictions. In addition to pension plan enhancements, new approaches to conducting retirement planning workshops and consultations with pension plan administrators were designed and implemented. CPG staff made visits to a variety of non-domestic dioceses and other non-domestic jurisdictions where we have Clergy Pension Plan participants, including Colombia, Cuba, Dominican Republic, Ecuador Central, Ecuador Litoral, Guam, Guatemala, Haiti, Honduras, Liberia, Panama, Puerto Rico, Mexico, the Philippines, Taiwan, Venezuela, and the Convocation of Episcopal Churches in Europe. In some cases (Cuba, Haiti and Taiwan), these visits represented the first time CPG staff were able to meet locally with clergy and diocesan staff in over two decades.

A number of administrators from partner churches visited the New York offices for training and orientation in regard to the Clergy Pension Plan. In addition, international visitors, including bishops and staff from Australia, Belize, the Bahamas, Botswana, Central Tanganyika (Tanzania), and the Philippine Independent Church, sought technical or investment advice from the Church Pension Fund staff.

Following actions of General Convention, the Dioceses of Puerto Rico and Venezuela became full participants of retirement plans provided by the Church Pension Fund. Clergy workshops and CPF staff visits were held in every Province IX diocese to assess the training and educational needs of the bishop, clergy, and lay diocesan staff in order to improve pension administration and communication. Client satisfaction improved with the production of Spanish language materials that are now posted on the CPG website, and with the establishment of a team of bilingual pension specialists now in place in our Pension Services department. A new style of clergy and spouse bilingual retirement workshop was held for all active and retired clergy and lay staff of the Diocese of the Dominican Republic and the combined Dioceses of Ecuador Central and Ecuador Litoral. Similar clergy and spouse workshops are being planned for the dioceses of Colombia and Venezuela and for Honduras in 2009, and Taiwan in 2010.

The Church Pension Fund was represented at all TEC covenant consultations for Central America, Mexico, Liberia, and the Philippines, as well as the IFI Concordat Council meetings. In addition, the Trustees of the Church Pension Fund agreed to formalize the continuation of the administration of pension benefits for the dioceses of IARCA.

CREDO Institute, Inc.

CREDO Institute, Inc. (CREDO) is a not-for-profit corporation, incorporated by the Church Pension Fund in Delaware and headquartered in Memphis, which provides the CREDO benefit. Vincent C. Currie, Jr. serves as Chair of the Board of Directors, and William S. Craddock, Jr., is the Managing Director.

CREDO's mission is to provide opportunities for people to examine significant areas of their lives — spiritual, vocational, financial, and health — and to discern prayerfully the direction of their vocation as they respond to God's call in a lifelong process of practice and transformation. Through a holistic approach to wellness, clergy and lay employees are invited to examine mind, body, spirit, and heart with a community of colleagues grounded in worship and prayer. Each eight-day conference includes 30 participants, who are randomly selected from the Church Pension Fund database. Since its inception, 4,570 clergy, including 130 bishops and 300 lay employees, have attended a CREDO conference.

The CPF Board authorized $22 million in funding for the five-year period 2008–2012. That funding will enable an additional 5,280 clergy to take advantage of this wellness benefit over the next five years.

Exhibit 9 shows the number and types of conferences that have evolved over the past ten years. As conference types have expanded, the curriculum has been tailored according to age, vocation, and work status (active or retired).

Exhibit 9

CREDO I (39 and under)	CREDO I (40 – 54)
CREDO I (55+)	CREDO I — Retired (55 – 67)
CREDO I — Retired (68 – 79)	CREDO II (54 and under)
CREDO II (55+)	CREDO II — Retired (79 and under)
CREDO for Lay Employees	CREDO I — Spanish
CREDO I for Bishops	CREDO II for Bishops

The various conference types have been well received, with high response rates to invitations to attend. This wellness benefit is currently designed to allow eligible participants to attend a CREDO conference every six to eight years.

Exhibits 10 and 11 illustrate the growth of CREDO since the first conference was held in 1997.

Exhibit 10

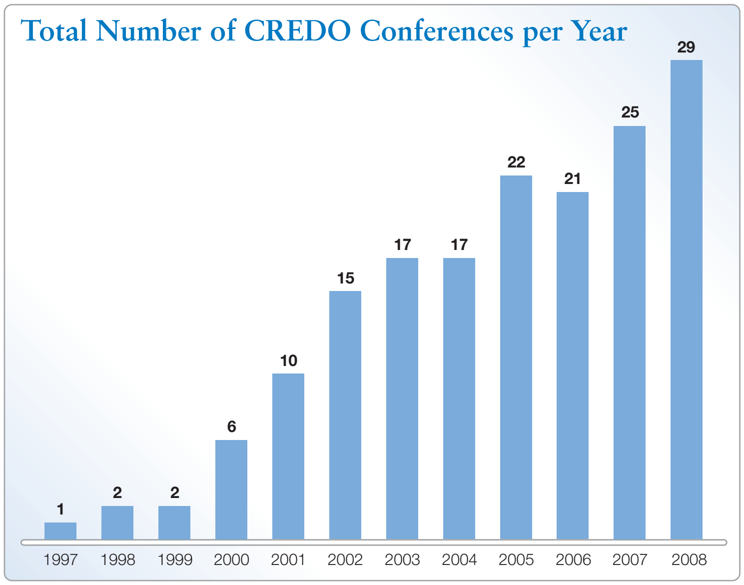
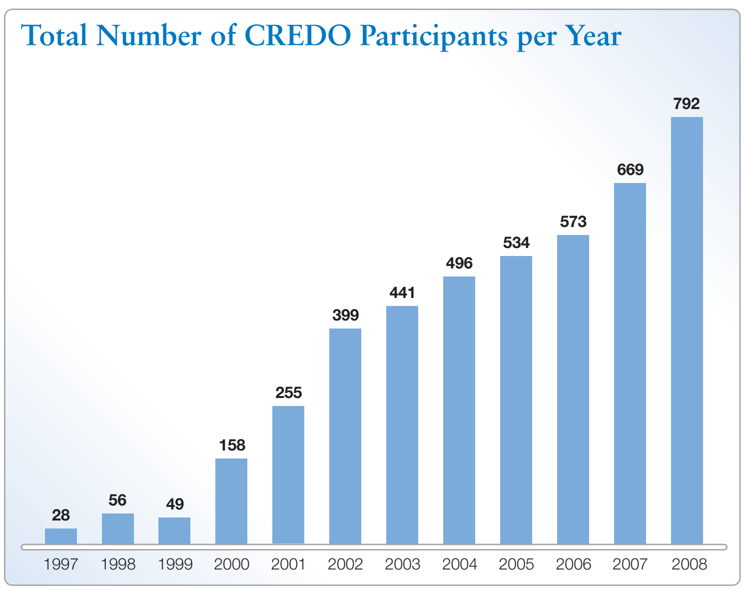


Exhibit 11



CREDO also serves in collaborative alliances providing resources for Episcopal leadership and wellness programs. Through this collaboration, CREDO serves as the lead agency for the national-level Fresh Start program and provides the administrative and operational resources for the College of Bishops. In addition, CREDO is engaged in significant research initiatives in the areas of identity, the emotional health of clergy, clergy families, bishops/spouses, and ordained women.

During the 2007–2009 triennium, CREDO undertook several research projects in collaboration with other Church organizations in response to the 2006 Clergy Wellness Report published by CREDO Institute. (The report is available for download at ***www.episcopalcredo.org***).

Emotional Health of Bishops and Bishop Spouses
A multi-method study of role and career transitions, role adaptation/innovation, and wellness in Episcopal bishops and their spouses.

Emotional Health of Clergy Project
A multi-method study to present an accurate picture of the present state of clergy emotional health in general and in The Episcopal Church specifically, identifying not only where clergy are challenged, but also areas in which they are thriving relative to the general population.

Issues of Ordained Women Project
A survey to explore the issues unique to ordained women in The Episcopal Church with regard to vocation, work, and health.

Episcopal Transitions and Elections Project
A review of the practices in use for bishop searches and transitions, and the adequacy of resources to support dioceses in transition.

In addition, working with the College for Bishops, CREDO prepared a report (*Around One Table: Exploring Episcopal Identity*) which draws on a study called the Episcopal Identity Project. This is a multi-faceted, extensive study conducted by researchers from the University of Cincinnati, Penn State University, and Illinois State University. The report explores perceptions of Episcopalians about the organizational identity of their Church — that is, the most central, enduring, and distinctive features of The Episcopal Church that mark what it means to be an Episcopalian. The report, along with supporting resources, is expected to be available later in 2009.

Appendix A

Report to the 76th General Convention of the Episcopal Church in Response to Resolution A125 of the 75th General Convention of the Episcopal Church

Table of Contents

Introduction

This report summarizes the results of the actions taken by the Church Pension Group in response to the directives articulated in Resolution A125 of the 75th General Convention of the Episcopal Church. Resolution A125 of the 75th General Convention reads in part:

> ***Resolved,*** the House of Bishops concurring, That the 75th General Convention of the Episcopal Church continue the Task Force to Study Employment Policies and Practices in the Episcopal Church during the coming triennium with the intention of offering a resolution to the 2009 General Convention that will address the issues of employment, striving to make the Episcopal Church a fair and just workplace, and be it further
>
> ***Resolved,*** That the Convention authorize and request the Church Pension Group to conduct a survey of lay employees concentrating on employee demographics, the exercise of authority in the employment setting, and compensation and benefits. The Bishop or other ecclesiastical authority of each diocese shall be requested to supply relevant data for each employing unit in the diocese to the Church Pension Group. The findings of the survey and any recommendations for action, if appropriate, shall be reported to the 76th General Convention; and be it further
>
> ***Resolved,*** That the Office of Ministry Development take the lead in determining the best way to conduct a feasibility study examining whether pension benefits for lay employees should be made compulsory and be administered by a single provider. The results of said study shall be reported, along with recommendations for action, if appropriate, to the 76th General Convention...

Particular emphasis will be placed in this report on the following:

- The results of the 2007 census of the lay employees of The Episcopal Church
- The results of the 2007 survey of the lay employees of The Episcopal Church conducted by The Gallup Organization
- A summary of the pension benefits provided by a selection of other major Christian denominations and other not-for-profit organizations
- An analysis of the various pension plans that are currently provided to lay employees of The Episcopal Church through sources other than the Church Pension Group
- A description of the benefits provided through the lay employee pension plans sponsored by the Church Pension Group

It is our hope that this report, coupled with reports from the Church's Task Force to Study Employment Policies and Practices and the A125 Feasibility Study Group will form the basis for a thorough discussion of the Church's employment practices with regard to its lay employees during the 76th General Convention of the Episcopal Church.

We welcome your feedback and questions. Contact Linda Puckett at (800) 223-6602 x6260; *lpuckett@cpg.org*

The Christian Imperative for Social Justice

From its earliest beginnings, the Christian Church has propagated the values of charity and justice. The Church has long held to the doctrines of individual dignity, human rights and the sacredness of every human being while proclaiming that all humans are essentially equal. The Church has also taught that every commodity, including labor, has a certain just or fair price and that the laborer has a right to a decent living in accordance with the standards of the group to which he or she belongs.[1]

For over thirty years The Episcopal Church has been discussing and agreeing that it should strive for fair and just compensation and benefits for lay employees. Still, the Church as a whole has yet to fully address the injustices endured by its lay employees in the form of substandard wages and benefits.[2]

> *"Will you strive for justice and peace among all people, and respect the dignity of every human being? I will, with God's help."*

Perhaps it is time for the Church to remember the words of our baptismal covenant and require pensions for its lay employees, just as it does for its clergy employees — as a matter of justice and dignity and a step toward parity for all persons who serve the Church.

A Brief History of Lay Pension Benefits in The Episcopal Church

While the Church has enjoyed the benefits of the many committed lay employees for decades, the issue of employer-provided pension benefits for these employees took center stage in the early 1990s. Prior to this time, several General Conventions of the Episcopal Church, including the 65th General Convention (1976), the 66th General Convention (1979) and the 68th General Convention (1985), asked the Church Pension Group to study the issue of lay pensions and to determine if a mandatory pension plan for lay employees was feasible. Following these studies, both the 69th General Convention of the Episcopal Church (1988) and the 70th General Convention of the Episcopal Church (1991) passed resolutions that called upon all units of The Episcopal Church under ecclesiastical authority to provide pension benefits for their lay employees.

The resolution passed by the 69th General Convention encouraged the provision of pension benefits for all lay employees who work over 1,000 hours annually either through enrollment in The Episcopal Church Lay Employees' Retirement Plan or an equivalent [defined benefit] plan by no later than January 1, 1990. This resolution also called upon the Church Pension Group to conduct a census of lay employees with the aid of the Bishop or other ecclesiastical authority in each diocese. Further, this resolution requested that the Church Pension Group report to the 70th General Convention the results of the census along with suggestions for implementing a mandatory pension plan for lay employees together with a proposal for an amendment to the canons that would authorize the implementation of the mandatory pension plan for lay employees.

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[1] *On Moral Business: Classical and Contemporary Resources for Ethics in Economic Life, pp. 298 ff.*

[2] *Specific data supporting this assertion can be found in the sections entitled "The Current Cadre of Lay Employees of the Episcopal Church" and "An Analysis of the 2007 Survey of Lay Employees as Conducted by The Gallup Organization" included in this report.*

Resolution D165a of the 70th General Convention incorporated the phrase "shall provide all lay employees who work a minimum of 1,000 hours annually pension benefits through participation in The Episcopal Church Lay Employees' Retirement Plan or an equivalent [defined benefit] plan." Implementation was to occur not later than January 1, 1993. The resolution allowed an employer to opt for participation in a defined contribution plan. Minimum employer base contributions to a defined contribution plan were set at 5% with a dollar-for-dollar matching contribution of up to 4% of the employees' compensation (the latter being dependent on the employee contributing an equivalent amount).

Rather than an amendment to the national canons of the Church, the resolution stated that "each diocese of this Church shall implement this resolution by Diocesan Canon or appropriate resolution." Diocesan Administrators of the domestic dioceses were polled to determine if, indeed, a diocesan resolution had been passed or if the diocesan canons had been amended to include a resolution or canon requiring pension benefits for lay employees meeting the eligibility criteria established by Resolution D165a. The responses received indicate that a majority of the dioceses have not enacted such a resolution or amended their diocesan canons. Ohio is an example of a diocese that has.[3]

Notwithstanding the various General Convention resolutions, it became apparent through discussion with the Diocesan Administrators at the 1999 Diocesan Administrators' Workshop that gaps remained in the implementation of the General Convention resolutions and, therefore, in the pension benefits provided the lay employees of the Church. In response, the administrators in attendance formed a Lay Benefits Task Force that set out to study the scope of benefits offered to lay employees working in congregations.

In conducting its study, the Task Force surveyed over 7,000 congregations. The survey yielded a response rate of slightly less than 50%. Concurrent with the Task Force's survey, the Church Pension Group fielded a survey of its clients that included questions regarding lay employee demographics and income. The data from these two surveys was combined and published in a report to the 74th General Convention of the Episcopal Church (2003).

In its report to the 74th General Convention, the Church Pension Group noted that approximately two thirds (66%) of the congregations who responded to the surveys stated that they offer lay pension benefits. This contrasted markedly with the 13% of the congregations who indicated they offered lay pension benefits prior to the passage of the lay pension benefits resolution during the 69th General Convention (1988). This percentage also showed improvement over the 53% of congregations who offered lay pension benefits in 1993 (immediately after the targeted implementation date for Resolution D165a). Still, the overwhelming reason for not offering lay pension benefits as stated by responding congregations who did not offer such benefits was "budget constraints."

In addition to reporting on the status of lay pension benefits, the report to the 74th General Convention of the Episcopal Church incorporated information regarding the existence of written personnel policies. The report noted that almost one-third of the congregations with an operating budget of over $500,000 indicated that they did not have written personnel policies. Based on this, the report projected that an even greater percentage of smaller congregations did not have written personnel policies.

[3] *The Diocese of Ohio enacted a Canon that includes the following: "Congregations that, on October 1 of each year, have not fully funded a lay pension plan as described herein shall have seat and voice, but no vote at any Convention of the Diocese until any delinquency has been cured. There is no power entrusted to the Convention or a committee thereof to waive this failure."*

In response to this report, the 74th General Convention of the Episcopal Church adopted Resolution A006 requesting Executive Council to appoint a task group that would work in conjunction with the Church Pension Group to study employment policies and practices of the dioceses and congregations of the Church. This task group was asked to offer policy recommendations to the 75th General Convention of the Episcopal Church that would address issues of equity and justice for Church employees working in circumstances of both affluence and poverty.

In response to Resolution A006, Executive Council created the Task Force on Employment Policies and Practices in the Episcopal Church in October, 2004. In the course of its work, the Task Force examined the diocesan manuals for employment policies, benefits and procedures from 59 dioceses. (Manuals were requested from all of the domestic dioceses.[4] Of the 74 dioceses that responded, 15 dioceses indicated they did not have a written manual covering employment practices.) At the Executive Council's meeting in October, 2005, the Task Force recommended to Executive Council that the work of the Task Force be continued through the next triennium (2007-09) with a focus on offering a resolution to the 76th General Convention of the Episcopal Church addressing employment policies and practices in an effort to make The Episcopal Church a fair and just workplace.

The Task Force also recommended the introduction of a resolution at the 75th General Convention directing the Church Pension Group to undertake a Church-wide survey of lay employees during the 2007–09 triennium. Further, the Task Force recommended the introduction of a resolution at the 75th General Convention calling for a feasibility study as to whether the Church should mandate pension coverage for its lay employees through a single administrator. These two proposed resolutions were combined into Resolution A125 of the 75th General Convention of the Episcopal Church. Resolution A125 was passed by a majority vote of the House of Deputies with the House of Bishops concurring. (The full text of Resolution A125 of the 75th General Convention is included as Attachment A to this report.)

The Current Cadre of Lay Employees of The Episcopal Church

The Census Process

Commencing in February 2007, and in response to the mandate of the 75th General Convention of the Episcopal Church as expressed in Resolution A125 that the Church Pension Group conduct a survey of lay employees concentrating on employee demographics, etc., the Church Pension Group launched a Church-wide census of lay employees serving the domestic dioceses, congregations, and institutions of The Episcopal Church. The census was the first step in the two-step "employer census followed by individual lay employee survey" process. The census was necessary since it was determined that neither the Church Pension Group nor the Episcopal Church Center had an up-to-date record of the names of all of the lay employees serving The Episcopal Church. (All lay employees were to be invited to participate in the survey.)

The following form was sent to every domestic diocese and congregation of The Episcopal Church.[5]

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[4] The term "domestic dioceses" as used in this report generally refers to the dioceses contained within the 50 United States and Washington, D.C.

[5] While a questionnaire was sent to all Episcopal institutions known to the Church Pension Group (e.g., hospitals, retirement homes, and free-standing schools), the Church Pension Group did not receive a sufficient number of responses to draw statistically valid conclusions from them. Further, many of the responses received stated that it was the respondent's view that the institution was not under the ecclesiastical authority of The Episcopal Church. The Church Pension Group is continuing to follow-up with these institutions in an effort to receive sufficient responses to allow such conclusions to be drawn.

CHURCH PENSION GROUP
Serving the Episcopal Church and Its People

Lay Employee Census
Basic Employee Data

Name of Parish: ______________________ **City, State:** ______________

Last Name: |_|_|_|_|_|_|_|_|_|_|_|_|_| **First Name:** |_|_|_|_|_|_|_|_|_|_|_| **Hire Year:** |_|_|_|_|

Currently Employed at this Congregation
☐ Yes ☐ No

Year Born: |_|_|_|_| **Home Zip:** |_|_|_|_|_|

Area of Employment (please check only one)
☐ Parish Administration ☐ Other Administration ☐ Preschool/Daycare or Parish School
☐ Parish Facilities/Maintenance ☐ Church Music ☐ Other Facilities/Maintenance
☐ Christian Education/Youth ☐ Social Outreach ☐ Other

Annual Compensation/Pay
☐ $1 - $14,999 ☐ $15,000 - $24,999 ☐ $25,000 - $34,999 ☐ $35,000 - $44,999
☐ $45,000 - $59,999 ☐ $60,000 - $79,999 ☐ $80,000 - $99,999 ☐ $100,000 +

Hours Worked per Week
☐ 1-9 ☐ 10-19 ☐ 20-29 ☐ 30-39 ☐ 40+

Gender
☐ Male ☐ Female

Marital Status
☐ Married ☐ Single

Preferred Language
☐ English ☐ Spanish ☐ Other

Enrolled in Parish/Diocesan Sponsored Medical Plan
☐ Yes ☐ No

Employer Contributes to Retirement Plan
☐ Yes ☐ No

Last Name: |_|_|_|_|_|_|_|_|_|_|_|_|_| **First Name:** |_|_|_|_|_|_|_|_|_|_|_| **Hire Year** |_|_|_|_|

Currently Employed at this Congregation
☐ Yes ☐ No

Year Born: |_|_|_|_| **Home Zip:** |_|_|_|_|_|

Area of Employment (please check only one)
☐ Parish Administration ☐ Other Administration ☐ Preschool/Daycare or Parish School
☐ Parish Facilities/Maintenance ☐ Church Music ☐ Other Facilities/Maintenance
☐ Christian Education/Youth ☐ Social Outreach ☐ Other

Annual Compensation/Pay
☐ $1 - $14,999 ☐ $15,000 - $24,999 ☐ $25,000 - $34,999 ☐ $35,000 - $44,999
☐ $45,000 - $59,999 ☐ $60,000 - $79,999 ☐ $80,000 - $99,999 ☐ $100,000 +

Hours Worked per Week
☐ 1-9 ☐ 10-19 ☐ 20-29 ☐ 30-39 ☐ 40+

Gender
☐ Male ☐ Female

Marital Status
☐ Married ☐ Single

Preferred Language
☐ English ☐ Spanish ☐ Other

Enrolled in Parish/Diocesan Sponsored Medical Plan
☐ Yes ☐ No

Employer Contributes to Retirement Plan
☐ Yes ☐ No

By my signature, I certify that the information provided on this form is complete and accurate. I certify also that I am authorized by this institution and its related institutions as well as their employees and agents (collectively, the "covered parties") to provide this information to The Church Pension Fund and its affiliates (collectively, "CPG").

I understand and consent on behalf of the covered parties to the use and sharing of this information for any purpose that is consistent with the charitable mission of CPG and/or The Episcopal Church (for example, studies that are mandated by The General Convention such as 2006 Resolutions A125 and A147). The covered parties and I release CPG from any liability resulting from the use or sharing of this information. Additional information about CPG's privacy policies can be found at http://www.cpg.org/privacy.

Signed: ______________________________

Where feasible, the form was pre-populated with the employer's name as well as the name(s), hire date, annual compensation, and gender of the lay employees. To provide a complete picture of the lay employee population, congregations and institutions were asked to reply to the census even if they did not have any lay employees.

The response to the census request exceeded all expectations. Approximately 95% of the dioceses and approximately 60% of the congregations responded. Through this census, data was collected on approximately 17,500 lay employees — by far the most extensive collection of Episcopal lay employee data since the Church's founding. This response rate, coupled with the demographics of the dioceses and congregations responding, allowed the Church Pension Group to project that the total population of lay employees serving domestic dioceses and congregations is approximately 28,800, with approximately 1,300 serving on domestic diocesan staffs and approximately 27,500 serving in domestic congregations.[6]

The Census Data

The data collected revealed much about the lay employees serving the domestic dioceses and congregations of The Episcopal Church. Approximately 72% of the lay employees are female with an average age of 49. The average age for all lay employees is 53. The majority of the lay employees (approximately 68%) are either married or partnered.

Not surprisingly, the majority of the lay employees are responsible for some form of congregational administration. Lay employees occupying secretarial, administrative assistant, or clerical positions account for 33% of the total lay employee work force. 18% of the lay employees are church musicians, 7% work in a parish preschool or parish school and 7% are Christian educators. Diocesan employees make up approximately 5% of the lay employee workforce. Social outreach employees, facilities workers and "other" account for the remainder. Compensation averaged $50,300 for all lay employees working 40 hours or more per week, $37,800 for those working 30 to 39 hours per week, and $17,600 for those working 20 to 29 hours per week.

Compensation ranged from an average of $61,000 for male employees of parish schools or preschools to an average of $25,000 for female facilities workers.[7]

Average compensation for Episcopal Church male lay employees exceeded that of Episcopal Church female lay employees in all employment classifications except diocesan employees and church musicians. Episcopal Church male lay employees' compensation compared favorably with male lay employees' compensation in other denominations in all employment classifications except facilities, maintenance and building service employees. Female lay employees of The Episcopal Church did not fare as well. The average annual compensation for female lay employees dedicated to congregational administration in The Episcopal Church was approximately $9,000 below their counterparts in other denominations. Likewise, the average annual compensation of female lay employees who are part of Episcopal Church facilities, maintenance, and building service staffs is approximately $12,100 less than their counterparts in other denominations. While Episcopal Church female lay employees who are church musicians, preschool, daycare, and parish school workers and Christian educators fare better, these latter groups in total make up only 40% of the female lay employee population in The Episcopal Church.

[6] *Data was also obtained from the non-domestic dioceses. This data is analyzed in the section entitled "The Current Cadre of Lay Employees Serving in the non-domestic Dioceses" included in this report.*

[7] *The compensation data for male employees of parish schools and preschools is impacted by the inclusion of headmasters and principals of large parish day schools, some of whom earn in excess of $100,000 annually.*

The following table summarizes the above findings:

	Average Annual Compensation			
	Episcopal Employees[8]		All Denominations[9]	
	Male	Female	Male	Female
Diocesan Employees (all employment classifications)	$40,000	$42,000	Not Applicable	Not Applicable
Congregational Administration[10]	$48,000	$32,000	$48,400	$41,000
Church Musicians	$48,000	$48,000	$40,600	$39,600
Facilities, Maintenance, and Building Service Employees	$31,000	$25,000	$32,200	$37,100
Preschool, Daycare, and Parish School	$61,000	$28,000	Not Available	Not Available
Christian Education	$45,000	$38,000	$41,000	$34,500
Social Outreach	$43,000	$40,000	Not Available	Not Available
Other	$41,000	$31,000	Not Available	Not Available

Pension Benefits Provided Lay Employees

While the census data revealed a high degree of compliance at the diocesan level with Resolution D165a of the 70th General Convention which required pension benefits for any lay employee:

- who is 21 years of age or older, and
- who works 1,000 or more hours annually, and
- who has been employed by his/her employer for at least one year,

the compliance with Resolution D165a is less satisfactory at the congregational level.

Approximately 93% of diocesan employees who work 20 or more hours per week and who have been employed for a minimum of one year have employer-provided pension benefits. In contrast, only 70% of lay employees who work 20 or more hours per week in a congregational setting and who have been employed for a minimum of one year have employer-provided pension benefits. **This means that approximately 30% of the lay employees working in congregational settings who meet the eligibility criteria of Resolution D165a do not receive the lay pension benefits contemplated by that resolution more than 15 years after its passage.**

Further, while the compliance rate with Resolution D165a increases based on the hours a lay employee works per week, even at the highest level, 40 hours or more per week, **approximately 18% of the lay employees who have been employed by a congregation for a minimum of one year are not provided lay pension benefits.**

[8] *Employee compensation data was summarized from the Census of Lay Employees by employee classification. Data shown is for those lay employees working 1,000 or more hours annually.*

[9] *Source: The 2008 Compensation Handbook for Church Staff, Christianity Today International, 2008. Full time status is defined by the respondents to the Church Compensation Handbook survey and is not based upon any specified number of hours.*

[10] *Includes the compensation of the Parish Administrator or Business Manager. These employment classifications were not separately shown on the census form. Based on The Gallup Organization's survey of lay employees, we estimate that the average compensation for male lay employees fulfilling these roles is approximately $54,200. Average compensation for female lay employees fulfilling these roles is approximately $41,900.*

When we segment the population of lay employees employed by congregations who have pension benefits by their tenure and hours worked, we find that only 29% of the lay employees who have been employed for less than four years and who are working between 20 and 29 hours per week have lay pension benefits. While the percentage increases for longer-tenured lay employees who work between 20 and 29 hours per week, **only 50% of the employees whose tenure exceeds 20 years are provided lay pension benefits**.

Further segmenting the population based upon gender reveals that 77% of male lay employees who work 20 or more hours per week in congregational settings have lay pension benefits. At the same time, only 68% of female lay employees who work 20 or more hours per week in congregational settings have lay pension benefits. When combined with the fact that 72% of the lay employees are female, it illustrates a trend of under-providing pension benefits to the lay employees of The Episcopal Church.

Finally, the census data reveals that preschool, daycare, and parish school lay employees of the Church who work 20 or more hours per week and who have worked for the Church for more than one year are also underserved with regard to lay pension benefits. Again, only 58% of these lay employees are provided pension benefits.

An Analysis of the 2007 Survey of Lay Employees as Conducted by The Gallup Organization

After completing the census of all lay employees working for domestic dioceses and congregations of The Episcopal Church, the Church Pension Group engaged The Gallup Organization to survey these lay employees regarding the employment practices they experienced while working for the Church. All of the Church's lay employees were invited to participate in an online version of this survey. (The invitation was printed in both English and Spanish.) In an effort to ensure that every voice had an opportunity to be heard, any lay employee who did not have access to a computer could receive a printed copy of the survey by requesting one from The Gallup Organization.

In addition, a representative sample of 4,000 lay employees was identified from the census. These individuals were sent a printed version of the survey, the goal being to ensure that sufficient responses were received to allow statistically valid conclusions to be drawn about the lay employee population. In total, approximately 20,000[11] invitations and printed surveys were distributed by The Gallup Organization and over 5,000 responses to the factual and attitudinal questions included in the survey were received.[12] (A copy of the survey is included as Attachment B to this report.)

Survey data revealed that, by and large, the lay employees of The Episcopal Church are well educated, with over 59% reporting that they held at least a bachelor's degree. Survey data also revealed that the overwhelming majority, 92%, are Caucasian; 5% are African-American and 3% are Hispanic or Latino.

Of the lay employees responding, 54% had worked for their employer for 5 years or longer. The lay employees were almost evenly split between those working 20 hours or more per week and those working fewer than 20 hours per week. The majority (78%) reported that they were happy with the hours they worked, with the remainder (22%) about evenly divided between wanting to work more or fewer hours.

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[11] *With the goal of an all inclusive survey in mind, 2,500 lay employee names were added to the list of the 17,500 lay employees identified through the census process. These names were drawn from the various data sources maintained by the Church Pension Group.*

[12] *As previously noted, the Church Pension Group projected that the total population of lay employees serving The Episcopal Church domestic dioceses and congregations is approximately 28,800. This projection was based on the employees identified through the census process coupled with the demographics of the dioceses and congregations that responded to the census request.*

Employee Satisfaction

An analysis of the attitudinal questions included in the survey allowed The Gallup Organization to discern how the lay employees who responded feel about being an employee of The Episcopal Church.

When respondents were asked if they felt their supervisor or someone at work seemed to care about them as a person, 88% responded positively, while 45% stated they felt their opinion seemed to count. When asked why they chose to work for The Episcopal Church, 43% of the respondents reported that mission and purpose were extremely important in making their employment decision. Another 34% stated that being part of The Episcopal Church was extremely important. 47% of the respondents reported that they had been given an opportunity to work and grow in the previous twelve months.

Of those lay employees responding to the survey, 32% strongly agreed and another 32% agreed with the statement, "The sense of satisfaction that I get from performing my job well is far more important to me than the financial benefits I receive." 36% of the respondents reported that they were satisfied with their current compensation and 17% stated that they were extremely satisfied with their current compensation. Finally, 39% of the respondents who had prior employment reported that they had taken a pay cut of 25% or more when they began working for The Episcopal Church.

Notwithstanding all of these positive responses, the survey revealed that this positive attitude diminished as hours worked increased. That is, those lay employees who worked less than 30 hours per week were more positive about their role, the mission of the Church, and their compensation, than those who worked 30 hours or more. Likewise, those lay employees who worked less than 40 hours per week were more positive about their role, the mission of the Church, and their compensation, than those who worked 40 hours or more.

To further support this finding, The Gallup Organization developed a job satisfaction scale with rankings of one to five (with five being the highest) based on seven elements that they felt were essential to overall job satisfaction. The Gallup Organization reported that lay employees who worked less than 20 hours per week scored significantly higher on the job satisfaction scale than their counterparts who worked 20 hours or more per week. The former group of lay employees had an overall job satisfaction rating of 4.29 while the latter group of lay employees had an overall job satisfaction rating of 4.17.

Of the lay employees working 20 hours or more per week, Christian education employees reported the highest job satisfaction levels (4.23), followed closely by social outreach lay employees (4.21). The lowest ratings came from church secretaries and other clerical personnel, who reported a job satisfaction rating of 4.04.

Job Descriptions and Performance Appraisals

A majority of the respondents reported that they had a written job description (73%), but of those who did, only 27% stated that their job description was up-to-date. Further, approximately 43% of the respondents felt that their roles and responsibilities were unclear at least part of the time. Finally, only 38% reported that they had received a formal performance appraisal or annual review in the twelve months prior to responding to the survey.

> *"I was initially hired to be an office assistant, but found myself doing other duties besides office work. I do yard work, and janitorial work. Extra duties include cleaning restrooms/classrooms, the parish hall, kitchen, vacuuming the church/sacristy. It seems a lot for one person to do and get paid only $10.73 per hour. Frankly, I feel over-worked and under-paid. I am one month pregnant and won't be able to perform those duties. I don't know how to bring up the subject to my superiors."*

Exempt vs. Non-Exempt Status of Lay Employees

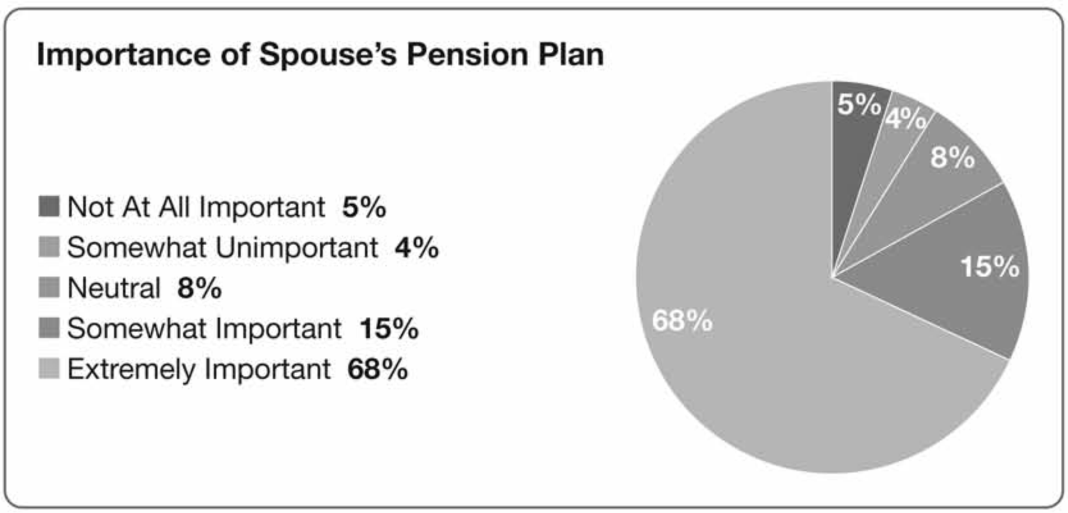
In accordance with the Fair Labor Standards Act, non-exempt employees must be paid for all hours worked including overtime. The nature of the job as it is performed determines the employee's exempt or non-exempt status. Among others, non-exempt positions typically include church secretaries, clerical workers, janitors and sextons. In addition to the Fair Labor Standards Act, many states have their own wage and hour laws, including overtime pay provisions that may apply to lay employees.

54% of the lay employees working in a secretarial or clerical position and 43% of the facilities/maintenance workers responded that they were an exempt employee and not entitled to overtime pay. An additional 21% of the lay employees working in a secretarial or clerical position and 24% of the facilities/maintenance workers indicated they were not sure if they were entitled to overtime pay. At the same time, 54% of the lay employees working in a secretarial or clerical position and 39% of the facilities/maintenance workers indicated they had worked more than their regular hours, but they did not receive overtime pay.

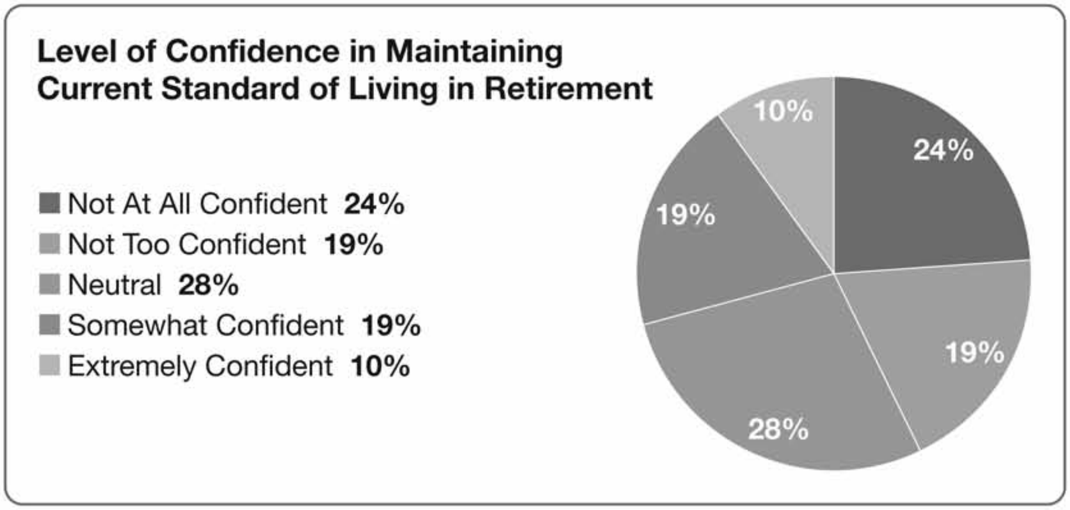
It should be noted that failure to comply with the Fair Labor Standards Act can subject an employer to liability for unpaid overtime and back wages.

Retirement Readiness

The survey data revealed that, for married respondents, their spouse's pension plan plays a significant role in their retirement planning. As illustrated by the following graph, about 83% of respondents agreed that their spouse's pension plan was either somewhat or extremely important:

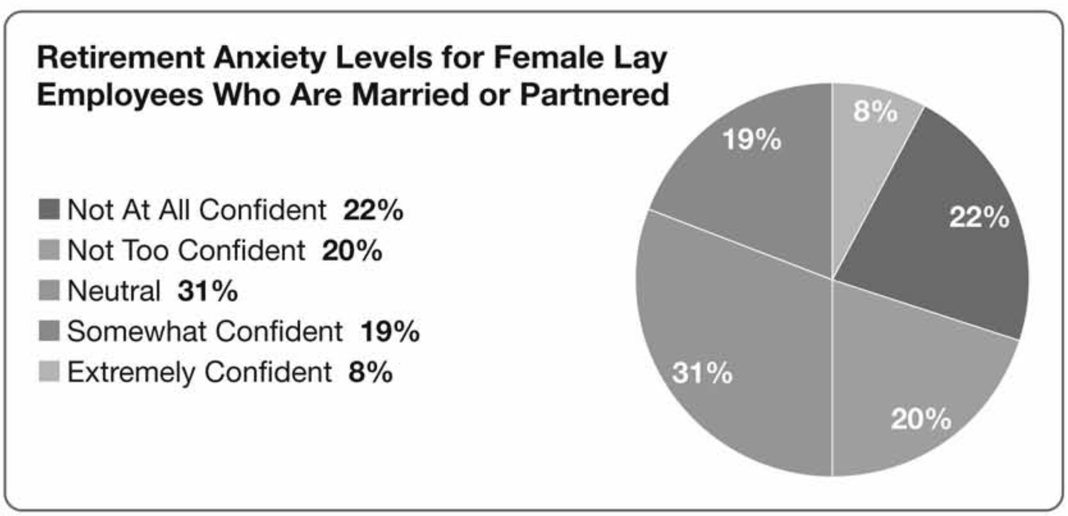


When asked how confident they are of being able to maintain their current standard of living in retirement, 43% of the respondents either felt not too or not at all confident about being able to do so.

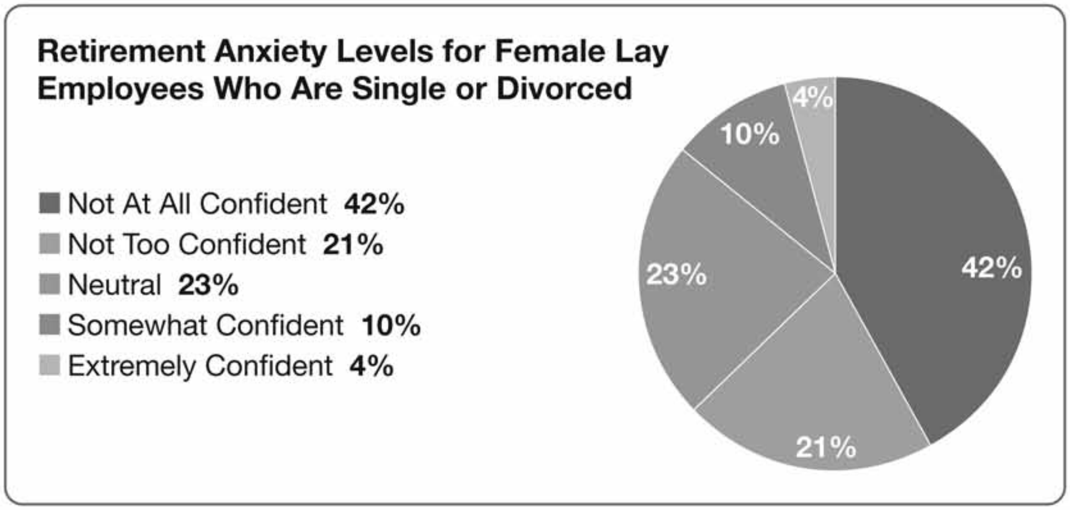


As previously stated, approximately 72% of all lay employees are female and of these, approximately 69% are either married or partnered. Notwithstanding the importance placed on their spouse's or partner's pension plan, 42% of the married or partnered female lay employees are not confident that they will be able to maintain their current standard of living in retirement. And among single and divorced female lay employees, a startling 63% do not believe they will be able to maintain their current standard of living in retirement.

The following graph illustrates retirement anxiety levels for female lay employees that are either married or partnered. (The following two graphs depict the response to the question, "How confident are you that you will be able to maintain your current standard of living in retirement?")



And the following graph illustrates retirement anxiety levels among female lay employees who are either single or divorced.



When we add to the above information the facts that women spend, on average, 11.5 years away from work while caring for children or elderly parents and the majority of married women will outlive their husbands[13] which may result in a reduction in household income,[14] the plight of the female lay employee who has a limited or no employer-provided pension benefit becomes exacerbated. This, coupled with the facts that the average annual compensation of the clerical lay employees of The Episcopal Church is substandard when compared to the average annual compensation of clerical lay employees in other Christian denominations and that 93% of these lay employees are female, leads one to conclude that the majority of our female lay employee population is indeed rightfully concerned about their ability to maintain their current standard of living in retirement.

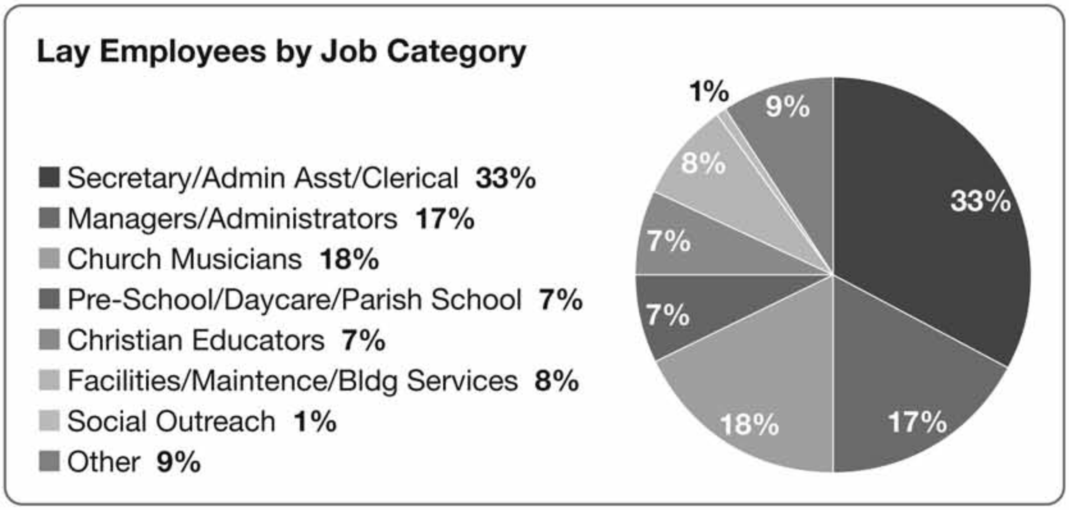
[13] *According to the U.S. Census Bureau, there are four times as many women age 65 and older who are widowed than there are men. Further, less than 2% of these women will re-marry after age 65.*

[14] *Many defined benefit pension plans (and all ERISA compliant defined benefit pension plans) allow a participant to provide a benefit for a surviving spouse by reducing the participant's retirement benefit. The most common form of the surviving spouse's benefit is termed a 50% joint and survivor (50% J&S) benefit. Under the terms of a 50% J&S benefit, the surviving spouse will commence receiving 50% of the participant's benefit at the time of the participant's death. Social Security benefits may likewise be reduced at the time one's spouse dies. Of course, these reductions may be offset through personal savings or benefits provided by a defined contribution plan.*

Lay Employees' Profiles[15]

In addition to these overall images of the lay employees of The Episcopal Church, the survey provided significant information regarding the employees who self-identified as belonging to one of the employment classifications shown on page 7.

The dispersion of the responding lay employees among these employment classifications is depicted by the following graph:



Descriptive profiles of the responding employees in the various employment classifications, together with graphs displaying the hours worked and the tenure for each classification, follow.

[15] *Compensation data included in the Lay Employee Profiles is drawn from the 2007 Lay Employees' Census. Census compensation data is considered to be more accurate than survey compensation data given the number of lay employees included in the census and the wide dispersion of the census data. All other information in the Lay Employee Profiles is drawn from The Gallup Organization's Lay Employees Survey.*

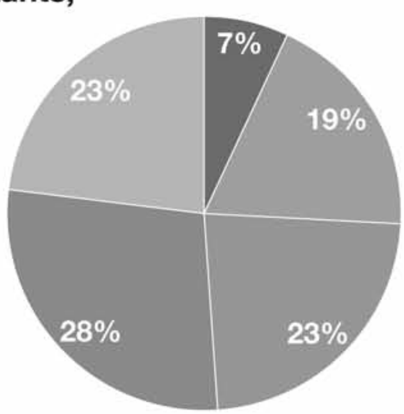
Profile of Administrative Assistants, Secretarial, and Clerical Employees

Administrative assistants, church secretaries, and other clerical employees account for 33% of the lay employee workforce. The vast majority (93%) are female with a median age of 54 (11 years away from the normal retirement age of 65). The average administrative assistant, church secretary, or other clerical employee is reasonably long-serving, with approximately half having worked for their employer for five years or more. 74% work 20 or more hours per week. Compensation averages approximately $43,300 for administrative assistants, church secretaries, or other clerical employees who work 30 or more hours per week and $16,900 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $8,900. Survey responses indicate that approximately 72% of these lay employees who work 20 or more hours per week have employer-provided pension benefits. Of this number, approximately 57% indicated that their Episcopal Church employer-provided lay pension plan will be their only source of retirement income other than Social Security and personal savings.

> *"I have worked for our church for 13 years and received benefits for both medical and pension from my husband's job. My husband retired and then lost his pension when his firm went bankrupt. Now finances are far more important. I just received a raise to $20,000. I personally pay for my medical coverage through the church every month. My take home pay covers the medical insurance and leaves approximately $300 per month, some of which is needed for prescriptions. I receive no pension at all."*

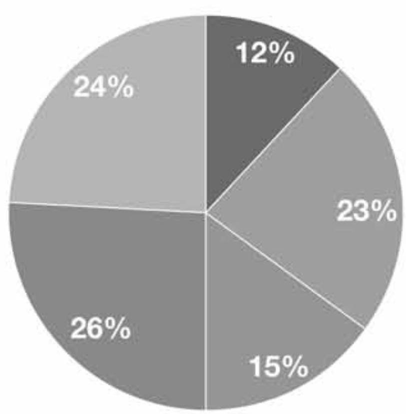
Hours Worked by Administrative Assistants, Secretarial, and Clerical Employees, in The Episcopal Church

- 1 – 9 Hours **7%**
- 10 – 19 Hours **19%**
- 20 – 29 Hours **23%**
- 30 – 39 Hours **28%**
- 40 Hours or More **23%**



Tenure of Administrative Assistants, Secretarial, and Clerical Employees, in The Episcopal Church

- Less Than 1 Year **12%**
- 1 to Less Than 3 Years **23%**
- 3 to Less Than 5 Years **15%**
- 5 to Less Than 10 Years **26%**
- 10 Years or More **24%**



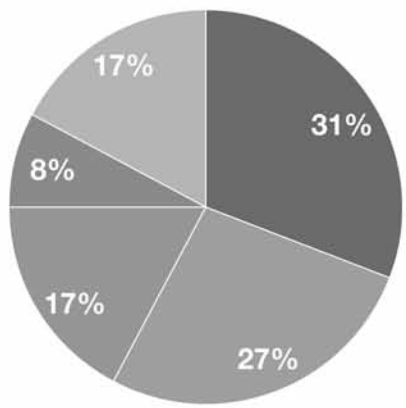
Profile of the Church Musician

This predominantly male group (57%) accounts for approximately 18% of all lay employees. The median age for all church musicians is 55 (10 years away from the normal retirement age). Unlike the clerical employees described above, the majority (59%) work fewer than 20 hours per week. They are on average the longest-serving of the lay employees, with approximately 65% reporting that they have worked for their current employer for 5 years or more. Indeed, many of these individuals have served the Church throughout their entire working career. Compensation averages approximately $60,000 for church musicians who work 30 or more hours per week and $26,000 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $10,100. 71% of those working 20 or more hours per week report that they participate in an employer-provided pension plan and, as with the clerical lay employees, 56% indicate that their Episcopal Church employer-provided lay pension plan will be their only source of retirement income other than Social Security and personal savings.

> *"It would be a great incentive to continue serving as a church musician if there were benefits, especially retirement benefits. Having served in this capacity for 40 years with a Masters in Sacred Music, there have been no benefits."*

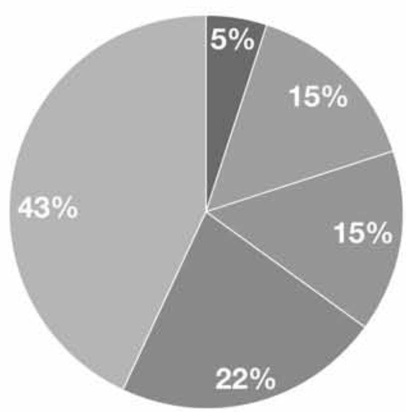
Hours Worked by Church Musicians in The Episcopal Church

- 1 – 9 Hours **31%**
- 10 – 19 Hours **27%**
- 20 – 29 Hours **17%**
- 30 – 39 Hours **8%**
- 40 Hours or More **17%**



Tenure of Church Musicians in The Episcopal Church

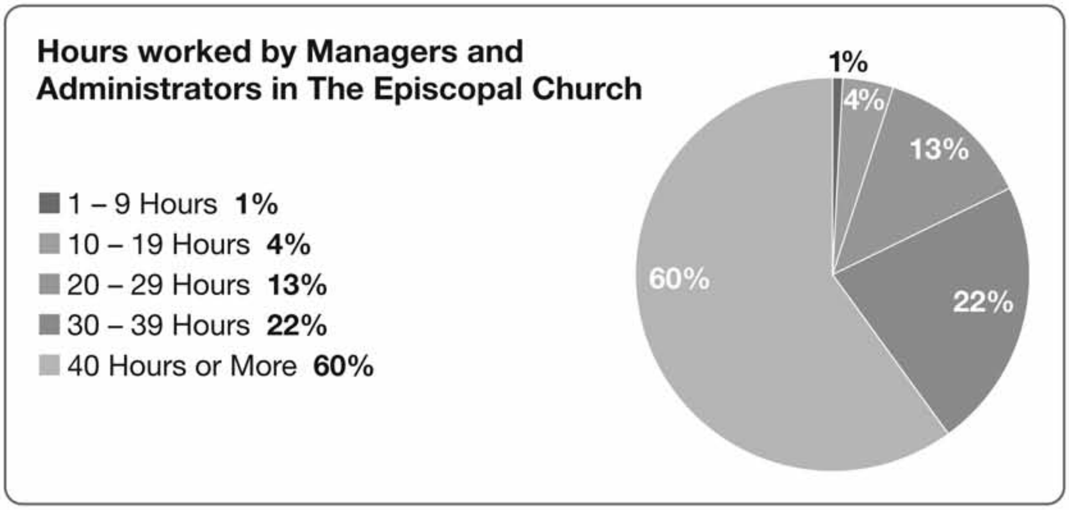
- Less Than 1 Year **5%**
- 1 to Less Than 3 Years **15%**
- 3 to Less Than 5 Years **15%**
- 5 to Less Than 10 Years **22%**
- 10 Years or More **43%**

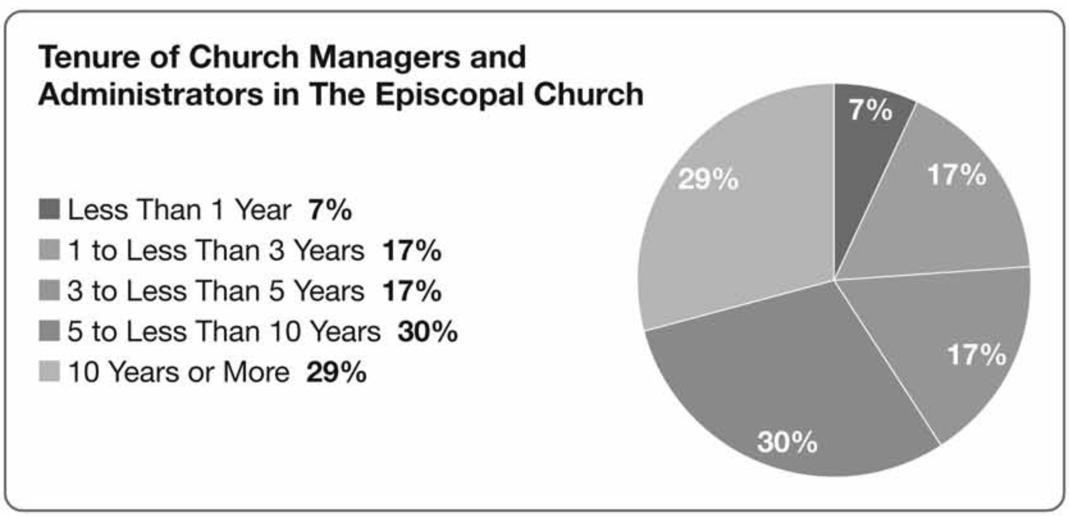


Profile of the Manager/Administrator

This group, which includes the Parish Administrator and the Business Manager, accounts for approximately 17% of all lay employees. As with the Church's clerical employees, this group is predominately female (75%) with a median age of 53 (12 years away from the normal retirement age). 95% of the managers/administrators report that they work 20 or more hours per week. As with the church musicians profiled above, they, too, are long-serving, with approximately 59% reporting that they have worked for their current employer for 5 years or more. Compensation averages approximately $48,500 for managers/administrators who work 30 or more hours per week and $22,300 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $10,000. 72% of those working 20 or more hours per week report that they participate in an employer-provided pension plan. However, unlike the lay employees profiled above, less than half indicate that their Episcopal Church employer-provided lay pension plan will be their only source of retirement benefits.

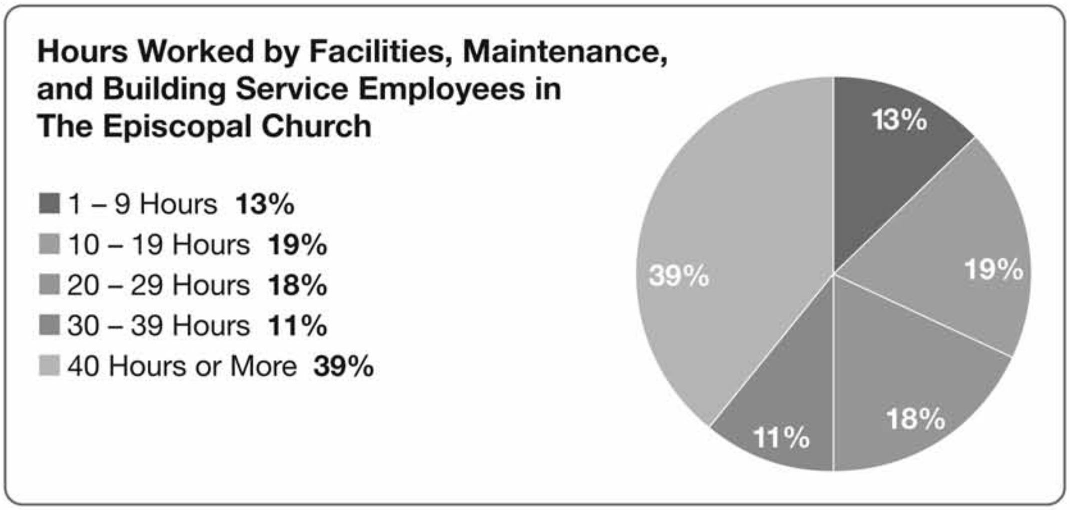
> *"I love working for The Episcopal Church. I wish there were some sort of retirement plan offered by the Diocese. I feel well taken care of, I do have medical insurance, but the future is uncertain."*

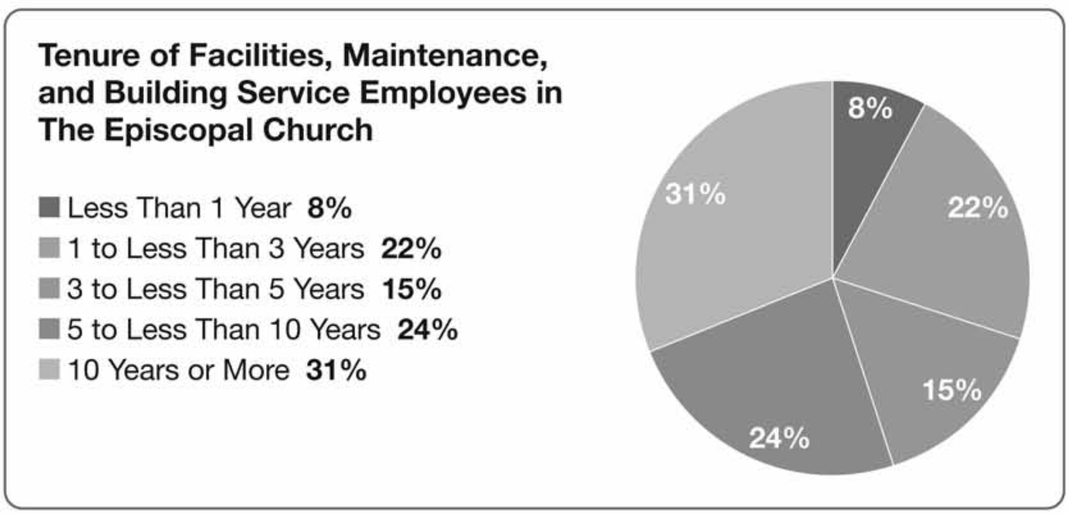




Profile of Facilities, Maintenance, and Building Service Employees

This predominantly male group (76%) accounts for approximately 8% of all lay employees. The median age for all facilities, maintenance, and building service employees is 54 (11 years away from the normal retirement age). Approximately 68% work more than 20 hours per week. They, too, are long-serving, with over 55% reporting that they have worked for their current employer for 5 years or more. Compensation averages approximately $36,900 for facilities, maintenance, and building service employees who work 30 or more hours per week and $12,300 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $8,000. 73% of those working 20 or more hours per week report that they participate in an employer-provided pension plan and as with the other lay employees of The Episcopal Church, the majority (66%) indicate that their Episcopal Church lay pension plan will be their only source of retirement income other than Social Security and personal savings.



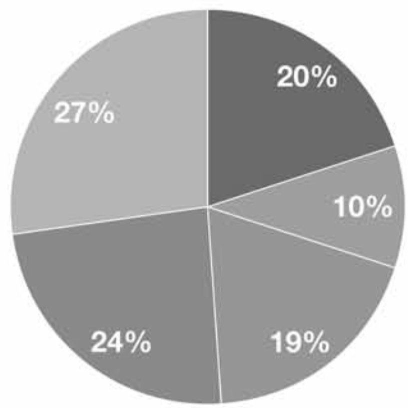


Profile of Preschool, Daycare, and Parish School Employees

This predominantly female group (97%) accounts for approximately 7% of all lay employees. The median age for all preschool, daycare, and parish school employees is 46 (19 years away from the normal retirement age). Approximately 70% work more than 20 hours per week. Like many of the other lay employees working for The Episcopal Church, preschool, daycare, and parish school employees are long-serving, with over 56% reporting that they have worked for their current employer for 5 years or more. Compensation averages approximately $40,100 for preschool, daycare, and parish school employees who work 30 or more hours per week and $13,200 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $8,100. 58% of those working 20 or more hours per week report that they participate in an employer-provided pension plan, and the vast majority (72%) indicates that their Episcopal Church employer-provided lay pension plan will be their only source of retirement income other than Social Security and personal savings.

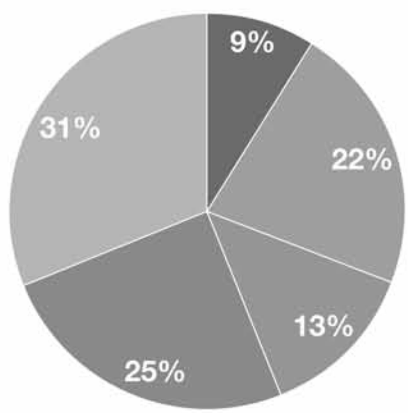
Hours Worked by Preschool, Daycare, and Parish School Employees in The Episcopal Church

- 1 – 9 Hours **20%**
- 10 – 19 Hours **10%**
- 20 – 29 Hours **19%**
- 30 – 39 Hours **24%**
- 40 Hours or More **27%**



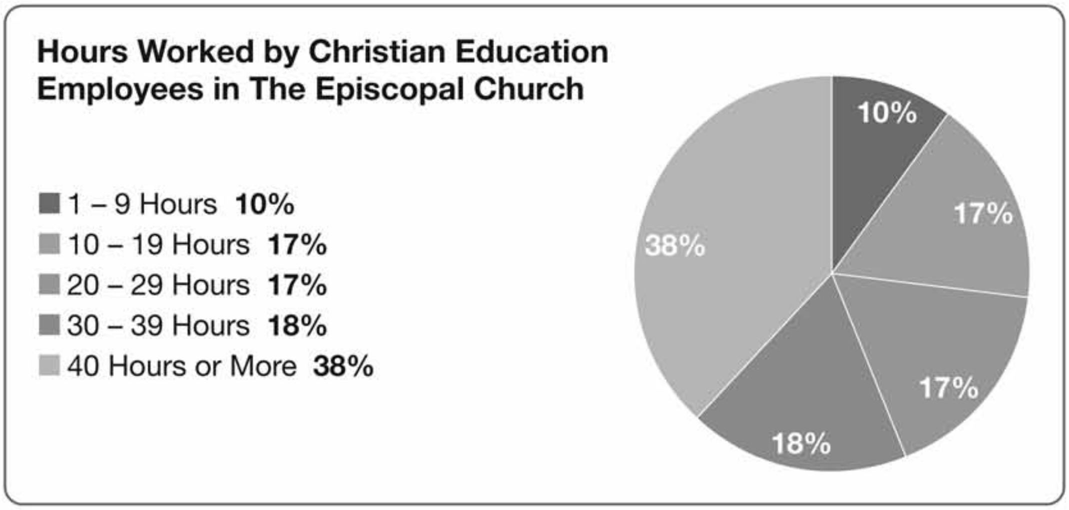
Tenure of Preschool, Daycare, and Parish School Employees in The Episcopal Church

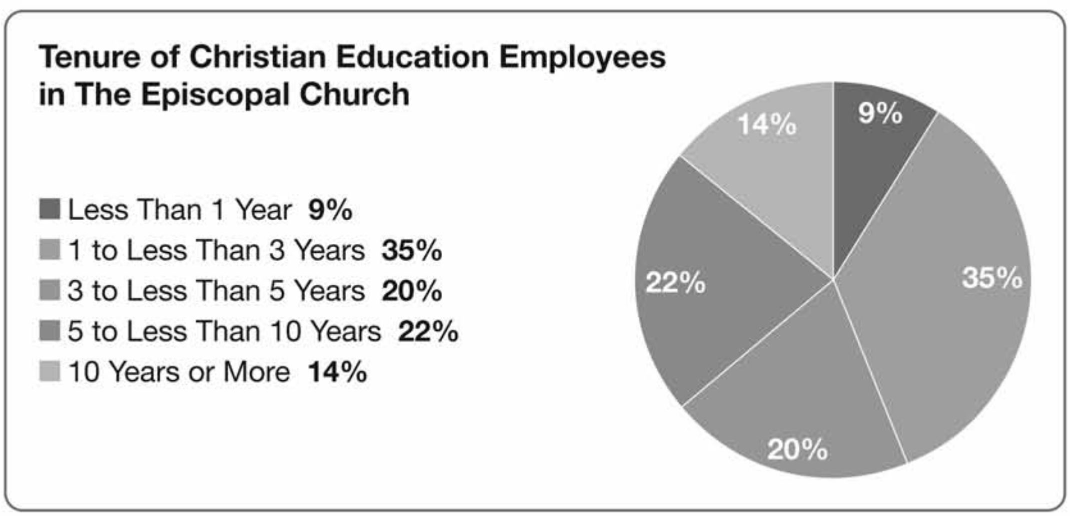
- Less Than 1 Year **9%**
- 1 to Less Than 3 Years **22%**
- 3 to Less Than 5 Years **13%**
- 5 to Less Than 10 Years **25%**
- 10 Years or More **31%**



Profile of Christian Education Employees

This predominantly female group (88%) accounts for approximately 7% of all lay employees. The median age for all Christian education employees is 45 (20 years away from the normal retirement age). Approximately 73% work more than 20 hours per week. Unlike lay employees in the other employment classifications, only 36% report that they have worked for their current employer for 5 years or more. Compensation averages approximately $47,100 for Christian education employees who work 30 or more hours per week and $20,300 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $8,900. 76% of those working 20 or more hours per week report that they participate in an employer-provided pension plan. Again, the majority (58%) indicates that their Episcopal Church employer-provided lay pension plan will be their only source of retirement income other than Social Security and personal savings.



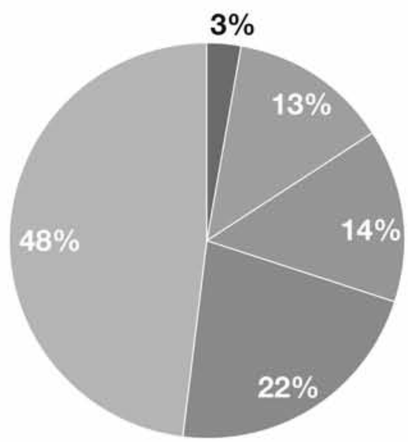


Profile of the Social Outreach Employees

This predominantly female group (74%) accounts for only 1% of all lay employees. The median age for all social outreach employees is 46 (19 years away from the normal retirement age). Approximately 84% work more than 20 hours per week. Only one in four (27)% of the social outreach employees report that they have worked for their current employer for 5 years or more. Compensation averages approximately $50,100 for social outreach employees who work 30 or more hours per week and $21,900 for those who work between 20 and 29 hours per week. Compensation for those working less than 20 hours per week averages $10,400. Like their Christian education counterparts, approximately 76% of those working 20 or more hours per week report that they participate in an employer-provided pension plan. Approximately half (52%) of the social outreach employees indicate that their Episcopal Church employer-provided lay pension plan will be their only source of retirement income other than Social Security and personal savings.

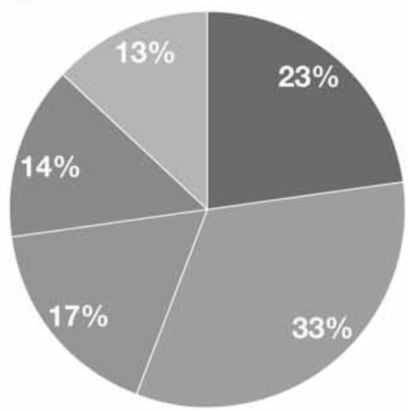
Hours Worked by the Social Outreach Employees in The Episcopal Church

- 1 – 9 Hours **3%**
- 10 – 19 Hours **13%**
- 20 – 29 Hours **14%**
- 30 – 39 Hours **22%**
- 40 Hours or More **48%**



Tenure of the Social Outreach Employees in The Episcopal Church

- Less Than 1 Year **23%**
- 1 to Less Than 3 Years **33%**
- 3 to Less Than 5 Years **17%**
- 5 to Less Than 10 Years **14%**
- 10 Years or More **13%**



The Current Cadre of Lay Employees Serving in the Non-domestic Dioceses

The following table presents a summary of the government-sponsored retirement plans in each of the non-domestic dioceses, along with census data for each diocese:

Diocese	Number of Lay Employees[16]	2007 Per Capita Income[17]	Government Sponsored Retirement Benefits
Colombia	6	$8,900	The Colombian government sponsors a defined benefit social security plan. However, in lieu of participating in the government's plan, employees can elect to participate in an "individual account plan." All employees must participate in one or the other for a minimum of 1,150 weeks (approximately 22 years) to receive a benefit. Benefits range from 65% to 75% of final average earnings. The minimum annual benefit for 2008 is $2,400 and the maximum is $4,800. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse.
The Dominican Republic	3	$10,200	The government of the Dominican Republic sponsors a mandatory individual account system that operates like a defined contribution plan. The current contribution rate is 7.88% for employers and 1.12% for employees. Employees must have participated for at least 25 years to be eligible for benefits. Benefits are annuitized based on the employee's account balance at retirement and are adjusted for inflation. The minimum benefit payable is 100% of the lowest legal minimum wage. There is no maximum benefit. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse.

(Table continues on next page)

[16] *Data presented is for those diocesan employees working 20 or more hours per week. Each of the reporting dioceses also has a small cadre of employees who are working less than 20 hours per week. With the exception of Puerto Rico and the U.S. Virgin Islands, the compensation for the lay employees working 20 or more hours per week generally ranges between $2,000 and $2,800 annually. It should be noted that in many of the countries comprising the non-domestic dioceses, a great number of individuals live at the subsistence level and earn less than the country's minimum wage. In the Dominican Republic, for example, 14% of the general population earns less than $1.00 (U.S.) per day. Large numbers of indigenous people live in Venezuela, Colombia, Ecuador, and Honduras. The per capita income values reflecting average compensation are often significantly higher than the median compensation due to the fact that there are many extremely poor individuals living in these countries and a few very wealthy individuals.*

[17] *Source: The International Monetary Fund, World Economic Outlook Database, October, 2007*

Diocese	Number of Lay Employees	2007 Per Capita Income	Government Sponsored Retirement Benefits
Ecuador Central	7	$5,900	The government of Ecuador sponsors a defined benefit old age pension plan. Employees must participate for a minimum of 10 years to receive a benefit. Benefits range from 50% to 100% of the employee's average earnings for the highest 5 years depending on the number of years the employee has participated in the plan. The minimum benefit is equal to the minimum wage and the maximum benefit is $810 per month. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse of a non-retired employee.
Ecuador Litoral	4		
Haiti	4	$1,900	The government of Haiti sponsors a defined benefit old age pension plan. Employees must participate for a minimum of 20 years to receive a benefit. The formulaic benefit is based on 1/3 of the employee's average earnings during the 10 years prior to retirement. However, the National Office of Old Age Insurance can arbitrarily amend the computed benefit. There is no minimum or maximum benefit. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse.
Honduras	6	$3,400	The government of Honduras sponsors a defined benefit old age pension plan. Employees must participate for a minimum of 15 years to receive a benefit. The formulaic benefit is based on 40% of the employee's monthly earnings plus 1% for each 12 months of participation in excess of 60 months. The minimum benefit is 50% of earnings and the maximum benefit is 80% of earnings. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse of an employee if the spouse is age 65 or older.
Puerto Rico	10	$26,400	The social security system in Puerto Rico is based on the United States' Social Security Act. The monthly old age social security pension is on average 2/3 of that payable on the U.S. mainland. Spouses of retirees who do not have a separate work record will receive 50% of the retiree's pension while the retiree is living. Surviving spouse benefits parallel those of surviving spouses in the U.S.
Taiwan	5	$29,800	Taiwan's social security system is a defined benefit plan. However, benefits are paid in a lump sum at retirement. The payment amount is equal to one month's earnings for each of the first 15 years of participation plus two month's earnings for each succeeding year of participation up to a maximum of 45 month's earnings. The maximum monthly earnings for benefit purposes is $1,400. There is no minimum. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse of a non-retired employee.

Diocese	Number of Lay Employees	2007 Per Capita Income	Government Sponsored Retirement Benefits
The United States Virgin Islands	2	$31,000	The social security system in the U.S. Virgin Islands is based on the United States' Social Security Act. The monthly benefit is based on a formula that parallels the formula for the U.S. mainland. The maximum benefit is age dependent. In 2007, the maximum benefit was $116 per month for an employee retiring at age 65 and 10 months. There is no minimum benefit. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a surviving spouse of a non-retired employee.
Venezuela	4	$8,100	The government of Venezuela operates a defined benefit pension plan. Pension contributions must have been made for at least 15 years to receive a benefit. The benefit will equal a base of $240 monthly plus 30% of the employee's average monthly earnings during the highest 5 of the last 10 years of employment. The 30% factor increases by 1% for each 50 weeks of contributions above 15 years. The maximum monthly benefit is $1,200 and the minimum monthly benefit is 40% of earnings. There is no automatic benefit for a retiree's non-working spouse; however, there is a benefit paid to a widow age 45 or a widower age 60 or older. The benefit is equal to 40% of the retiree's benefit or 40% of the projected retirement benefit if the decedent was not yet retired. A widow under age 45 receives a lump sum payment equal to 2 years of the decedent's projected retirement benefit.

All of the lay employees represented by the census data shown above are part of a diocesan staff. Totals do not include "lay missioners," who, while employed by the diocese, serve in congregations, and are often on ordination tracks. (While there are lay volunteers who provide significant services for the congregations in each diocese, they generally do not receive compensation for their work.) Some of the congregations in the non-domestic dioceses report having part-time lay employees who work less than 20 hours per week. These employees are not included in the above analysis. In addition to the lay employees who are part of the diocesan staff, several of the dioceses (Puerto Rico in particular) operate hospitals and "free-standing" schools who employ thousands of lay employees. For consistency, these employees are not included with those shown above since employees in hospitals, "free-standing" schools, and other institutions were not included in the data presented for the domestic dioceses of The Episcopal Church.

While it would be difficult, if not impossible, to structure a single defined contribution pension plan covering lay employees in the non-domestic dioceses owing to the diverse tax regulations and other local laws, pension benefits for these employees might be provided through one or a series of defined benefit pension plans. However, creating a single defined benefit pension 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.

Pension Benefits Provided Employees of Other Denominations and Other Not-for-Profit Organizations

While it is true that none of the other major Christian denominations have mandated pension benefits for their lay employees (and in this regard, The Episcopal Church has demonstrated leadership within the faith-based community in much the same way that it did when the Church Pension Fund was established in 1917 for Episcopal clergy), the Presbyterian Church (USA) and the Lutheran Church - Missouri Synod have come close.

The Benefit Plan of the Presbyterian Church (USA) allows an employing organization to enroll eligible employees in either the Traditional Program, the Traditional Program - Limited Participation, or the Affiliated Benefits Program of the plan. While an employing organization that elects to participate in one of these programs must enroll all of the eligible employees within a given employment classification, the employing organization is not required to enroll all of the employees in all employment classifications. Further, the employing organization could enroll all employees in one employment classification in one form of the program and all employees in a different employment classification in a different form of the program, or not at all.

The Traditional Program provides pension, survivor's pension, death, disability, and medical benefits. The Traditional Program - Limited Participation provides medical, death, and disability benefits during a participating employee's first three years of participation after which the coverage is expanded to include pension and survivor's pension benefits. Under the Affiliated Benefits Program, the employing organization can elect to provide either medical benefits or medical, death, and disability benefits.

The amount of each participant's pension and/or survivor's pension benefit is computed based on a formula that takes into account the number of "pension credits" a participant has earned. A pension credit is equal to 1¼% times the greater of:

a. the participant's pension participation basis (the participant's "effective salary"), or

b. the annual employment classification median (the annual church-wide median "effective salary" for a given employment classification)

In addition, if favorable investment performance and actuarial experience permit, the governing board of *The Benefit Plan of the Presbyterian Church (USA)* may elect to award "experience apportionments." When awarded, "experience apportionments" have the effect of increasing the pension credits of participants who have not yet retired and the pension benefits of those whose benefit payments have commenced. The board of *The Benefit Plan of the Presbyterian Church (USA)* has seen fit to award "experience apportionments" in 17 of the past 20 years that have ranged from a high of 11% to a low of 2%.

This defined benefit arrangement is funded through the payment of "dues" that are equivalent in nature to the assessments paid on behalf of participants in The Episcopal Church Lay Employees' Retirement Plan.

Participation in *The Concordia Retirement Plan* of the Lutheran Church - Missouri Synod is open to any Lutheran Church - Missouri Synod employer. An employer can choose to provide pension benefits through The Concordia Retirement Plan, through a secular plan, or not at all. However, if a Lutheran Church - Missouri Synod employer elects to participate in *The Concordia Retirement Plan*, then all employees working for that employer who are scheduled to work more than 20 hours per week for a minimum of five months each year must be enrolled regardless of ordination status or employment classification.

Pension benefits are computed using a defined benefit formula that takes into account a participant's "creditable service" (the total number of months and years for which "contributions" have been paid by the participating employer) and the participant's "final average monthly compensation" (the highest 60 consecutive months' compensation out of the last 240 months of employment prior to retirement). In addition, the formula employs the Social Security Integration Level — an amount used by the Social Security Administration to provide a higher benefit as a percentage of compensation for employees at lower levels of compensation.

In addition to the formulaic pension benefit provided by *The Concordia Retirement Plan*, each participant accrues credits in a cash balance account called the Supplemental Retirement Account. As the summary plan description states:

> Despite what its name implies, no monies are actually stored up in [a participant's] name like a bank account...Instead, as a part of the defined benefit of *The Concordia Retirement Plan*, the Worker Benefit Plan keeps track of [the participant's] balance amount so that at retirement, that balance amount is converted into actual dollars.

Each participant's Supplemental Retirement Account accrues credits of two sorts: interest credits and compensation credits. At the end of each year, each Supplemental Retirement Account receives an interest credit equal to the account balance at the end of the prior year multiplied by the 5-year U.S. Treasury bond rate as of September of the prior year. Compensation credits are likewise computed at the end of each year by multiplying the participant's annual compensation by 1.5%.

At the time of retirement, the participant can elect either to convert the Supplemental Retirement Account to an annuity or to receive the balance in a lump sum. Interest credits will continue to accrue if a participant elects to defer receipt of the "balance" in his or her Supplemental Retirement Account, but no further compensation credits will be added to the account.

Like *The Benefit Plan of the Presbyterian Church (USA)*, *The Concordia Retirement Plan* provides survivor pension, death, and disability benefits to participants. However, the participant must be vested in *The Concordia Retirement Plan* (a minimum of 5 years "creditable service") for the named survivor to receive a survivor's pension benefit or any payment from the participant's Supplemental Retirement Account.

Neither the Southern Baptists nor the United Methodists have church-wide policies covering pension benefits for their lay employees. The Southern Baptists allow each congregation to determine whether or not pension (and other) benefits will be provided for its lay employees. Employees of the General Agencies of the United Methodist Church working 20 or more hours per week are eligible to participate in the Retirement Security Program for General Agencies. However, there is no mandate. Those participating will receive pension benefits through a combination of a formulaic defined benefit coupled with a defined contribution account that can either be paid in a lump sum or annuitized. As with the Southern Baptists, each congregation determines whether or not pension (and other) benefits will be provided for its lay employees.

The following table presents a comparison of the employer contribution rates for various denominationally-sponsored defined contribution and defined benefit plans.[18]

Plan Sponsor	**Type of Plan** (Defined Benefit or Defined Contribution)	**Employer Contribution as a Percent of Pay**
The Church of Christ	Defined Contribution	14.0%
The American Baptist Church	Defined Contribution	13.0%
The Presbyterian Church (USA)	Defined Benefit	11.0%[19]
The Southern Baptist Convention	Defined Contribution	10.0%
The Evangelical Lutheran Church in America	Defined Contribution	10.0%
The Evangelical Covenant Church	Defined Contribution	5.0%
The Lutheran Church - Missouri Synod	Defined Benefit	4.5%
The United Methodist Church	Defined Contribution	4.0%[20]

[18] *Participation in these plans is optional. No mandated denomination-wide retirement plan exists for the lay employees of these denominations.*

[19] *Participating employers in the Traditional Plan are required to contribute an additional 1% of compensation to cover the cost of providing the death and long term disability benefits that are coupled with that plan.*

[20] *The contribution amount shown is for the defined contribution account for each participant. In addition, each participant will receive pension benefits from the United Methodist Church's defined benefit plan. Funding for this plan comes through the United Methodist Church's several conferences. The amount is based on actuarially determined needs.*

The following is a summary of the pension benefits provided employees of several broad-based mission-driven not-for-profit organizations.

Organization	**Plan Type** (Defined Benefit or Defined Contribution)	Employer Contribution	Defined Benefit Formula	Other Benefits Provided by the Pension Plan[21]
American Association of Retired Persons (AARP)	Both defined benefit and defined contribution	Dollar-for-dollar match of the first 3% of employee's compensation; 50% match of the next 3% of employee's compensation; employee contributions are limited to 50% of compensation (pre-tax) or 50% of compensation (after tax) with a maximum of 50% of compensation	1.4% of final average earnings per year of service	If a participant is deemed permanently and totally disabled by the Social Security Administration, a benefit equal to the participant's accrued benefit at the onset of disability will commence immediately. In the event a participant dies before retirement, a surviving spouse's benefit will be paid which is equal to the benefit the participant would have received if s/he had retired before death and elected a 50% joint and survivor benefit.
American Cancer Society	Defined benefit plan	N/A	2.0% of final average earnings per year of service minus 0.37% times the lesser of final average earnings or covered compensation per year of service	In the event a participant dies before retirement, a survivor's benefit will be paid which is equal to the benefit the participant would have received if s/he had retired before death and elected a 100% joint and survivor benefit with a 10-year certain provision.
American Diabetes Association	Both defined benefit and defined contribution	Dollar-for-dollar match of up to 1% of employee's compensation for each 3 years of eligible service to a maximum of 3% of compensation	A cash balance plan. The employer contributes 5.6% of compensation per year of service plus 5.4% of compensation in excess of the Social Security Wage Base per year of service	None noted

[21] *Other benefits include death and disability benefits provided through the organization's pension plan. Medical benefits are generally provided through a separate plan and are not included in this analysis.*

Organization	**Plan Type** (Defined Benefit or Defined Contribution)	**Employer Contribution**	**Defined Benefit Formula**	**Other Benefits Provided by the Pension Plan**
American Heart Association	Defined contribution plan	6% of employee's compensation plus dollar-for-dollar match of up to 4% of employee's compensation	N/A	The account balance can be withdrawn in whole or in part if the participant becomes disabled or dies.
The Easter Seals Society	Defined benefit plan	N/A	1.7% of final average earnings up to $15,000 per year of service plus 1.95% of final average earnings in excess of $15,000 per year of service	In the event a participant dies before retirement, a surviving spouse's benefit will be paid which is equal to the benefit the participant would have received if s/he had retired before death and elected a 50% joint and survivor benefit.
The Knights of Columbus	Both defined benefit and defined contribution	Dollar-for-dollar match of up to 3% of employee's compensation; employee contributions are limited to 25% of compensation (pre-tax) plus 10% of compensation (after tax) for a maximum of 35% of compensation	1.5% of final average earnings up to $4,800 per year of service plus 2.0% of final average earnings in excess of $4,800 per year of service	In the event a participant dies before retirement, a surviving spouse's benefit will be paid which is equal to the benefit the participant would have received if s/he had retired before death and elected a 50% joint and survivor benefit.
The Young Men's Christian Association (YMCA)[22]	Defined contribution	Participating employers can choose to have 8%, 10% or 12% of the employee's annual salary contributed to the employee's account.	N/A	Participants do not make individual asset allocation decisions. The YMCA Retirement Fund does the investing and credits interest to the participants' accounts. Earnings may vary from year to year. Participants are guaranteed a minimum 3% annual return.[23]

[22] *The YMCA was selected as the 2008 Nonprofit Plan Sponsor of the Year by Plansponsor Magazine.*

[23] *Participants in the YMCA defined contribution plan received a 12% interest credit in both 2006 and 2007.*

Pension Benefits Provided Episcopal Church Lay Employees Through Sources Other Than The Church Pension Group

Currently, employees in 80 of the 100 domestic dioceses participate in one of the Church Pension Fund-sponsored lay pension plans. Likewise, employees in approximately 500 of the 750 program- and resource-sized congregations participate in one of the Church Pension Fund-sponsored lay pension plans. In an effort to develop a complete picture of the pension plans that are being offered to the lay employees of The Episcopal Church, the Church Pension Group requested copies of the plan documents and/or summary plan descriptions from those dioceses and program- and resource-sized congregations that are not participating in a Church Pension Fund-sponsored lay pension plan.

A review of the documents submitted yields the following conclusions:

- Only two of the dioceses and none of the congregations who supplied a plan document or summary plan description offer a defined benefit plan.
- The funding contribution rates for the dioceses offering defined benefit plans are actuarially determined so that the benefits contemplated by the plans are fully funded, but not over-funded.
- All of the dioceses and a significant majority of the congregations reporting contribute an amount equal to or in excess of the 5% employer base contribution mandated by Resolution D165a to their employees' defined contribution accounts.
- Employer base contributions ranged from a high of 16% to a low of 4.5% of a participating employee's compensation.
- Employer matching contributions were generally a dollar-for-dollar match on up to 4% of the employee's compensation. However, those employers who contributed 9% or more in the form of a base contribution generally did not provide a matching contribution.
- The minimum age required for plan participation ranged from a low of 18 to a high of 25, with the majority of the dioceses and congregations reporting a minimum age for eligibility that is compliant with Resolution D165a (age 21).
- Length of service required for participation in the lay pension plans being offered by the reporting dioceses and congregations ranged from 3 years of employment to immediate participation. The most common length of service requirement coincided with the one year of employment requirement stipulated by Resolution D165a.
- Several of the defined contribution plans allow employees to begin contributing to their defined contribution accounts immediately, with employer base and matching contributions commencing after one year of service.
- The majority of the plans comply with the requirement of Resolution D165a that lay employees who work 1,000 or more hours annually be provided pension benefits.
- Employees are immediately vested in their employer base and matching contributions in the majority of the defined contribution plans.
- There was significant variation in the number of investment alternatives offered employees participating in a defined contribution plan. The number of offerings ranged from a single group annuity contract to all of the funds offered by the plan's record keeper (a mutual fund company).

Significant Features of The Episcopal Church Lay Employees' Retirement Plan

The Episcopal Church Lay Employees Retirement Plan (a defined benefit plan) was first established in 1980. The Church Pension Fund is the Plan Sponsor. The Plan currently serves 1,442 active lay employees working for 524 participating employers. Benefits are currently being paid to 1,182 retirees or their beneficiaries. The average monthly benefit is approximately $323.

The Plan is funded through an employer-paid 9% assessment of a participating employee's gross compensation. Plan assets totaled $126,776,498 as of December 31, 2007 while the present value of the vested accumulated benefits totaled $76,997,503. The Plan's additional reserves on the same date were $49,798,995.[24] The Plan assets are pooled for investment purposes with the assets of The Church Pension Fund Clergy Pension Plan. This pooling of assets for investment purposes allows for a broader diversification of investments than would otherwise be possible. Notwithstanding this, for accounting purposes, the Plan assets are held in a separate trust at the Northern Trust Company of Chicago.

In compliance with General Convention Resolution D165a, an employee working 1,000 hours or more per year may commence participation in the Plan after attaining age 21 and satisfying an employer-determined service requirement, not to exceed one year.

The benefits provided by and other significant features of the Plan are summarized in Attachment C.

Significant Features of The Episcopal Church Lay Employees' Defined Contribution Retirement Plan

The Episcopal Church Lay Employees Defined Contribution Retirement Plan was first established in 1991. The Church Pension Fund is the Plan Sponsor. The plan currently serves 5,475 active lay employees working for 1,968 participating employers.

The Plan is funded through an employer-paid base contribution that is equal to 5% of a participating employee's gross compensation. Employers will match employee contributions on a dollar-for-dollar basis provided the employee contribution does not exceed 4% of the employee's gross compensation. Both employer and employee contributions are subject to the limitations imposed by the Internal Revenue Code of 1986, as amended (the Code).

Plan assets totaled $195,214,358 as of December 31, 2007.

In compliance with General Convention Resolution D165a, an employee working 1,000 hours or more per year may commence participation in the Plan after attaining age 21 and satisfying an employer-determined service requirement, not to exceed one year.

The benefits provided by and other significant features of the Plan are summarized in Attachment D.

Estimated Additional Cost to Provide Retirement Benefits to All Lay Employees

As previously stated, approximately 93% of diocesan lay employees who work 20 or more hours per week and who have been employed for over one year have employer-provided pension benefits, and approximately 70% of lay employees who work 20 or more hours per week in a congregational setting and who have been employed for over one year have employer-provided pension benefits. This begs the question, "What will it cost to provide pension benefits for the employees who meet the coverage criteria of General Convention Resolution D165a but who do not presently have these benefits?"

[24] *While not guaranteed by the Plan, the Church Pension Fund Trustees have granted annual cost-of-living increases to all retired Plan participants currently in pay status. The additional reserves may be used to fund any future cost of living increases approved by the Trustees.*

The following table displays the cost of providing pension benefits to the 30% of the lay employees working in congregational settings who do not have these benefits.[25] Costs are shown both per pledging unit in a congregation and as a percentage of the congregation's operating revenue:[26]

Parish Size	Mean Annual Cost per Pledging Unit	Median Annual Cost per Pledging Unit	Mean Cost as a Percentage of Operating Revenue	Median Cost as a Percentage of Operating Revenue
Family	$34.04	$20.15	1.02%	0.69%
Pastoral	$23.54	$17.65	0.79%	0.62%
Transitional	$18.80	$15.00	0.66%	0.58%
Program	$12.07	$ 9.90	0.40%	0.31%
Resource	$30.81	$32.14	0.03%	0.02%
All Parishes	$20.80	$15.25	0.60%	0.47%

Based on the data displayed above, the total cost of providing pension benefits for the employees who meet the coverage criteria of General Convention Resolution D165a and do not presently have these benefits is, on average, less than 1% of the employer's operating revenue in all but the smallest congregations, and even in these cases (assuming there are lay employees working 20 or more hours per week), the cost is only slightly above 1% of the operating revenue. Further, the average annual cost across the Church to provide lay pensions for those lay employees who work 1,000 or more hours annually and do not have employer-provided lay pension benefits is approximately $20.00 per pledging unit.

[25] *The cost to provide lay pension benefits to the 7% of diocesan employees who do not currently have them is minimal.*

[26] *Cost estimates are based on the compensation reported via the 2007 Lay Employee Census for those lay employees who do not currently have pension benefits. Estimates assume a 9% employer contribution rate. Therefore, this conservative estimate assumes that every lay employee will contribute at least 4% to his or her retirement account if the employer participates in a defined contribution plan. Estimated costs were allocated to each congregation that reported having lay employees who work 1,000 or more hours per year and that does not provide lay pension benefits. Cost per pledging unit and cost as a percentage of operating revenue were based on Parochial Report data for these congregations. Mean and median costs were then computed for congregations in each of the above categories.*

Conclusions

The following conclusions can be drawn from the information contained in this report:

- The Episcopal Church has a highly motivated group of lay employees with a strong sense of mission and service to the Church.
- There is a high level of anxiety about the future, particularly among those who rely most on the Church for retirement income. These include 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.
- Lay employee pension benefits are already provided to the employees in 80% of the domestic dioceses and to 67% of the employees working for the largest domestic congregations through one provider — the Church Pension Group.
- A review of the plan documents and the summary plan descriptions that were submitted by the dioceses and parishes who are not participating in a Church Pension Group lay pension plan did not reveal any significant features that are not already part of the Church Pension Group's lay pension plans.
- The lay pension plans sponsored by other providers by and large comply with the provisions of Resolution D165a of the 70th General Convention.
- Mandating lay employee pension benefits through the passage of a canon will allow The Episcopal Church to assume a leadership role among the other major Christian denominations in the United States.
- The estimated average annual cost to provide lay pension benefits for those lay employees who currently do not have these benefits ranges from $34.00 to $12.00 per pledging unit, depending on the size of the congregation. The average annual cost across the Church is approximately $20.00 per pledging unit.
- The average annual cost to provide lay pension benefits for those lay employees who currently do not have these benefits is less than 1.0% of the Church's operating revenue.
- Further study is needed on the unique contexts of non-domestic dioceses owing to the diverse tax regulations and local laws.

Attachment A

Resolution A125 of the 75th General Convention of the Episcopal Church

Resolved, the House of Bishops concurring, That the 75th General Convention of the Episcopal Church continue the Task Force to Study Employment Policies and Practices in the Episcopal Church during the coming triennium with the intention of offering a resolution to the 2009 General Convention that will address the issues of employment, striving to make the Episcopal Church a fair and just workplace, and be it further

Resolved, That the Convention authorize and request the Church Pension Group to conduct a survey of lay employees concentrating on employee demographics, the exercise of authority in the employment setting, and compensation and benefits. The Bishop or other ecclesiastical authority of each diocese shall be requested to supply relevant data for each employing unit in the diocese to the Church Pension Group. The findings of the survey and any recommendations for action, if appropriate, shall be reported to the 76th General Convention; and be it further

Resolved, That the Office of Ministry Development take the lead in determining the best way to conduct a feasibility study examining whether pension benefits for lay employees should be made compulsory and be administered by a single provider. The results of said study shall be reported, along with recommendations for action, if appropriate, to the 76th General Convention; and be it further

Resolved, That the attached statement of Workplace Values be commended to the Church as a worthy statement reflecting our values for work and worker in the Church; and be it further

Resolved, That the General Convention request the Joint Standing Committee on Program, Budget and Finance to consider a budget allocation of $15,000 for the implementation of this resolution.

THE GALLUP ORGANIZATION

LAY EMPLOYEE SURVEY

The Church Pension Group

Welcome to the Lay Employee Survey, an important data-gathering tool in the unprecedented research study into lay employees authorized by Resolution A125 of the 75th General Convention.

This survey asks questions about your experiences as a lay employee working in The Episcopal Church, including family status, household income, overall financial situation, working conditions, and more. Your answers will increase the knowledge and understanding of Episcopal lay employees. Data gathered from this survey will support the work of the Task Force on Employment Policies and Practices in the Episcopal Church, as well as support The Episcopal Church's Office for Ministry Development in its leadership role regarding the feasibility study on lay employee pension benefits described in Resolution A125.

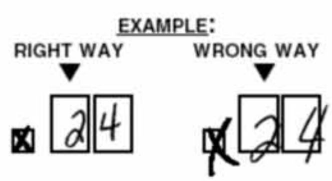
The survey is being administered by The Gallup Organization, who will collect and transmit the data to the Church Pension Group. Please be assured that both The Gallup Organization and the Church Pension Group will maintain the confidentiality of your individual responses.

Your decision to participate in this research, and any individual answers that you provide during this survey, will not be shared with your employer. All questions are optional.

If you need assistance completing this survey, please contact Gallup Client Support by sending an e-mail to surveyhelp@gallup.com or by calling 1-800-788-9987 from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Thursday, or 8:00 a.m. to 6:00 p.m. Eastern Time, on Fridays.

Survey Instructions

- Use only a blue or black ink pen that does not blot the paper
- Make solid marks inside the response boxes
- Do not make other marks on the survey



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S2. Are you currently a lay employee of the Episcopal Church or one of its affiliated organizations?

- ☐ Yes
- ☐ No ***Thank you for your participation. Please stop here and return this survey in the enclosed postage-paid envelope.***

S3. At this point in time, is this organization your only employer, or do you also work one or more additional jobs for pay outside of the church?

- ☐ This is my only job
- ☐ I work another job for pay outside of the church
- ☐ Don't know/Does Not Apply

1. How long have you been employed by this organization?

- ☐ Less than 1 year
- ☐ 1 to less than 3 years
- ☐ 3 to less than 5 years
- ☐ 5 to less than 10 years
- ☐ 10 years or more
- ☐ Don't Know/Does Not Apply

2. Which of the following best describes the work that you currently do for this organization?

- ☐ Secretarial/Clerical/Administrative Assistant
- ☐ Facilities/Maintenance/Building Services
- ☐ Manager/Administrator
- ☐ Christian Education
- ☐ Preschool/Daycare/Parish School
- ☐ Church Music
- ☐ Social Outreach
- ☐ Other
- ☐ Don't Know/Does Not Apply

3. Is this a Full-Time or Part-Time position?

- ☐ Full-Time
- ☐ Part-Time
- ☐ Don't Know/Does Not Apply

3a. How many hours do you typically work at this job each week?

- ☐ 1-9 hrs/wk
- ☐ 10-19 hrs/wk
- ☐ 20-29 hrs/wk
- ☐ 30-39 hrs/wk
- ☐ 40 or more hrs/wk
- ☐ Don't Know/Does Not Apply

3b. Do you have a written job description?

- ☐ Yes → ***Continue***
- ☐ No → ***Skip to Q3d***
- ☐ Don't Know/Does Not Apply → ***Skip to Q3d***

3c. Is your job description up-to-date?

- ☐ Yes
- ☐ No
- ☐ Don't Know/Does Not Apply

3d. Are there clear expectations about your role and responsibilities in the organization?

- ☐ Yes, my job expectations and responsibilities are clear.
- ☐ My job expectations and responsibilities are clear most of the time.
- ☐ I am often uncertain as to the expectations and responsibilities that come with this job.
- ☐ No, my job expectations and responsibilities are not clear.
- ☐ Don't Know/Does Not Apply

4. Are you entitled to be paid overtime if you work beyond your regular hours?

- ☐ Yes. I am a non-exempt employee, and I <u>am</u> entitled to overtime pay.
- ☐ No. I am an exempt employee, and I am <u>not</u> entitled to overtime pay.
- ☐ I am not sure if I am entitled to overtime pay.

4a. If you have worked more than your regular hours, did you receive overtime pay?

- ☐ Yes. I have worked more than my regular hours, and I <u>did</u> receive overtime pay.
- ☐ No. I have worked more than my regular hours, but I did <u>not</u> receive overtime pay.
- ☐ I have not worked more than my regular hours.

5. Since you began working for this organization, have your compensated hours increased, decreased, or remained the same?

- ☐ Increased
- ☐ Decreased
- ☐ Remained the same → ***Skip to Q7***

6. **<u>If your hours have changed</u>**, who suggested the change in your hours?

- ☐ I did.
- ☐ My employer did.
- ☐ It was mutually agreed upon.
- ☐ Don't Know

7. Given the opportunity, would you prefer to be employed for <u>more</u> hours or <u>fewer</u> hours, or are you happy with the hours that you currently work?

- ☐ More hours
- ☐ Fewer hours
- ☐ Happy with the hours I currently work
- ☐ Don't Know

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	Not at all flexible				Extremely flexible	Don't Know/ Does Not Apply
8. How much flexibility does this job give you in terms of time and work schedules so that you can meet other commitments, such as family or personal obligations?...........	☐	☐	☐	☐	☐	☐

	Not at all important				Extremely important	Don't Know/ Does Not Apply
9. How important is it that your job has time flexibility so that you can fulfill other commitments?	☐	☐	☐	☐	☐	☐

Think back now to the factors that first influenced your decision to work for this organization.

	Not at all important				Extremely important	Don't Know/ Does Not Apply
10. How important was the mission and purpose of this organization in your decision	☐	☐	☐	☐	☐	☐
11. How important was it that this organization was a part of the Episcopal Church	☐	☐	☐	☐	☐	☐

Please rate your level of agreement with each of the following statements as it applies to your work with this organization.

	Strongly disagree				Strongly agree	Don't Know/ Does Not Apply
12A. My supervisor, or someone at work, seems to care about me as a person	☐	☐	☐	☐	☐	☐
12B. This last year, I have had opportunities at work to learn and grow	☐	☐	☐	☐	☐	☐
12C. At work, I have the opportunity to do what I do best every day	☐	☐	☐	☐	☐	☐
12D. There is someone at work who encourages my development	☐	☐	☐	☐	☐	☐
12E. The mission or purpose of my organization makes me feel my job is important ..	☐	☐	☐	☐	☐	☐
12F. I know what is expected of me at work	☐	☐	☐	☐	☐	☐
12G. At work, my opinions seem to count	☐	☐	☐	☐	☐	☐
12H. The sense of satisfaction that I get from performing my job well is far more important to me than the financial benefits I receive..	☐	☐	☐	☐	☐	☐
12I. This is the perfect job for someone like me...	☐	☐	☐	☐	☐	☐
12J. My job allows me to use my strengths every day	☐	☐	☐	☐	☐	☐

13. Have you received a performance evaluation or annual review in the last 12 months?

- ☐ Yes
- ☐ No
- ☐ Don't Know/Does Not Apply/Employed less than 1 year

	Not at all satisfied				Extremely satisfied	Don't Know/ Refused
14. How satisfied are you with your current level of compensation from this job?	☐	☐	☐	☐	☐	☐

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15. What is your annual salary from this organization?

- ☐ Less than $10,000
- ☐ $10,000 -- $14,999
- ☐ $15,000 -- $19,999
- ☐ $20,000 -- $24,999
- ☐ $25,000 -- $29,999
- ☐ $30,000 -- $34,999
- ☐ $35,000 -- $44,999
- ☐ $45,000 -- $59,999
- ☐ $60,000 -- $79,999
- ☐ $80,000 -- $99,999
- ☐ $100,000 or more
- ☐ Don't Know/Refused

16. Do you participate in a retirement plan offered by this organization?

- ☐ Yes → ***Continue***
- ☐ No → ***Skip to Q22***
- ☐ Don't Know/Does Not Apply → ***Skip to Q22***

16a. How long did you work at this organization before you started participating in the retirement plan?

- ☐ Less than 1 year
- ☐ 1 to less than 3 years
- ☐ 3 to less than 5 years
- ☐ 5 to less than 10 years
- ☐ 10 years or more
- ☐ Don't Know/Does Not Apply

16b. Does your employer make contributions to this retirement plan on your behalf?

- ☐ Yes → ***Skip to Q17***
- ☐ No → ***Continue***
- ☐ Don't Know/Does Not Apply → ***Skip to Q22***

16c. What is the main reason that your employer <u>does not</u> contribute to a retirement plan on your behalf?

- ☐ Employer's choice – the employer believes that the organization cannot afford it → ***Skip to Q22***
- ☐ Employer's choice – some other reason → ***Skip to Q22***
- ☐ My choice – I would prefer my employer use that money to increase my compensation → ***Skip to Q22***
- ☐ My choice – some other reason → ***Skip to Q22***
- ☐ Don't Know/Refused → ***Skip to Q22***

17. What type of retirement plan does your employer contribute to on your behalf?

- ☐ 401(k) or 403(b) Plan – Defined contribution plan
- ☐ Defined Benefit plan
- ☐ Simplified Employee Pension Plan (SEP Plan)
- ☐ Simple IRA
- ☐ Don't Know/Refused

18. What percentage of your annual compensation does your employer contribute to a retirement plan that <u>does not</u> require you to match those employer contributions?

☐ ☐ ☐ %

- ☐ None/0%
- ☐ Don't Know

19. If your employer matches your contributions, what percentage of your contributions do they match?

☐ ☐ ☐ %

- ☐ None/0%
- ☐ Don't Know

20. Are you vested in your plan?

- ☐ Yes → ***Skip to Q21b***
- ☐ No → ***Continue***
- ☐ Don't Know/Does Not Apply → ***Skip to Q22***

21a. <u>If you are **not yet** vested,</u> how long do you have to wait before you are vested in your plan?

- ☐ Less than 1 year → ***Skip to Q22***
- ☐ 1 to less than 3 years → ***Skip to Q22***
- ☐ 3 to less than 5 years → ***Skip to Q22***
- ☐ 5 to less than 10 years → ***Skip to Q22***
- ☐ 10 years or more → ***Skip to Q22***
- ☐ Don't Know/Does Not Apply → ***Skip to Q22***

21b. <u>If you are **already** vested,</u> how long did you have to wait before you were vested in your plan?

- ☐ Less than 1 year
- ☐ 1 to less than 3 years
- ☐ 3 to less than 5 years
- ☐ 5 to less than 10 years
- ☐ 10 years or more
- ☐ Don't Know/Does Not Apply

22. Prior to the job you currently hold with this organization, were you employed in a paid position outside of the church?

- ☐ Yes → ***Continue***
- ☐ No → ***Skip to Q27***
- ☐ Don't Know/Does Not Apply → ***Skip to Q27***

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23. What was your occupation before you began your current job?

- ☐ Secretarial/Clerical/Administrative Assistant
- ☐ Transportation/Delivery Goods Worker
- ☐ Facilities/Maintenance/Building Services
- ☐ Teacher
- ☐ Nurse
- ☐ Manager/Administrator
- ☐ Factory Worker
- ☐ Construction Laborer
- ☐ Retail/Restaurant/Service
- ☐ Military/Police/Firefighter
- ☐ Other Professional
- ☐ Other
- ☐ Don't Know/Refused

24. Overall, how satisfied were you with your previous job?

- ☐ 1 - Not at all satisfied
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5 - Extremely satisfied
- ☐ Don't Know

25. Estimating your current and past earnings on an hourly basis, was your compensation at your previous employer higher, lower, or about the same as it is at your current organization?

- ☐ Higher – More than 25% higher
- ☐ Higher – Less than 25% higher
- ☐ About the Same
- ☐ Lower – Less than 25% lower
- ☐ Lower – More than 25% lower
- ☐ Don't Know/Refused

Which of the following benefits were paid for you by your previous employer, either wholly or in part?

	Yes ▼	No ▼	Don't Know/ Does Not Apply ▼
26A. Medical coverage	☐	☐	☐
26B. Dental coverage	☐	☐	☐
26C. Employer contributions to a retirement plan	☐	☐	☐
26D. Life insurance	☐	☐	☐

Now, a few questions about your retirement planning.

27. How confident are you of being able to maintain your current standard of living when you retire?

- ☐ 1 - Not at all confident
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5 - Extremely confident
- ☐ Don't Know/Refused

28. Do you have a retirement savings plan or a promised pension from an employer other than this organization?

- ☐ Yes
- ☐ No
- ☐ Don't Know/Does Not Apply

How important will each of the following be in terms of maintaining your standard of living when you retire?

	Not at all important ▼				Extremely important ▼	Don't Know/ ▼
29A. Retirement income from an employer-sponsored retirement plan	☐	☐	☐	☐	☐	☐
29B. Savings, investments, and other liquid assets	☐	☐	☐	☐	☐	☐
29C. Equity that you have in a home	☐	☐	☐	☐	☐	☐
29D. A spouse's or partner's retirement income	☐	☐	☐	☐	☐	☐
29E. An expected inheritance	☐	☐	☐	☐	☐	☐

	Not at all prepared ▼				Extremely well prepared ▼	Don't Know/ Refused ▼
30. Taking all things into consideration, how well do you feel you have prepared for your retirement?	☐	☐	☐	☐	☐	☐

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Finally, just a few questions about you. Your answers will be used for categorical purposes only.

D1. What is your marital status?

- ☐ Single, never married → ***Skip to QD3***
- ☐ Partnered/Domestic Partnership/Civil Union → ***Continue***
- ☐ In first marriage → ***Continue***
- ☐ Remarried after divorce → ***Continue***
- ☐ Remarried after being widowed → ***Continue***
- ☐ Divorced/Separated → ***Skip to QD3***
- ☐ Widowed → ***Skip to QD3***
- ☐ Other → ***Skip to QD3***
- ☐ Refused → ***Skip to QD3***

D2. If you have a spouse or partner, what is your spouse's or partner's occupation?

- ☐ Secretarial/Clerical/Administrative Assistant
- ☐ Transportation/Delivery Goods Worker
- ☐ Facilities/Maintenance/Building Services
- ☐ Teacher
- ☐ Nurse
- ☐ Manager/Administrator
- ☐ Factory Worker
- ☐ Construction Laborer
- ☐ Retail/Restaurant/Service
- ☐ Military/Police/Firefighter
- ☐ Other Professional
- ☐ Other
- ☐ Don't Know/Refused

D3. What is your total household income?

- ☐ Less than $20,000
- ☐ $20,000 -- $34,999
- ☐ $35,000 -- $49,999
- ☐ $50,000 -- $69,999
- ☐ $70,000 -- $99,999
- ☐ $100,000 -- $149,999
- ☐ $150,000 or more
- ☐ Don't Know/Refused

D4. What is your housing arrangement?

- ☐ Own my primary residence
- ☐ Rent my primary residence
- ☐ Live in a residence owned or rented by a family member
- ☐ Other
- ☐ Don't Know/Refused

D5. What is your religious preference?

- ☐ Christianity → ***Continue***
- ☐ Judaism → ***Skip to D5b***
- ☐ Islam → ***Skip to D5b***
- ☐ Buddhism → ***Skip to D5b***
- ☐ Hinduism → ***Skip to D5b***
- ☐ Native American Religion → ***Skip to D5b***
- ☐ Agnostic → ***Skip to D5b***
- ☐ Atheist → ***Skip to D5b***
- ☐ Nonreligious/Secular → ***Skip to D5b***
- ☐ Other → ***Skip to D5b***
- ☐ Don't Know/Refused → ***Skip to D5b***

D5a. If you are a member of a Christian religion, to which denomination of Christianity do you belong?

- ☐ Episcopal/Anglican
- ☐ Baptist
- ☐ Methodist/Wesleyan
- ☐ Lutheran
- ☐ Presbyterian
- ☐ Pentecostal/Charismatic
- ☐ Catholic
- ☐ Latter-Day Saints/Mormon
- ☐ Churches of Christ
- ☐ Assemblies of God
- ☐ Congregational/United Church of Christ
- ☐ Jehovah's Witnesses
- ☐ Eastern Orthodox
- ☐ Other
- ☐ Don't Know/Refused

D5b. Typically, how often do you attend religious services?

- ☐ More than once a week
- ☐ Once a week
- ☐ Once a month
- ☐ Major religious holidays
- ☐ Never
- ☐ Don't Know/Refused

D6. Are you a member of the congregation for which you work?

- ☐ I do not work at a congregation.
- ☐ Yes, I work at this congregation and I am also a member here.
- ☐ No, I am not a member of my employing congregation.
- ☐ Don't Know/Refused

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The following questions are being asked in order to discern whether benefits within the Episcopal Church are fairly distributed. As with all questions in this survey, your responses are optional.

D6a. Gender

- ☐ Male
- ☐ Female
- ☐ Refused

D6b. In what year were you born?

1	9		

- ☐ Refused

D7. Are you Hispanic/Latino?

- ☐ Yes
- ☐ No
- ☐ Refused

D8. What is your race? Please mark all that apply.

- ☐ White/Caucasian
- ☐ Black/African American
- ☐ Asian
- ☐ Native American/American Indian (North and South America), Inuit/Alaskan Native
- ☐ Hawaiian/Pacific Islander
- ☐ Other
- ☐ Refused

D9. What is the highest level of education you have completed?

- ☐ Less than high school
- ☐ High school graduate/High school diploma/GED
- ☐ Some college
- ☐ Associates degree/Occupational or Vocational degree
- ☐ Bachelor's degree (BA, AB, BS)
- ☐ Master's degree (MA, MS, MENG, MED, MSW, MBA)
- ☐ Professional school degree (MD, DDS, DVM, JD)
- ☐ Doctorate degree (PhD, EDD)
- ☐ Other
- ☐ Refused

Please use the enclosed postage-paid envelope and mail your completed survey to:

The Gallup Organization

P.O. Box 2660

Omaha, NE 68172-9733

Thank you for participating! Your opinion counts!

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The Benefits Provided by and Other Significant Features of The Episcopal Church Lay Employees' Retirement Plan

Plan Type	**Defined Benefit**
Retirement Benefit Formula	1.5% times Final Average Earnings[1] times Credited Service
Forms of payment	Various forms ranging from a 50% joint and survivor option to a 100% joint and survivor option; a participant's benefit will be actuarially adjusted based on the form of payment chosen.
Optional forms of payment	Five-, ten- and fifteen-year continuous options are available.
Vesting	100% vested once the participant has completed 5 years of service or the date the participant attains age 55.
Normal retirement date	The first day of the month coinciding with or next following the participant's 65th birthday.
Early retirement options	Age 60 – 65: the participant's benefits are reduced by 0.2% for each month prior to age 65 benefits are commenced. The maximum reduction for a participant who retires on the first day of the month following his/her 60th birthday is 12%. Age 55 – 65: in addition to the 12% reduction (which accounts for the period between the participant's 60th and 65th birthday), the participant's benefits are actuarially reduced for the period between the benefit commencement date and the participant's 60th birthday.
Death benefits	If an active plan participant who is under age 72 dies prior to retirement, the participant's beneficiary will receive a death benefit equal to two times the participant's assessable compensation to a maximum of $50,000. If a married participant dies on or after his/her 55th birthday, the participant's spouse will receive a 50% joint and survivor benefit for the remainder of the spouse's natural life. The benefit will be computed based on the participant's age at the date of his/her death and the benefit formula then in place.

[1] *Final Average Earnings is defined as the average of the compensation for the highest paid seven out of eight consecutive years immediately prior to the year in which the participant retires.*

The Benefits Provided by and Other Significant Features of The Episcopal Church Lay Employees' Retirement Plan (continued)

Plan Type	Defined Benefit
Disability benefit	A disability benefit will be commenced for any active participant who is rendered permanently and totally disabled. The benefit will be computed using the formula for the normal retirement benefit; however, for purposes of this computation, the Credited Service will be the greater of 10 years or the participant's actual Credited Service in the Plan. The disability benefit will continue until the earlier of the first day of the month following the participant's 65th birthday (at which time, the participant will commence receiving a normal retirement benefit) or the cessation of the condition that rendered the participant disabled.
Cost of living adjustments	While not guaranteed by the Plan Document, it has been the practice of the Board of Trustees of the Church Pension Fund to grant an annual cost of living adjustment for all participants in pay status. The cost of living adjustment is generally based upon the cost of living adjustment granted by the Social Security Administration. The Trustees can elect another basis if they desire or can choose to forego a cost of living adjustment in its entirety.

The Benefits Provided by and Other Significant Features of The Episcopal Church Lay Employees' Defined Contribution Retirement Plan

Plan Type	**Defined Contribution**
Employer Contributions	A base contribution equal to a minimum of 5% of the employee's compensation plus a dollar-for-dollar match of up to 4% of the employee's compensation are required; the latter is contingent on the employee making an equivalent contribution.
Employee Contributions	Pre-tax contributions ranging from 1% to 100% of the employee's compensation are allowed. Employee after tax contributions are also allowed under the Plan. The amount of the employee's pretax contribution and the amount of the annual additional (the sum of the employee's pretax contribution, after tax contribution and the employer's contribution) are subject to the limits imposed by the Internal Revenue Code.
Vesting	Employee contributions are always 100% vested. The employer has the option to choose among three alternative vesting schedules, as follows: • Immediate vesting; • 100% vesting at the completion of 5 years of service; • 20% after the completion of 3 years of service, 40% after the completion of 4 years of service, 60% after the completion of 5 years of service, 80% after the completion of 6 years of service, 100% vesting after the completion of 7 years of service.
Investment options	A participant can invest his/her vested contributions in one or more of the following investment options: • The Fidelity Money Market Trust Money Market Retirement Portfolio • The BlackRock Total Return Portfolio II (Institutional Class) • The Church Pension Fund Stable Value Option • The Fidelity Disciplined Equity Fund • The Fidelity Dividend Growth Fund • The Domini Social Equity Fund • The Neuberger-Berman Genesis Fund • The American Funds EuroPacific Growth Fund • The Fidelity Freedom Funds (a group of targeted-date funds) All non-vested employer contributions are invested in an age-appropriate Fidelity Freedom Fund.

The Benefits Provided by and Other Significant Features of The Episcopal Church Lay Employees Defined Contribution Retirement Plan (continued)

Plan Type	**Defined Contribution**
Normal retirement date	The first day of the month coinciding with or next following the participant's 65th birthday. Retired participants[1] age 55 or older can commence making withdrawals from their accounts without incurring the 10% IRS tax penalty.
Other withdrawal options	In-service withdrawals are allowed under the Plan once a participant attains age 59½. (A participant who is 59½ or older may withdraw all or a portion of his/her account balance without incurring a tax penalty.)[2] Hardship withdrawals are limited to the participant's Rollover, Transfer and Employee Contribution Account. A hardship withdrawal can only be taken if the hardship cannot be satisfied from other resources reasonably available to the participant.
Participant loans	A participant may borrow up to 50% of his/her account balance. Two loans may be outstanding at any one point in time. The total loan balance may not exceed $50,000. Unless the loan proceeds are to be used for the purchase of a principal residence[3], the loan must be repaid within 5 years. The interest rate is established at the time the loan is originated based on the then current New York Bank prime rate. The interest rate then remains fixed over the life of the loan. Early repayment is allowed with no penalty.
Death benefits	In the event of a participant's death, the participant will be deemed 100% vested regardless of the vesting schedule elected by the participant's employer. The participant's account balance will be paid in its entirety to the participant's designated beneficiary without penalty.
Disability benefits	In the event a participant becomes totally and permanently disabled, the participant will be deemed 100% vested regardless of the vesting schedule elected by the participant's employer. The participant's account balance can be paid to the participant in part or in its entirety without penalty. The participant can also elect to receive a series of payments of a pre-determined amount.

[1] *As defined by the Internal Revenue Code of 1986 as amended.*

[2] *The Church Pension Fund Stable Value Investment Option carries a 5% surrender charge if withdrawals or transfers in any calendar year that are not the result of a "distributable event" (e.g., retirement, disability or death of the participant) exceed 20% of the participant's January 1, annuity balance.*

[3] *Loans for the purchase of a principal residence can be amortized over a maximum of 15 years.*

Appendix B

Denominational Healthcare Coverage Feasibility Study and Recommendations in Response to Resolution A147 of the 75th General Convention of the Episcopal Church

Executive Summary

In these challenging economic times, the continued accessibility and affordability of healthcare benefits for all those who serve the Church is one of the most pressing issues. In recognition of this, the 75th General Convention authorized the Church Pension Group (CPG) to conduct the Church-wide Healthcare Coverage Feasibility 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 Episcopal Church is at a crossroads. The cost of providing healthcare benefits continues to increase, and congregational budgets are not able to keep pace. In 2010, the projected cost to The Episcopal Church for employee healthcare benefits is expected to increase by 9.5%. Total spending on employee healthcare benefits for 2010 by domestic congregations, dioceses, and official agencies, not including any dioceses in Province IX, is projected to be $161.2 million, or $12,343 per employee. The projected 9.5% increase is expected to be more than four times the rate of inflation and approximately four times the rate of average clergy salary increases.

Further, total annual spending on employee healthcare benefits in 2010 could represent more than 10% of Plate and Pledge income. Left unchecked, spending on employee healthcare benefits could increase at similar levels for the next two triennia, reaching $250.4 million in 2015 — potentially, 15% of the Plate and Pledge income as projected by the feasibility study.[1]

Over the past three years, we have conducted comprehensive research and analyses, financial modeling, focus groups, and plan comparisons. (See Sections 2 and 3 of this Report for details.) The study was conducted under the leadership of the Church Pension Fund (CPF) Board of Trustees' Healthcare Coverage Feasibility Study Advisory Group, headed by David R. Pitts. This Report, and the recommendation for a denominational health plan that will be presented at the 76th General Convention as Resolution A177, is the culmination of that exhaustive effort.

The denominational health plan, as recommended by the CPF Board and described below, is a socially and financially sustainable model for delivering employee healthcare benefits to eligible clergy and lay employees. Not only is it designed with fairness and equity in mind, but the savings it will generate, the benefits it will enhance, and the access it will provide, are unmatched by any available alternative.

At its core, it enables the Church to leverage its aggregate size for the large-scale purchase of employee healthcare benefits while dioceses and groups retain autonomy over key aspects such as plan choice and design and employee cost-sharing. Service to and savings for the Church are further enhanced by the centralization of administration, through the Episcopal Church Medical Trust (the Medical Trust), of employee healthcare benefits for The Episcopal Church.

At present, there is no binding General Convention resolution or canon requiring dioceses, congregations, or official agencies of the Church to provide healthcare benefits to their employees. Instead, healthcare benefits for clergy and lay employees working in the Church today are provided through a voluntary program of multiple and differing diocesan plans. Thus, each diocese functions separately and alone in the purchasing, administration, and delivery of health benefits. This results in an inefficient system that is unable to take advantage of economies of scale, and creates unequal costs and benefits across the Church.

[1] *Projected Plate and Pledge assumes a growth rate of 2.5% for the years 2009 to 2015 which may need future revision if the current economic conditions continue.*

In 2008, there were more than 100 different health plans being sponsored by domestic dioceses, not including the health plan options sponsored by congregations outside of their diocesan health program. Current data indicates that more than 13,000 clergy and lay employees are covered through congregation[2]- and diocesan-sponsored healthcare benefits programs. Of these, almost 9,000 are currently in plans administered and sponsored by the Medical Trust for active employees. The Medical Trust administers approximately 20 health plan options for 78 diocese, and there are almost 60 health plans administered locally by the remaining 20 dioceses not participating in the Medical Trust.

The economics of the U.S. healthcare environment require that purchasers strive for economies of scale, as larger groups yield lower unit costs. This is especially true today, with rising costs increasing the burden on employers and employees. According to the Kaiser Family Foundation, cumulative wage growth has risen 20% since 2000, while the cost of health insurance has risen 87%. The current multiplicity of separate diocesan healthcare programs is antithetical to the kind of model that results in lower costs.

For the Church, the cost of providing healthcare benefits are significant — typically, 7% to 9% of a median congregation budget. While this percentage does not vary significantly by the size of the budget, there are considerable differences in overall costs among individual congregations as well as dioceses. Congregations with smaller budgets and an average Sunday attendance below 100 may have costs of 14% or higher of the total operating budget. Moreover, the cost of providing healthcare benefits are expected to continue to increase by 9.5% annually, while congregational operating revenues are only increasing at a rate of 2.5% per year.

Under the denominational health plan, however, conservative actuarial estimates demonstrate that the potential first-year savings[3] to the Church of the fully implemented plan are estimated to be least 10%, or approximately $17.7 million, for clergy and lay employees who are currently provided healthcare benefits, and a cumulative $64 million in the first four full years after approval. These numbers provide compelling support for the plan.

While the savings for an individual congregation will vary due to many factors — including congregational operating revenue and staffing levels — congregations and institutions currently offering healthcare benefits can expect a cost savings of 5% to 10% annually under the denominational health plan. In fact, the denominational health plan works for all five categories of congregations, from Family through Resource. (Impact analyses for all five categories appear in Section 5 of this Report.)

The situation in the non-domestic Episcopal dioceses is far more complex. Our completed in-depth research regarding healthcare in non-domestic diocese has made it clear that country-by-country solutions will be needed. The project team is actively engaged with the bishops and leadership of non-domestic dioceses to develop meaningful recommendations that can assist them.

[2] *In the context of this report, "congregations" includes cathedrals, parishes, missions, and chapels.*

[3] *Overall savings come from a variety of sources including elimination of most state premium taxes and brokerage fees, reduction in administrative service fees from product partners, and improvement in the underlying health risk of the employee population.*

Advantages of the Denominational Health Plan for the Church

The recommendation for a demominational health plan is based on significant advantages for Church employers and employees alike:

- **Sustainability of healthcare benefits:** In the light of increasing healthcare costs, the continuing ability of the Church to provide healthcare benefits becomes problematic. The denominational health plan contains costs, effects savings, and makes the continued provision of employee healthcare benefits sustainable.
- **Cost savings:** Conservative actuarial estimates indicate a cumulative savings of $64 million over first four years.
- **Economies of scale:** The ability to buy healthcare benefits collectively rather than per-diocese or per-congregation means savings for the Church since larger groups yield lower unit costs.
- **Diocesan autonomy and decision making:** Dioceses and groups will decide for themselves about employer cost-sharing, plan design options, the inclusion of schools and other diocesan institutions, and the offering of healthcare benefits to domestic partners.
- **Parity of eligible clergy and lay employees:** Each diocese or group will set its own cost-sharing level, and it must be the same for all eligible clergy and lay employees. Many clergy and lay employees have said this is an important social justice issue for the Church. Most congregations will find that their savings cover the additional cost of covering their eligible lay employees.
- **Portability of benefits:** Seamless transition of healthcare benefits when lay and clergy employees change jobs or residences, thanks to centralized administration and benefit plans
- **Centralized administration:** Currently, every diocese and institution manages its own plans, duplicating efforts and using time that could be better used for mission and ministry. Decreasing the administrative burden for employers by centralizing healthcare benefits administration saves time and money while freeing administrators to do more important work. It also allows the Church to take advantage of economies of scale, and equalizes costs and benefits across the Church.
- **Wide range of plan designs:** Dioceses will be able to offer employees a comparable range of plan choices as they do today. In fact, they may have even more plan designs available from which to choose.
- **Serving the Common Good:** Because the denominational health plan provides cost savings for the Church overall, and offers lay and clergy employees parity in healthcare benefits, it satisfies the imperative of the Church to do well by doing good and to serve the needs of all.

Report Contents

The comprehensive report that follows is divided into the following seven sections:

1. **Introduction and Background**
   The genesis, goals, scope, process, and governance of the feasibility study, and the text of Resolution A147 of the 75th General Convention
2. **The Church's Involvement in the Feasibility Study**
   The theology that informed the team's work, and the roles of myriad people across the Church — including bishops, diocesan administrators, clergy, and lay employees — in providing various perspectives and opinions throughout the study
3. **Data Collection and Analysis**
   A description of the exhaustive process used to capture and analyze data from across the Church, from other major denominations, and from the broader healthcare marketplace in the United States and elsewhere
4. **The Denominational Health Plan Recommendation**
   A detailed description of the denominational health plan that is being recommended to the 76th General Convention
5. **Impact Analysis by Church Size**
   A comprehensive analysis of the financial impact of today's various healthcare approaches and costs, as well as that of the proposed denominational health plan, on congregations in all church size categories
6. **Implementation Plan**
   A description and timeline of the transition process, and the inclusion and expansion of health and wellness programs
7. **Resolution A177 of the 76th General Convention and Proposed Canonical Change**

Section 1: Introduction and Background

This section provides an overview of the Church-wide healthcare feasibility study, including the genesis of General Convention Resolution A147, the overarching purpose and goal of the study, key objectives and parameters, scope and process, the formation of the project team, and the governance body that provided ongoing management and oversight.

During the past decade, the Church Pension Fund and the Medical Trust became increasingly aware that the high and rising cost of healthcare benefits for active clergy and lay employees was placing a progressively unsustainable financial burden on many dioceses and congregations. In light of the increasing severity of this problem, the Church Pension Fund Board of Trustees made a proposal to the General Convention that they would study the current situation in The Episcopal Church (TEC) and make recommendations to the 76th General Convention regarding new approaches to healthcare benefits delivery that could restrain the growth of these costs.

Any such recommendations would need to address the following critical realities:

- The cost of healthcare benefits is high and rising rapidly toward levels that are unsustainable.
- Healthcare benefits costs are growing as a percentage of employee compensation.
- The percentage of a congregation budget that is devoted to the cost of employee healthcare benefits will continue to rise.

General Convention Resolution A147

In 2006, the 75th General Convention passed Resolution A147:

> *Resolved*, the House of ______ concurring, That the 75th General Convention endorse the Church Pension Group's proposal to conduct a church-wide study of the costs and issues surrounding the provision of healthcare benefits to all clergy and lay employees serving churches, diocese and other church institutions and to report their findings to the 76th General Convention; and be it further
>
> *Resolved*, That all diocese, congregations, and other church institutions are urged to cooperate with the conduct of this study by responding to requests for data regarding employee census and healthcare costs; and be it further
>
> *Resolved*, That this study will include an analysis of the potential for a mandated denominational healthcare benefits program and other viable alternatives, culminating in a recommended solution and an actionable implementation plan.

Feasibility Study Objectives

From the beginning, the feasibility study was intended to be a Church-wide effort over several years because of the complexity of the subject and the many constituencies whose voices would need to be heard.

The objectives were to conduct comprehensive research, data collection, and analysis, and, based on those findings, to propose a recommended course of action to the 76th General Convention. This work included exploring alternative solutions and their probable impact on individual Church employers, and building a consensus within The Episcopal Church as to the best long term strategy for both institutions and individuals.

The study examined two alternatives for The Episcopal Church:

- Retain the voluntary system of multiple and different diocesan programs currently in place, but with recommendations for new program features for dioceses participating in the Medical Trust to help them reduce and restrain future cost increases.
- Create a national denominational health plan for all eligible clergy and lay employees.

Early in the study, it became evident that a denominational health plan would have the most positive impact on employers and employees throughout the Church, and the greatest potential for cost savings. (See Section 5 for more details.)

It was determined that, to be effective, a Church-wide health plan would need to:

- Increase employer and employee participation in the Medical Trust, thereby reducing claim volatility, reducing operating unit costs, and improving bargaining leverage with vendors
- Increase the availability of more efficient plans, and optimize provider access while maintaining plan choice for members
- Reduce the administrative burden on participating groups
- Establish a uniform and coordinated wellness program designed to improve the health of the Church workforce, thereby positively impacting claims costs nationwide

Feasibility Study Parameters

To collect the relevant data needed for performing the analyses and developing a recommended solution, it was determined that the study would need to complete the following tasks:

- Define a current financial baseline (total cost, claims, retention, internal and external administration, etc.) against which the savings opportunities of new approaches would be measured against.
- Complete a census of employees working in The Episcopal Church.
- Review and assess the efficiency of available health plans and vendors (including network access, network size and capacity, provider discounts, access to centers of excellence, medical management features, eligibility, and available plan designs).

Specific to the analysis of establishing a denominational health plan for The Episcopal Church, the project team needed to:

- Determine a uniform eligibility rule for participation
- Review and assess the health plans of other denominations, including the Evangelical Lutheran Church in America (ELCA), the United Methodist Church, the Presbyterian Church (USA), and the Southern Baptist Convention
- Identify potential obstacles within The Episcopal Church that would need to be addressed in order to successfully implement a denominational health plan.
- Create standard plan designs from which to model cost
- Develop a funding model (employer/employer cost-sharing) that addresses the roles of
    - ~ the employer
    - ~ the employee

- Confirm that the provision of benefits conforms to relevant laws, regulations and Church canon
  - ~ Research and address potential canonical issues including the roles of General Convention, dioceses, and congregations
  - ~ Research and address diocesan concerns, including the required payment of employee healthcare premiums, as well as the required participation by Episcopal employers and employees
- Develop a model for plan administration and operations of the plan sponsor, including organizational capacity and capabilities, staffing requirements and skills, technology requirements, and service levels and performance standards
- Develop a model for the management and governance of the plan administration entity

Scope of the Feasibility Study

The following areas were determined to be within the scope of the study:

- Conducting of censuses and surveys in order to define the full universe of envisioned participants (e.g., active lay and clergy employees working at congregations, congregational schools, diocesan houses and offices, and other Episcopal organizations, such as stand-alone schools, camps, conference centers, healthcare facilities, and housing and social service agencies)
- Collection of data required to perform a thorough analysis of the present situation in the Church:
  - ~ Employee compensation and payroll contributions for healthcare benefits (medical and pharmacy)
  - ~ Current group rating methodology (self-funded, fully-insured, community-rated, experience-rated, etc.)
  - ~ Congregation budgets and amount spent on health insurance premiums
  - ~ Plan and benefit designs
  - ~ Underwriting and pricing (e.g., claim data, provider network discounts)
  - ~ Provider access, including negotiated fee information
- Development of recommended eligibility criteria and rules for clergy and lay employees, including part-time and full-time workers, hourly and salaried workers
- Development of recommended plan designs
- Development of goals (employee health and wellness, financial, organizational) for a denominational health plan
- Development of recommended legal and operating structure for the plan administration entity and the interface with The Episcopal Church, including legal structure of denominational health plan, staffing requirements, and service level benchmarks
- Analysis of funding mechanisms and alternatives (employer contribution and employee contributions)
- Development and analysis of the financial impact to the Medical Trust, CPF, and The Episcopal Church
- Analysis of impact on existing contractual obligations, canon, and Church custom and practice

It was also determined that the following areas were **not** in the scope of this study:

- Analysis relating to individuals not eligible to participate in the plan, including non-employee members of congregations and vestries, and employees of institutions that are not agencies of the Church
- Analysis of post-65 healthcare benefits (Medicare Supplement plans and dental benefits)
- Analysis of any other employee benefits, including dental coverage, life and accidental death and dismemberment insurance, long term care insurance, disability benefits, and pension plans

The Project Team

Once the full scope and parameters for the study were established, it was necessary to assemble a project team to work toward the delivery of the study's goals and objectives. First, team roles and responsibilities were defined and the skills and functions needed of each member were explicitly identified. Then, based on their experience, capacity, and the availability to participate, team members were mapped to those roles.

The project team included representatives from the broader Church to ensure that those who might be impacted by the study's results would have a continuous voice and role, external healthcare and human resources consultants (including Aon, Hewitt Associates, and Solid Benefit Guidance), and representatives from CPG business units and support groups impacted by the study (including the Medical Trust, the Church Pension Fund, and Finance).

Many project team members were also responsible for leading specific working groups. These working groups consisted of specialist members, working together to produce well-defined study objectives or deliverables within a specified time frame. Working groups terminated at the delivery of their specific deliverables.

Permanent Members of the Project Team
Frank Armstrong, Actuary, Hewitt Associates
The Rev. Canon Keith Brown, Project Consultant, The Church Pension Fund
Paul Calio, Senior Vice President and General Manager, The Episcopal Church Medical Trust
Patrick Cheng, Senior Vice President and Deputy General Counsel, The Church Pension Fund
Nancy Fisher, Senior Vice President and Director of Communications, The Church Pension Fund
Jennifer Groh, Healthcare Consultant, Aon Corporation
The Rev. Robert Griffith, Data Analyst, The Church Pension Fund
Ann Hurst, Data and Research Analyst, The Church Pension Fund
Sally Johnson, Vice President, Risk Management and Education, The Church Pension Fund
Barton Jones, Senior Vice President and General Counsel, The Church Pension Fund
Alexandra Jung, Healthcare Consultant, Aon Corporation
Laurie Kazilionis, Vice President, Client Services, The Episcopal Church Medical Trust
Michael Lurski, Assistant Project Manager
Libby Miller, Assistant Vice President, Clinical Services, The Episcopal Church Medical Trust
Matthew Price, Ph.D., Vice President, Director of Analytical Research, The Church Pension Fund
William Resnick, Healthcare Consultant, Solid Benefit Guidance
Andrea Still, Vice President, Plan Administration, The Episcopal Church Medical Trust
Wesley Underwood, Vice President, Finance and Accounting, The Church Pension Fund
Timothy Vanover, Vice President and Project Manager, The Church Pension Fund
Eileen Weber, Communication Consultant, Hewitt Associates

Additional members participated in the temporary working groups described above.

Project Team Governance
The study was conducted under the leadership of the Church Pension Fund Board's Healthcare Coverage Feasibility Study Advisory Group, headed by David R. Pitts. The Advisory Group led the effort to set the strategic direction of the project and to build consensus within the project team and the Church. In addition to the responsibilities that most had as CPF Trustees, Advisory Group members also represented the diverse viewpoints of Church constituencies, and provided important feedback and insights as well as senior levels of expertise in the area of healthcare benefits.

Members of the Healthcare Coverage Feasibility Study Advisory Group
David R. Pitts, Chair
The Very Rev. George L.W. Werner, Vice Chair
The Rev. A. Thomas Blackmon
The Rev. Dr. Randall Chase, Jr.
Barbara B. Creed
Vincent C. Currie, Jr.
The Rev. Carlson Gerdau
Deborah Harmon Hines, Ph.D.
Robert E. Leamer
Diane Pollard
Edgar Starns, CPA
T. Dennis Sullivan
The Rt. Rev. Wayne P. Wright, D.D.

Section 2: The Church's Involvement in the Feasibility Study

The project team consistently sought guidance from the Church and its employers and employees throughout the study, actively inviting their perspectives and opinions. In addition, theological and ethical considerations have been integral themes.

Voices of Clergy and Lay Employees

In order to develop and recommend the best approach for providing healthcare benefits to The Episcopal Church, it was critical to understand the "mind of the Church." Multiple surveys (discussed in detail in Section 3 of this Report) were conducted, but the team felt the need to talk directly with people in the Church to better understand the feelings, perceptions, fears, concerns, and priorities of individual church employees. Specifically, the team knew that the overall approach to benefits delivery, plan design, and possible cost-sharing would be of primary concern to Church employees — clergy and lay alike.

Focus Groups

In partnership with communication consultants from Hewitt Associates, a human resources consulting and outsourcing firm, the project team created a focus group initiative that would allow clergy and lay employees to meet in separate groups to hear a 30-minute presentation about the feasibility study and initial findings, followed by a 90-minute open discussion guided by a set of professionally developed questions from Hewitt focus group specialists.

Focus Group Participants

Focus groups were conducted with employees from multiple dioceses in eight provinces as well as at collegial events such as the Consortium of Endowed Parishes, the Conference of Diocesan Executives (CODE), and the Episcopal Business Administrators Conference (EBAC).

Desired Outcomes as Voiced by Participants

Generally, the participants reached a consensus on the following preferred outcomes:

- Episcopal employers should be required to provide and fund healthcare benefits for clergy **and** lay employees.
- The goal should be coverage for all employees but, due to the cost, that is probably not possible.
- At a minimum, healthcare benefits should be provided to employees working 30 or more hours per week.
- The Church should fund coverage for clergy and lay employees and their dependents.
- The Church should fully fund the premiums for clergy and lay employees in the beginning but introduce premium cost-sharing in the future.

Common Issues and Concerns

Certain issues and concerns surfaced consistently during the discussions:

- "If the Church mandates benefits based on hours, lay employees will be paid for one hour less than necessary to qualify for paid benefits but will be expected to work more."
- "Vestries and wardens may be reluctant to fund additional benefits for lay employees. They will also be concerned about the cost of benefits for employees who currently opt out."
- "I'm concerned about the cost of a mandatory program and its impact on benefits and cost-sharing."
- "How will costs be distributed and rates be determined across the country, when costs of living are different?"

- "Cost will be the biggest barrier to getting a denominational health plan passed at General Convention."

Diocesan Meetings

Between 2008 and 2009, the project team also met individually with more than 90 bishops and diocesan administrators across the country. During these face-to-face and teleconference meetings, the project team shared and discussed with the dioceses the anticipated financial and social impacts of the proposed denominational health plan.

The meetings provided an opportunity for the project team to engage individual dioceses in open and forthright dialogue around the expected impact of the plan. It also provided the individual dioceses with the opportunity to review the draft health plan options. Lessons and findings from these individual meetings enabled the project team to incorporate the perspectives of the broader Church in the continued development and finalization of the action plans.

Theological Foundation: What We Are Called to Provide

Seeking guidance from The Episcopal Church is a complex and multifaceted task. The project team determined that yet another valuable method of "hearing" from the Church was to review and research prior Acts of General Convention. Using the materials available through the Archives, the project team reviewed multiple resolutions dating back to 1991.

Over the past two decades, through successive General Convention resolutions, the project team discovered that The Episcopal Church has repeatedly affirmed a number of principles in relation to healthcare that are relevant to a theology of healthcare benefits for employees of the Church. The project team believed that the four principles adopted in 1994 by the 71st General Convention in Resolution A057 reflect the goals the team itself hoped to achieve, as illustrated in the following excerpts from that resolution:

> *Resolved*, the House of Bishops concurring…
>
> That universal access to quality, cost effective, health care services be considered necessary for everyone in the population.
>
> That "quality health care" be defined so as to include programs in preventive medicine, where wellness is the first priority.
>
> That "quality health care" include interdisciplinary and interprofessional components to insure the care of the whole person — physiological, spiritual, psychological, social.
>
> That "quality health care" include the balanced distribution of resources so that no region of the country is underserved.

In recommending the denominational health plan, the project team's work was, in part, influenced by certain guiding principles:

First, as The Episcopal Church, our theology and ethics call us to use our resources responsibly (stewardship). Therefore, the art and technology of medicine should be used wisely and prudently to serve God's purpose in reconciliation and to support human dignity.

Second, when illness occurs, the health plan should provide benefits for medically necessary care. Moreover, the provision of healthcare benefits and the payment for healthcare services are not solely a financial transactions but an outward sign of love and respect for one another, and are symbolic of the community of saints and of living out our faith by "carrying each other's burdens" and by caring for our neighbors and ourselves.

Finally, healthcare benefits should be used to pay for medical care that returns a patient to a state of health that has meaning and dignity, enabling patients to live and “have life, and that they might have it more abundantly.” Intentional ministries of health and wholeness have arisen in many places. For physicians, nurses, and healthcare professionals, there is an increasing interest in the importance of spirituality and the life of prayer in achieving and sustaining health. There is a growing recognition that genuine health depends on the interdependence and integration of mind, body, and spirit. Promoting this integration is the business of the whole Church and most certainly of the denominational health plan.

Section 3: Data Collection and Analysis

This section describes the exhaustive process used to capture and analyze data from across the Church — including the Church-wide census of lay employees in response to Resolution A125, the Healthcare Coverage Awareness and Opinion Survey — and additional online and in-person data collection efforts, the review of other denominations' approaches to healthcare coverage, and the evaluation of the broader healthcare marketplace in the United States and abroad.

The Lay Employee Census

In response to the authorization of the 75th General Convention, as expressed in Resolution A125, the Church Pension Group conducted a comprehensive Church-wide census of lay employees serving domestic dioceses, congregations, and institutions in February 2007. This census was necessary as neither the Church Pension Group nor the Episcopal Church Center had a current, complete record of all lay employees serving the Church.

To provide a complete picture of the lay employee population, congregations and institutions were asked to reply to the census even if they did not have any lay employees. The high response rate — approximately 95% of dioceses and 60% of congregations — exceeded expectations.

Through this census, data was collected about approximately 17,500 lay employees — by far the most extensive collection of Episcopal lay employee data since the Church's founding. This response rate, coupled with the demographics of the dioceses and congregations responding, allowed CPG to project that the total population of lay employees serving domestic dioceses and congregations is approximately 28,800, with approximately 1,300 serving on domestic diocesan staffs and approximately 27,500 serving in domestic congregations.

Census Data Tells a Compelling Story

The data revealed much about the lay employees serving the domestic dioceses and congregations of the Church. Approximately 72% of lay employees are female, with an average age of 49. The average age for all lay employees is 53. The majority of the lay employees (approximately 68%) are either married or partnered.

Not surprisingly, the majority of lay employees are responsible for some form of congregational administration. Lay employees occupying secretarial, administrative assistant, or clerical positions account for 33% of the total lay employee work force. 18% of the lay employees are church musicians, 7% work in parish pre-schools or parish schools, and 7% are Christian educators. Diocesan employees make up approximately 5% of the lay employee workforce. Social outreach employees, facilities workers, and "other" accounted for the remaining 30%.

Compensation averages $50,300 for all lay employees working 40 hours or more per week, $37,800 for those working 30 to 39 hours per week, and $17,600 for those working 20 to 29 hours per week.

In regard to the provision of employee healthcare benefits, the major findings were:

- Only 17% of lay employees working 20 to 29 hours per week have health benefits from their church employer.
- 50% of lay employees working 30 to 39 hours per week have health benefits from their church employer.
- 65% of lay employees working 40 hours or more per week, have coverage from their church employer.

Through data collection, research, and analysis, the project team determined that working 30 hours or more per week was the pivotal point at which healthcare benefits were provided to lay employees.

Healthcare Coverage Awareness and Opinion Survey

In April 2007, after the lay employee census was well underway, the project team launched an Awareness and Opinion Survey to learn what the Church knew about Resolution A147 of the 75th General Convention, and to gain a better understanding of the importance of healthcare benefits to the Church. The survey was conducted online in English and Spanish, and was available to all diocesan bishops and administrators, active and lay employees, seminarians, members of religious orders, and deputies to the 2006 General Convention. (The roster of deputies to the 2009 General Convention had not yet been determined.) The survey was also conducted by phone for diocesan bishops and administrators.

Over 3,000 participants responded. Respondents were evenly divided between clergy and lay employees, and included 334 General Convention deputies.

Survey Revealed Broad Consensus

Overall, the survey found that respondents agreed with the concept of the healthcare feasibility study and the relevance of its intentions. Specifically:

- Nearly all respondents agreed that
  - ~ The cost of healthcare benefits is high and rising rapidly toward levels that are unsustainable (96%).
  - ~ Controlling the rising cost of healthcare for each Church employer is an important issue for the Church to address (95%).
  - ~ The cost of healthcare benefits as a percentage of an employee's compensation package in The Episcopal Church is growing (85%).
  - ~ Purchasing healthcare benefits collectively rather than per-congregation or per-diocese could help slow the rising cost of healthcare coverage (79%).
- Respondents generally agreed that
  - ~ Collecting and analyzing information about employees' out-of-pocket healthcare costs was important to produce an objective report (90%).
  - ~ The Episcopal Church should offer a Church-wide healthcare program to all employees (88%), and doing so would send the message that the Church cares about protecting the interests of clergy and lay employees (86%).
  - ~ A Church-wide healthcare program could be a key driver to slowing the rising cost of healthcare for the Church overall (75%).
- Only half of all respondents realized that some Church employees are asked to fund the cost of healthcare benefits in whole or part themselves, which results in some employees going without coverage.

Employee Healthcare Benefits: Analysis of the Current Healthcare Marketplace

The project team did not set about the feasibility study in a vacuum. It was important to conduct an analysis of the current healthcare marketplace for all U.S. employers, as well as to better understand what is occurring in other denominations.

Healthcare Market Analysis

In 2008, employer-sponsored insurance was the leading source of health insurance, covering about 158 million non-elderly people in the United States. The average annual premiums for employer-sponsored health insurance were $4,704 for single coverage and $12,680 for family coverage, up about 5% from the 2007 average premiums. Since 1999, average premiums for family coverage have increased 119%. Average premiums for high-deductible health plans (HDHPs) are lower than the overall average for all other plan types for both single and family coverage.

About 80% of workers with single coverage and 93% of workers with family coverage contribute to the total premium for their coverage. The average annual worker contributions for single and family coverage are $721 and $3,354, respectively. The average percentage of the premium paid by covered workers is 16% for single coverage and 27% for family coverage.

The majority (58%) of covered workers are enrolled in preferred provider organizations (PPOs). Health maintenance organizations (HMOs) cover 20%, followed by point-of-service (POS) plans (12%), HDHPs (8%), and other plans (2%).

Employee Cost-Sharing

In addition to any premium contributions they may have, most covered workers face additional payments when they use healthcare services. Most (68%) workers in PPO plans have an annual deductible that must be met before all or most services are payable by the plan. Half of workers in POS plans and only 20% of workers in HMOs have an annual deductible. Many workers with no deductible have other forms of cost-sharing for office visits or other services.

The average annual deductible for workers with single coverage is $560 in PPOs, $503 in HMOs, $752 in POS plans, and $1,812 in HDHPs. Overall, the percentage of covered workers in a plan with a deductible of at least $1,000 for single coverage has grown from 10% to 18% over the last two years and, among small firms, the percentage of covered workers with a deductible of at least $1,000 has increased from 16% to 35%.

Outlook for the Future

Among companies that offer benefits, a large percentage report that, in the next year, they are very or somewhat likely to increase the amount workers contribute to premiums (40%), increase deductible amounts (41%), increase office visit cost-sharing (45%), or increase the amount that employees have to pay for prescription drugs (41%). About one in four firms offering health benefits — but not offering an HSA-qualified HDHP — say they are very likely (4%) or somewhat likely (21%) to do so. A similar share of firms not currently offering an HDHP report that they are very likely (5%) or somewhat likely (21%) to offer that plan type in 2009.

In January 2009, Hewitt Associates conducted a survey of more than 340 employers representing more than five million employees to understand their current and future approaches to healthcare benefits. While the number of companies focused solely on mitigating annual healthcare costs has more than doubled this year — from 15% in 2008 to 31% in 2009 — almost two-thirds (65%) said they are continuing to make significant investments in improving the health and productivity of their workforce despite the troubled economy.

Nevertheless, 4% of companies indicated they are taking steps today that will enable them to discontinue providing healthcare benefits altogether. This picture changes somewhat when employers describe their future approach to healthcare. While most companies (75%) plan to focus on improving employee health and productivity in the next three to five years, one-fifth (19%) said their strategy is to move away from directly providing healthcare benefits, up from 4% in 2008. Given that alternative healthcare offerings are being discussed in earnest by the Obama administration, these employers may see exiting healthcare as a more viable option than it was in the past.

Economic Impact on Employer Healthcare Programs in 2010
According to Hewitt's survey, the state of the economy has had little influence on healthcare programs in 2009. However, more than half (52%) of the companies surveyed said the economic downturn will have an impact on their 2010 healthcare programs. Overall, most employers are not planning to make drastic changes to their full-time and part-time healthcare benefits in 2010. Instead, they are focusing on both conventional and progressive approaches to address the costs related to their healthcare plans in light of the economic climate. Nearly two-thirds (65%) of companies plan to shift more costs to employees, and almost half (49%) plan to reduce the number of benefit plans. Conversely, a third (33%) plan to increase their focus on wellness programs, and almost 40% plan to increase the prevalence of consumer-driven healthcare plans, such as high-deductible health plans.

Employee Healthcare Benefits: Analysis of Church Health Plans

In addition to an analysis of the healthcare market in the United States, the project team evaluated the healthcare programs of other denominations to learn what was working successfully for other denominational employers.

Denominational Benchmarking Study
The denominational benchmarking study included elements such as guiding theology, eligibility, plan design, demographics, financial data, and organizational and administrative information. The information gathered from this benchmarking study provided a framework for the denominational health plan subsequently developed and proposed by the project team.

First, the project team partnered with Aon Consulting, Inc. (Aon) to develop an electronic questionnaire, as well as a live interview questionnaire to solicit more detailed information through one-on-one dialogue.

Next, potential participants were identified based on relationships within the Church Benefit Alliance (CBA) and other networks, as well as the size and scope of their current benefit programs. The project team contacted these participants, sharing the scope of Resolution A147 and an overview of the benchmarking objectives.

The following denominations participated in the study:

Presbyterian Church (USA)

The Lutheran Church - Missouri Synod

The Evangelical Lutheran Church in America

The United Methodist Church

The Southern Baptist Convention

As the survey and personal interviews were completed, responses were loaded into a database and a "scorecard" was developed to illustrate detailed responses.

Finally, the health plan administrator for each denomination was contacted. In all cases, the health plans were administered by the respective pension boards or agencies of the denominations.

Key Study Findings
The data from the participating denominations yielded a number of relevant findings, including:

- As of 2008, BlueCross BlueShield is the sole healthcare provider network for all of the denominations studied.
- The most prevalent health plan option offered by the other denominations was a Participating Provider Organization (PPO) program.

- All of the denominations are “self-insured” or “self-funded” and administered by their pension plan. This means the plans are underwritten by the pension plan and very few “fully-insured” (off-the-shelf) plans are made available.
- The Board of Pensions of the Presbyterian Church (USA) has the only plan with a provision for mandatory participation, and the mandate applies only to clergy — not to lay employees.
- Two out of five denominations [ELCA and the Presbyterian Church (USA)] offer only one plan option. In other words, employees do not have a choice of plan options from which to choose.
- The majority of the denominations have a higher medical plan deductible than those generally offered in The Episcopal Church.

Healthcare Benefits for Episcopal Employers
After reviewing the healthcare programs and policies of other denominations, the project team then turned its attention to the current state of healthcare in The Episcopal Church. After the census and survey, the project team began three additional online data collection efforts late in 2007:

- The first data collection effort focused on **dioceses of The Episcopal Church** and the policies and costs associated with diocesan requirements and practices for healthcare benefits among all congregations, diocesan institutions, and diocesan staff members. Ninety dioceses responded to the request for information — a 90% response rate.
- The second effort focused on **congregations of the Church and relevant Church institutions** (e.g., agencies, schools, and conference centers). The project team received 3,337 responses — a 37.5% response rate.
- The third effort centered on **individual lay and clergy employees** of the Church and of Church agencies and institutions. 8,166 employees responded to the survey — a 25.1% response rate.

The analysis of feasibility study data from employees presents a complex picture of healthcare benefits coverage. The cost of providing healthcare benefits for employees of The Episcopal Church continues to rise at an alarming rate. In 2010, the projected cost to The Episcopal Church for employee healthcare benefits is expected to increase by 9.5%. Total spending on employee healthcare benefits for 2010 by domestic congregations, dioceses, and official agencies, not including any dioceses in Province IX, is projected to be $161.2 million, or $12,343 per employee. The 9.5% increase is expected to be more than four times the rate of inflation and approximately four times the rate of average clergy salary increases.

Left unchecked, spending on employee healthcare benefits could increase at similar levels for the next two triennia, reaching $250.4 million in 2015, or potentially 15% of the Plate and Pledge income as projected by the feasibility study. (Projected Plate and Pledge assumes a growth rate of 2.5% for years 2009 to 2015 which may need future revision if the current economic conditions continue.)

This situation is not unique to The Episcopal Church. According to the Kaiser Family Foundation and the Health Research and Educational Trust, premiums for employer-sponsored health insurance in the U.S. have been rising four times faster, on average, than workers’ earnings since 2000.

It is critical to understand the underlying demographics of The Episcopal Church as an employer to measure the impact of employee healthcare benefits on the Church. Approximately 44% of congregations do not have full-time staff. These congregations typically have a part-time or supply priest, and research indicates that the congregation contributes 50% or less of the cost of healthcare benefits for the priest.

Many of these congregations share a priest (e.g., yoked parishes or cluster ministries), and the cost of healthcare benefits is shared across the congregations or is paid for by the diocese. (It is important to note here that while the congregation may employ a part-time priest, the priest serving these congregations may be working more than 30 hours per week by virtue of working in multiple congregations.)

Transitional-, program-, and resource-sized congregations account for only 25% of the total number of Episcopal congregations. (See page 34 for definitions.) However, 50% of full-time clergy and as much as 60% of full-time lay employees are working in these churches. It is no surprise that these larger congregations have large amounts in their budgets for employee healthcare benefits and are eager to find means of containing the rising cost of employee healthcare benefits.

The Church is the Primary Source of Healthcare Benefits for the Majority of Employees
87% of clergy are working full-time, and of those full-time clergy, approximately 83% receive their healthcare benefits through The Episcopal Church as their employer. The remaining 17% are covered by their spouses or a former employer, or through some government program. More than two-thirds of clergy have elected family coverage provided through their Episcopal employer. The vast majority of these clergy receive healthcare benefits at little to no cost to themselves.

The situation for the Church's lay employees is markedly different. Only one-third of lay employees are full-time,[4] and of those, only 65% receive their coverage through their Episcopal employer. A significant research finding was that 3% of full-time lay employees indicate that they are uninsured from any source. As compared to clergy, only one-third of lay employees have elected family coverage provided through their Episcopal employer. Furthermore, 50% of lay employees in our surveys reported paying more than half of the cost of their healthcare benefits coverage themselves. All of this data illustrates the disparity in the funding of healthcare benefits between clergy and lay employees.

The cost of healthcare benefits coverage is partly determined by the plan design itself. The project team collected information on the healthcare plans from more than 90 dioceses and multiple congregations. The collection process yielded more than 100 separate plan designs. Analysis of those plans demonstrated that 95% of all Episcopal employees were actually enrolled in a small number of unique plan options.

Designing Plan Options for a Denominational Health Plan
In developing an appropriate set of plans for The Episcopal Church, the project team set out several goals related to health plan design, including that the health plans offered under the denominational health plan must a) mitigate cost increases for the Church as an employer; b) provide financial protection from catastrophic healthcare expenses; c) include a comprehensive wellness program that will encourage member accountability; d) encourage the appropriate use of healthcare services; e) be competitive with the marketplace; and f) provide enough options to meet the individual needs of a diverse population.

At the conclusion of the plan design analysis, the team designed and recommended seven different plan options for the denominational health plan. These plan designs are shown on page 27 in Section 4.

Healthcare Benefits in Province IX

The diocese in Province IX — in Colombia, the Dominican Republic, Ecuador, Honduras, Puerto Rico, and Venezuela — are a highly integrated group focused on providing spiritual guidance, healthcare, and education services to some of the poorest communities in the world. Healthcare in Province IX is as much of an issue as in any other Province within the Church. The people in these countries suffer from the same chronic conditions and catastrophic events and they require the same level of services related to preventive care, diagnostic testing, and day-to-day treatment of minor ailments and illnesses. While dioceses and other institutions in Province IX will not be part of the first phase of implementation of

[4] *For the purposes of this report, full-time is defined as regularly scheduled to work 30 hours or more per week or 1,500 hours or more per year.*

the denominational health plan, the financial and cultural impacts of the denominational health plan in this region have been critical components of the project team's analysis.

And yet, the healthcare systems of each country range from barely sustainable to progressively improving. Accessing care through government-sponsored social security programs is challenging. But as part of an emerging region of the world, private healthcare services are expanding facilities, doctors, and services. The challenge is to leverage these new healthcare systems in the most cost-effective manner.

The following section outlines our research process and findings to date, and the future possibilities for this province of the Church.

Data Collection Process
Interviews with the Province IX bishops were conducted to better understand how each diocese is organized to serve its congregations and communities. These conversations revealed an impressive collection of congregations, schools, healthcare facilities, and well-structured community support groups, dedicated to serving the people of these countries.

In Venezuela, the diocese has created a consortium of organizations with the shared desire to purchase private healthcare insurance as a group. This consortium has used its collective strength to negotiate coverage levels that provide participants access to private healthcare facilities, doctors, and diagnostic services. In Puerto Rico, where the Church is responsible for more than 2,500 clergy, lay employees, hospital employees, school administrators and teachers, and home healthcare professionals, the entire organization is covered under insured healthcare coverage that includes dental and prescription drug coverage in addition to medical benefits. Further, the diocese has been subsidizing a significant portion of the cost of these benefits for several years, allowing for the provision of these benefits to all of these clergy and lay employees.

Other dioceses are exclusively reliant on the provision of care by government social security programs. In the Dominican Republic, while clergy and lay employees are all covered under a program required by local law, the limitations of the coverage and the difficulties in accessing care in a reasonable amount of time (some wait weeks or months for an appointment to see a specialist) are a stressful reality that the clergy and lay employees deal with on a daily basis. In Colombia, where the government has made efforts to coordinate care under the social security system through private healthcare facilities, the clergy and lay employees of the Church cannot always afford the services they need due to limitations in the amount covered by social security. Out-of-pocket expenses can be high and especially challenging for clergy who live off an annual stipend of less than USD 5,000. Bishops voiced a consistent need for supplemental insurance that would improve access to care and reduce out-of-pocket expenses of the clergy and lay employees. As with the domestic Church, a further study of the costs and issues surrounding healthcare benefits for all clergy and lay employees of Province IX will determine opportunities to enhance the provision of healthcare services in this region.

Province IX Census
A first important step in the discovery process was to understand the number of clergy and lay employees, as well as eligible dependents, in each diocese. The data showed that Province IX has a collection of dioceses with younger populations than the domestic Church and with average annual stipends that are significantly lower.

The project team prepared census files to share with insurance companies in each country, as well as companies that offer regional insurance options, so they could provide a quote for healthcare options for the dioceses. As of this writing, the project team has collected quotes for each country except Puerto Rico, which is being evaluated separately.

Funding of Healthcare Benefits
The challenges related to the funding of healthcare benefits for the Province IX dioceses are significant. Not only do most dioceses not have access to private insurance, they also face difficult situations when clergy or lay employees have critical medical issues. For example, a clergy or lay employee may need an expensive operation, which requires payment up front in order for the surgery to proceed. Neither the employees nor the dioceses are prepared to pay these out-of-pocket expenses. The bishops of Province IX discussed possible solutions, including researching private healthcare insurance options as well as creating and instituting an emergency medical fund.

Based on that input, the project team conducted research to determine the prevalence and structure of any emergency funds that other non-profit organizations might have established. It was learned that this type of fund is fairly prevalent, and a model for an emergency medical fund has been drafted and presented to the members of the Episcopal Church Medical Trust Strategy and Policy Committee of the CPF Board for consideration. However, the provision of an emergency fund would not preclude the need for private healthcare insurance. Such a fund would work in conjunction with local or regional insurance programs to cover excessive expenses in emergency situations as well as care excluded from a local plan due to pre-existing condition clauses in insurance contracts.

Market Analysis
There is a significant amount of growth in the countries of Latin America relative to healthcare services. Each country is growing at a different rate, and these differences are reflected in the availability of insurance and healthcare providers. Findings from the study were presented to the bishops in Province IX in October 2008. The data presented in this study was compiled in 2007 and early 2008 and does not reflect the situation after the fourth quarter of 2008 or current conditions.

Colombia
With 43 million people, Colombia is the third-most-populous country in Latin America, after Brazil and Mexico. The country is undergoing significant economic reforms under the leadership of President Uribe (reelected in 2006). The annual economic growth has been 6.5 to 7% since 2006, and unemployment was reported at 9.4% in November 2007 compared to 15.1% in December 2002. In 2007, Colombia reportedly received USD 8 billion in foreign direct investment as more companies saw this country as an important emerging market for their goods and services. Colombia currently ranks 29th in the world as a trading partner for U.S. goods, and there are efforts underway to improve the trading relationship. Colombia wants to move beyond trade preferences with the U.S. and establish a permanent reciprocal economic partnership. Legislation has been introduced in the U.S. Congress (April 2008) and is pending approval. Improved security has led to the *New York Times* designating Bogotá as one of the top 50 cities in the world to visit.

In Colombia, Church employees live primarily in the two geographic areas where most of the 42 million Colombians live and where health coverage is better. The in-country staff, which serves in 37 congregations, is made up of six full-time clergy, 20 worker priests, and five full-time lay employees. Currently, these employees participate in the national health coverage (contributory public system). Some concerns were expressed about this coverage, and it is the desire of the clergy and lay employees to have a private insurance plan which will allow access to different providers. The diocese does not pay for health insurance due to financial limitations. The expectation is that the cost of private insurance could exceed monthly income levels of some clergy and staff.

There are two potential solutions for providing healthcare insurance to clergy and lay employees in Colombia. A local insurance company and reputable regional insurance firm have submitted proposals to provide coverage locally in Colombia as part of a multi-country plan that also includes Honduras. The advantage of this regional plan is that Colombia is able to take advantage of economies of scale by being included with the population in Honduras which is considerably larger.

It is important to analyze the financial aspects of these options, as well as verify that the regional coverage truly works locally in Colombia, to ensure the clergy and lay employees will be able to effectively use the plans.

The Dominican Republic

The Dominican Republic is one of the most popular tourist destinations in Latin America, and many of its nine million residents are dedicated to this service industry. The economy in the Dominican Republic boomed in the 1990s, expanding at an average rate of 7.7% per year from 1996 to 2000. The country enjoys a strong trading relationship with the U.S. (75% of export revenues), Canada, Western Europe, and South Korea. The Dominican Republic is the 31st-largest commercial partner of the U.S. The Central Bank estimates that the economy grew at 7.9% during the first six months of 2007 with an inflation rate of 5.9%, and the projected rate of inflation for 2008 is 8.0%; the increase is due, in part, to higher oil prices. The unemployment rate is expected to increase marginally from 15.6% to 15.8%. Foreign direct investment reached USD 7.423 billion in 2007. In September 2005, the country ratified a free trade agreement with the U.S. and five Central American countries, known as CAFTA-DR.

Since 1991, the Church has doubled the number of missions and clergy, and significantly reduced its dependence upon funds from The Episcopal Church. There are 65 congregations with 22 clergy and 11 lay employees, as well as 24 Episcopal schools with around 290 employees. The diocese helps to deliver health services to the general population with three clinics equipped with ten field medical teams which include dentists as well as clinics that provide general, specialty, and pharmacy care. There is also the HIV/AIDS program funded by the Bill Clinton Foundation.

Currently, the diocese does not provide private healthcare insurance to its clergy or lay employees, but the group is registered in a local HMO-type plan that the government put into place in 2007. Through this HMO, clergy and lay employees have access to a local network of providers, and services are covered through a standard plan design. This type of coverage is available to all employees in the Dominican Republic and paid for through employee payroll taxes. The coverage is limited, and out-of-pocket expenses are an issue for the diocese. The access to care is also an issue as the providers in this HMO are serving the entire public system which is plagued by poor service and poor quality.

Similar to Colombia, there are two possible options for the Diocese of the Dominican Republic. The local solution is significantly less expensive than the regional option because it is designed to work in conjunction with the local HMO coverage employees have access to now. Supplemental insurance would provide coverage for services not adequately covered by the HMO plan. They would also have the opportunity to access providers that operate independently of the public system, improving the access to quality care. The regional option would consolidate the coverage for the Dominican Republic with Ecuador, Honduras, and Venezuela. The advantages of the regional option may outweigh the significant difference in cost to the local option, and the Diocese of the Dominican Republic is evaluating the options with the project team.

Ecuador

As the second-smallest country in South America, Ecuador is home to an amazing contrast of tropical forests, mountainous regions and, of course, the Galapagos Islands. With just over 13 million inhabitants, and as much as 70% of Ecuadorians living below the poverty line, the country faces many challenges. Ecuador's economy is highly dependent on the price of oil; in the early 1990s, the country experienced strong growth. But with a number of factors in the late 1990s, including El Niño weather patterns, a steep drop in oil prices, and instability in an emerging market, the country experienced a 6.3% contraction in GDP. Annual economic growth has been 1.7% to 2.6% since 2007, and unemployment was estimated at 9.3% for 2007. The rate is expected to remain the same for 2009. Recently, President Correa has been involved in negotiations to increase the government's role in the energy industry, which could lead to economic recovery. Ecuador's oil production accounted for approximately 60% of exports earnings (2006), and it is the world's largest banana exporter.

There are two dioceses in Ecuador: Ecuador Central and Ecuador Litoral. In Ecuador Central, there are 30 congregations with 16 clergy, seven lay missioners, seven diocesan staff, and two schools with 20 employees. In Ecuador Litoral, there are 34 congregations with 11 clergy, two lay missioners, four diocesan staff, and four schools. Ecuador Central has financial problems as a result of previous leadership and is now under budget constraints. The diocese would need significant additional outside financial assistance. The diocese currently delivers healthcare services for two small, poorly funded medical clinics serving the indigenous population in Ecuador Central. In Litoral, there is one general clinic with ten specialties which includes a staff of 16 volunteer medical doctors and dentists, as well as visiting mission teams from the Diocese of Tennessee which include many doctors and nurses from Vanderbilt University.

The diocese does not provide healthcare to its clergy and employees, and relies on the public healthcare system. The program is plagued by poor access and poor quality. Care provided by the public health hospitals is minimal, and they require payment up front. Appointments are difficult to schedule, and long waits of one to two months or more for doctor visits are typical.

However, private healthcare systems and insurance programs are developing. There are two local options, as well as the regional option noted earlier that includes the Dominican Republic. The local options are more expensive than the regional plan, demonstrating the opportunity for smaller dioceses to take advantage of the economies of scale by joining other dioceses in other countries.

Honduras

Honduras has faced a number of obstacles in developing and maintaining economic growth since the 1980s. The devastation from Hurricane Mitch in 1998 — 5,000 deaths and USD 3 billion in damages — left the country feeling the economic aftermath. Since then, Honduras has relied heavily on foreign aid and debt relief programs in an effort to reduce poverty and stimulate the economy. Of an estimated 7.48 million people in Honduras, two thirds are living below poverty level, and the average unemployment level has hovered around 28% since 2002. Annual economic growth has averaged 7% for the past few years. The U.S. is Honduras' primary trading partner, supplying more than one half of all imports and approximately 65% of Honduran exports.

The Episcopal Diocese of Honduras has been described as one of the most dynamic and rapidly growing dioceses of The Episcopal Church. The diocese works primarily in poor and marginalized communities, and balances a strong emphasis on church plants and congregational development with great emphasis on evangelism, stewardship, and financial self-sufficiency, with an equally strong focus on economic development, food security, education, and healthcare. It is made up of ten deaneries and 153 congregations, with 60 clergy and 14 lay pastors on ordination tracks, six diocesan lay employees working in traditional areas and 25 employed by Anglidesh, the diocesan-level development agency. In addition, there are ten schools with 500 employees, and eight "cooperativas" (cooperative financial institutions). The diocesan offices are located in San Pedro Sula, a city in the most developed part of the country.

52% of the population relies on the public healthcare system. Only approximately 10% of the population has private insurance and access to privately funded services. There are three possible options for Honduras; one local and two regional. The costs of the options vary quite significantly. This diocese is the second-largest in Province IX, and providing for private healthcare insurance for this group will result in a significant financial burden to the Church. In addition to evaluating the options, the coverages, and the needs of the diocese, a financial solution that would allow for the provision of this benefit in a way that is sustainable must be designed.

Puerto Rico
Puerto Rico enjoys a unique relationship with the United States. A Commonwealth of the U.S., Puerto Rico is a semi-autonomous territory. However, many organizations, including The Episcopal Church, consider Puerto Rico an international location, and for that reason, Puerto Rico is the largest diocese outside of the U.S. The island is considered to have the strongest and most diversified industrial economy and highest per capita income in the Caribbean. For the past three years, however, Puerto Rico has been in a recession as annual economic growth is negative 1.2% and is continuing to decline. Unemployment is currently at 13.5% compared to 7.2% in the U.S. (December 2008), and inflation has recently hit 11.7%, slightly higher than 2007.

The diocese has 48 congregations; 40 of the congregations are missions. Currently, 60 active clergy and 17 lay employees are serving the diocese. Under the Iglesia Episcopal is the Episcopal schools network which consists of four schools with approximately 45 employees; Servicios Sociales Episcopales (Social Services) with approximately 80 employees; Servicios de Salud Episcopales (SSE) which is made up of the Servicios Generales Episcopales (SGE); 60 employees made up of executives and administration located in Ponce, PR; and three hospitals and one home health agency which are involved with delivering health services to the general population.

- Hospital Episcopal San Lucas I — currently closed, however, will reopen as a hospice (home health agency) and employs approximately 1,000 employees
- Hospital Episcopal San Lucas II — approximately 1,165 employees (does not include physicians or per diem workers)
- Hospital Episcopal Cristo Redentor — approximately 400 plus employees and subsidizes healthcare through Triple–S, International Health Care and Preferred Medical Care; all plans are fully-insured
- Naval Hospital, Roosevelt Roads — tentative opening soon; 900 beds

The Diocese of Puerto Rico provides employee healthcare benefits through First Medical Plan, Preferred Health, and Triple–S, an affiliate of BCBS. Health plan contracts are renewed every January. The health plans are fully-insured and cover clergy, lay employees, and dependents.

Given the system in place, the project team is focused on maximizing the effectiveness of the current benefit programs in Puerto Rico. It may be possible to leverage U.S.-based programs on the island. For example, there is an opportunity to extend the prescription drug coverage contemplated for the U.S. under the denominational health plan to Puerto Rico, which should significantly reduce costs while potentially improving the benefit. The team is also evaluating the financial structure of the medical plan to determine further cost-saving opportunities. There is also a proposal to include the Puerto Rico benefits under the Medical Trust, which will allow for additional services directed to participants to be extended to the Puerto Rico population.

Venezuela
Recognized globally as one of the most controversial countries in the world, Venezuela, with President Hugo Chávez at the helm, has been pursuing several nationalist and populist policies. Currently, the role of government in the economy remains ambiguous. The recent constitution calls for a limited role in the private sector, while the government is being pressured to pursue market reforms. The Venezuelan economy is based in large part on oil, which accounts for 80% of all export earnings and more than half of government operating revenues. The economic growth

rate is 8.3% due to the success in petroleum sales, and the unemployment rate dropped to 9.1% due to high economic growth. Inflation is around 20%, one of the highest in Latin America.

The Episcopal Diocese of Venezuela currently has 22 congregations, 11 full-time clergy and one lay employee. A few years ago, the diocese led efforts to create a consortium of companies with the sole purpose of leveraging the consolidated populations of these companies to more effectively purchase healthcare coverage (total census in the consortium is 504 employees, 182 spouses, and 389 children and other dependents). The diocese pays for private healthcare coverage for the clergy and lay employees. However, the long term sustainability of present coverage would require continued sacrifices in other parts of the diocesan budget, rapid stewardship growth, or additional outside support.

Benchmarking the current healthcare plan relative to other market options reveals that the plan is comprehensive in its coverage and the pricing is very competitive (particularly as a result of the leverage the diocese is able to realize through the consortium). The project team is now working with the diocese to determine how to sustain the current benefits given the financial constraints the plan puts on the Church.

Plan Design Analysis
While there are evident differences in plan design from country to country, there are components of medical plan designs that can be consistently applied. The project team is working with each diocese to determine overall guiding principles that will influence the plan designs of each healthcare solution for each country. These include:

- Costs based on Reasonable and Customary charges
- Hospital coverage
- Outpatient coverage
- Diagnostic tests coverage (lab and x-ray)
- Prescription drug coverage
- Emergency care
- Maternity benefits

There are certain elements that could be considered optional and certainly have a significant influence on the cost of healthcare benefits. The project team is working with each diocese to measure the importance of various design options, including international coverage, dental and vision benefits, and coverage for catastrophic conditions.

A key challenge remains in the negotiation of pre-existing condition exclusions. In Latin America, many insurance companies exclude the coverage of pre-existing conditions, sometimes indefinitely and sometimes for a finite period (e.g., not within the first 3 to 12 months of the effective date of the plan). It is possible to negotiate (the Diocese of Venezuela has been successful), but it remains an important point of negotiation as the dioceses move forward on plan design details.

Future Cost Analysis
In addition to striving for the best solutions for Province IX, the project team is mindful of cost issues. The expense of providing private healthcare benefits for the diocese of Province IX is an additional expense to a region that is already challenged every day to meet their financial obligations. Most of these dioceses also prefer to be self-sufficient. The project team continues to analyze different scenarios and develop creative options for consideration.

Section 4: The Denominational Health Plan Recommendation

At the start of the feasibility study, two alternative approaches to improving the healthcare benefits program across the Church were to be evaluated: retaining the current voluntary system of multiple diocesan programs but with recommendations for reducing and restraining future cost increases, and creating a denominational health plan for all eligible clergy and lay employees. As the study progressed, however, it became evident that a denominational health plan would have the most positive impact on employers and employees throughout the Church and the greatest potential for cost savings. This section describes in detail the denominational health plan that is being recommended to the 76th General Convention.

Evaluating the Retention of the Current Voluntary System with Enhancements

The feasibility study examined two alternate approaches to the system currently in place: retaining the voluntary system with the addition of recommended enhancements, and the creation of a denominational health plan. Although it became evident early in the study that a denominational health plan would result in the most positive impact for the Church, the viability of the current system, with enhancements to drive new cost reduction and growth restraints, was thoroughly examined as well.

In its evaluation of the viability of an enhanced version of the Church's current healthcare benefits model, the project team first studied its inherent benefits and disadvantages.

Benefits include:
Flexibility to explore alternatives to control premiums in the short term: local market forces, alternative funding arrangements, and plan design changes

Suitable to meet unique needs of individual diocesan and congregational employees

Allows for local control and influence in areas such as healthcare management, administrative service, choice management, equity definition, and contract tailoring

Ability to resolve issues quickly

Disadvantages included:
Limited ability to constrain overall healthcare costs for The Episcopal Church:
Fragmented risk pool, added cost/margin to account for inherent claims volatility, sub-optimal large scale purchasing and administrative efficiencies, and an inconsistent and uncoordinated approach to utilization and care management.

Sub-optimal access to healthcare:
Inconsistent approach to offering most efficient and effective provider networks, evidence of insurability, rating requirements, and pre-existing condition limitations

Inconsistent and uncoordinated approach to offering the most efficient plans, improving underlying health of clergy and lay employees, and defining equity:
Fragmented dependent eligibility rules, perpetual change driven by short term cost pressures borne by participants, and mobility challenges due to lack of and/or difficulty in portability of coverage

Somewhat limited ability to react and capitalize on changes in the healthcare system and healthcare reform:
Longer term sustainability shifts to individual participants

In addition to the examination of the benefits and disadvantages of maintaining the current voluntary system, the study also quantified the expected savings that recommended enhancements to the current voluntary system could bring. The study focused on the same core savings components that were identified by examining the denominational health plan model. Although certain advantages of the denominational health plan (e.g., cost management/improvement initiatives, optimal plan and network selection, economies-of-scale purchasing) could be replicated under the voluntary model, the order of magnitude of savings would be expected to be lower since they would impact a smaller proportion of the overall population. Other components of savings (e.g., removal of state premium tax, commissions, excess margin inherent in local fully-insured plans) would be limited and more volatile under the voluntary model since short term cost pressures could continue to drive short term local savings while sacrificing larger and longer term savings for The Episcopal Church.

Similar to the financial analysis under the proposed denominational health plan model, the study determined a range of savings for each core savings component for the enhanced voluntary model, and applied them to the baseline costs that were established under the current voluntary model. The level of savings varied across components, and was applied separately to the different cohorts that exist under the current model. The financial modeling produced results that showed expected savings under the enhanced voluntary model to be only approximately 30% to 40% of the potential savings under the denominational health plan model. The expected results equated to an approximate 3.5% reduction in healthcare spending and accumulated savings of $21 million over the first full four years after approval. As detailed benefit offerings, cost data, and demographic data was not available for the entire Church-covered population, sensitivity analysis was also conducted to determine the likely range of savings based on varying sets of assumptions that impacted the magnitude of savings for each core component. The sensitivity analysis produced a range of savings of 2% to 8% for the full implementation of the recommendations under the voluntary model for new cost reduction and growth constraints.

The Denominational Health Plan: A Healthcare Benefits Model for the Church's Future

The reality is that many congregations across the Church are having difficulty providing affordable health insurance for their employees. Further, current research indicates that more and more congregations are experiencing financial difficulties and may be forced to make budget changes for 2010. In a matter of a few years, the number of congregations unable to provide employee healthcare benefits could increase significantly.

So what is the denominational health plan, and how does it address the financial problems facing Episcopal employers? At its core, it is a model for central administration of employee healthcare benefits for The Episcopal Church. While administration is centralized, the plan provides dioceses and groups with autonomy over key aspects of their healthcare programs — including plan choice and design — while lowering costs to employers and employees.

Centralized Administration Brings Better Choices

The words "denominational health plan" may stir images of rigidity, requirements, and restrictions. This is simply not true. Dioceses will have control and choice. The denominational health plan is really about leveraging the Church's aggregate size for the large-scale purchasing of employee healthcare benefits. This aggregation will be accomplished by the Medical Trust, which will serve the Church as the central point, plan administrator, and sole plan sponsor for the purchasing and administration of employee healthcare benefits for dioceses, congregations, and official agencies of The Episcopal Church.

All domestic U.S. dioceses (including their cathedrals, congregations, parishes, missions, and chapels), Puerto Rico, and the Virgin Islands, along with official ecclesiastical organizations or bodies subject to the authority of the General Convention, will be required to participate in the denominational health plan. Any other societies, organizations, or bodies in the Church may participate on a voluntary basis.

Centralized Administration Balanced with Autonomy
Each diocese or group will have autonomy over benefit plan options and designs, cost-sharing between employer and employee, the participation of schools, day care facilities, and other institutions, and eligibility, including whether or not to cover domestic partners. In fact, the denominational health plan may enable dioceses and groups to offer more plan choices for their employees than they do today.

Plan Design Options
The breadth of healthcare plan types currently available to clergy and lay employees today will remain largely intact. This is possible because the Medical Trust already offers a variety of plan designs (including HMOs, PPOs, and HDHP/HSAs), with a variety of deductibles, coinsurances, and copayments. Plans will be offered through a number of healthcare vendors that will include BlueCross BlueShield, Aetna, United Healthcare, CIGNA, Kaiser, Group Health, and other regional plans that are best in market or are required to ensure adequate access to healthcare providers. Each diocese and group chooses the plans that are offered to employees and may change plans and vendors on an annual basis, based upon changing local preferences and needs.

Proposed Denominational Health Plan Design Options – Effective 1/1/2010

Plan Provisions	**PPO 100/70**	**PPO 100/70**	**PPO 90/70**	**PPO 80/60**	**EPO 90**	**HMO**	**HDHP II**
DHP Plan Type	PPO	PPO	PPO	PPO	EPO	HMO	PPO
Vendor	BCBS/United	BCBS/United	BCBS/United	BCBS/United	Aetna/BCBS	Aetna/Kaiser	BCBS/CIGNA
PCP Required	No	No	No	No	No	No	No
Network Deductible	$0	$200	$250	$500	$200	$0	$2,700
Network OOP Max (incl. Deductibles)	$0	$200	$1,250	$2,000	$1,200	N/A	$4,200
Network Coinsurance	100%	100%	90%	80%	90%	100%	80%
Routine/Preventive Care	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Office Visit	$25	$25	$25	$25	$25	$20	N/A
Non-Network Deductible	$500	$500	$500	$1,000	N/A	N/A	$3,000
Non-Network OOP Max (incl. Deductibles)	$3,500	$3,500	$3,500	$5,500	N/A	N/A	$7,000
Non-Network Coinsurance	70%	70%	70%	60%	N/A	N/A	55%

Prescription Drug	**Standard**	**Premier**	**HDHP**
Deductible – Retail	$50	$50	Comb. w/Medical
Retail – Generic Copay	$10	$5	15%
Retail – Brand Formulary Copay	$30	$20	25%
Retail – Brand Non-Formulary Copay	$50	$35	50%
Mail – Generic Copay	$25	$12	15%
Mail – Brand Formulary Copay	$70	$50	25%
Mail – Brand Non-Formulary Copay	$120	$80	50%

Cost-Sharing
Each diocese will need to establish its own policy for congregations regarding the required employer cost-sharing. That means that a diocese can choose to cover 100% of the premium cost for employees and families, or only a portion. The diocesan policy regarding employer cost-sharing must be the same for both clergy and lay employees working 1,500 hours or more per year (full-time). This will eliminate the disparity that exists today between full-time clergy and lay employees. The policy regarding employer cost-sharing must be implemented no later than December 31, 2012 in preparation for the 2013 plan year.

Domestic Partner Benefits
Dioceses and groups also will determine whether or not they wish to offer domestic partner benefits to employees. If they choose to do so, they will be administered in accordance with the 1997 General Convention Resolution C024.[5]

Congregational Schools, Day Care Facilities, and Diocesan Agencies
Each diocese will decide annually whether or not schools, day care facilities, and other diocesan institutions participate in the denominational health plan. If a diocese does not require participation by these institutions, voluntary access will be available but participation will not be required.

Freedom of Choice for Employees
Full-time clergy and lay employees who have health benefits through an approved outside source may waive their coverage (opt out) under the denominational health plan and choose to maintain their healthcare benefits through a spouse's or partner's employment, military service benefits, governmental program, or coverage from a previous employer. However, employees may choose to enroll in a plan offered under the denominational health plan during the next annual open enrollment or at the beginning of any month in which a significant life event occurs.

Required Participation Versus Freedom of Choice
If all of a congregation's employees have their healthcare benefits through an approved non-denominational health plan source, is the congregation expected to contribute towards the cost of administering the denominational health plan? The answer is no. However, in the event that a new employee without healthcare benefits is hired, or an existing employee loses his/her non-denominational health plan coverage and desires the congregation to provide him/her with healthcare benefits, the congregation will be required to offer and fund those healthcare benefits through the denominational health plan and in accordance with the employer cost-sharing policy as established by the diocese.

Centralized Administration for the Common Good
Research shows that the denominational health plan will result in a variety of benefits for dioceses, along with financial stability and cost savings for the entire Church. But approving the denominational health plan isn't simply about administrative and fiscal responsibility — it's also about fairness and equity. It offers individual dioceses the opportunity to make a choice for the benefit of the whole. It is, in a sense, a symbol of what can be done for the common good when we work together as one Church, striving for a positive outcome for all.

[5] ***Resolution C024: Request the Medical Trust to Cover Domestic Partnerships in Health Plans***
Resolved, That the Episcopal Church Clergy and Employees' Medical Trust be authorized to offer to dioceses which desire such coverage provision for the inclusion of domestic partners in its health insurance plans. The extension of such coverage shall not constitute an opinion as to what constitutes an ecclesiastically sanctioned domestic unit.

Section 5. Impact Analysis by Church Size

An important part of the feasibility study was a comprehensive analysis of the financial impact of today's various healthcare approaches and costs, as well as that of the proposed denominational health plan, on Episcopal congregations in all church size categories, to determine the potential for savings and efficiencies. This section provides a brief overview of healthcare costs across the Church, followed by financial impact analyses for congregations, dioceses, and institutions within the five church size categories: Family (1 to 75 average Sunday attendance[ASA]), Pastoral (76 to 140 ASA), Transitional (141 to 225 ASA), Program (226 to 400 ASA), and Resource (401+ ASA).

The Costliness of the Current Model

The current cost of providing healthcare benefits is typically 7% to 9% of a median congregation budget. In the minority of congregations that offer full parity of healthcare benefits to clergy and lay employees with family coverage, the cost of providing those benefits takes an additional 2% to 3% of the total operating budget.

While this percentage does not vary significantly by size of budget, there are considerable differences in overall costs among individual congregations as well as dioceses. Congregations with smaller budgets and an ASA below 100 may have costs of 14% or higher of the total operating budget. Moreover, the cost of providing healthcare benefits is expected to continue to increase at a rate of 9.5% per annum while congregational operating revenues are increasing at a rate of only 2.5% per year.

The Denominational Health Plan: Savings Opportunity for the Church

Collectively, congregations and institutions currently offering healthcare benefits with parity for both clergy and lay employees, including any of their eligible family member dependents, can expect an annual cost savings of 8% to 10% under the denominational health plan. Additional savings will result from minimizing the time and hidden costs associated with dioceses and congregations individually procuring and administering a multiplicity of separate healthcare benefits plans.

The impact on an individual congregation may vary due to many factors, including congregational operating revenue and staffing levels, plan coverage currently offered, and the health plans and eligibility provisions chosen by the diocese under the denominational health plan. In addition, the family status of clergy and lay employees (whether they are married and/or have dependent children whom they choose to cover under the plan), the number of employees who currently receive healthcare benefits from another source but subsequently choose to enroll in coverage through the denominational health plan, and the costs for employees working fewer than 30 hours who may be offered healthcare benefits, may also impact the costs and savings of an individual congregation.

Savings for Congregations with Full Parity

Congregations that have already achieved healthcare benefits parity between their eligible clergy and lay employees will realize the greatest cost savings under the denominational health plan.

Savings for Congregations without Full Parity

Assessing the financial impact on individual congregations or institutions that have not already achieved parity requires a detailed review of multiple factors, including the number of lay employees and their dependents, and the types of health plans to be offered. In congregations where lack of numerical and financial growth is already creating financial stress, the requirement for healthcare benefits parity for clergy and lay employees scheduled to work 30 or more hours per week could conceivably be a factor in future staffing decisions. However, as the following analysis illustrates, in most cases, a congregation will find that the cost savings realized through the denominational health plan will cover the additional costs associated with offering parity between clergy and lay employees.

Church Employees and Dependents Covered Today

As of December 31, 2008, about 13,060 individuals were covered by healthcare benefits plans provided by dioceses, congregations, and official agencies of the Church. Of that number, 5,310 were clergy (40.7%) and 7,750 were lay employees (59.3%). The Medical Trust covered 8,312 employees (3,128 active clergy and 5,184 lay employees) or 64% of all employees.

97% of all lay employees working 30 or more hours per week or 1,500 hours per year (full-time) currently have healthcare benefits. Of those 97%, 64% receive their healthcare benefits from their Church employer, 17.8% receive benefits from their spouse or partner, and 15.1% receive their healthcare benefits from other sources. That means that only 3% of lay employees working full-time today have no healthcare coverage.

The data reported by congregations suggest that at least 67.5% of congregations offer multiple tier coverage (Single, Employee plus 1, Employee plus Child, Family) to lay employees. However, lay employees typically are enrolled in single coverage. This may be explained by the fact that most or all of the additional costs for family coverage would be borne by the lay employee rather than the employer. Of the 67.5% of congregations that report offering multi-tiered coverage to lay employees, 21% report paying 100% of the premium across all tiers, suggesting that many congregations have already deemed parity of healthcare benefits to be important and have already been able to attain parity.

The percentage of lay employees receiving coverage for additional family members improves somewhat by church size, ranging from 11.1% in Family size congregations (1 to 75 ASA) to 36.8% in Resource size congregations (401+ ASA). By contrast, 53.0% of full-time clergy in Family size congregations utilize additional family member coverage; this rises to 74.7% in Resource size congregations. Those working on a diocesan staff are closer to parity, with 55.1% of lay employees and 68.6% of clergy utilizing coverage that includes additional family members.

In the case of full-time clergy, most diocesan compensation guidelines specify that full-time clergy be offered church-provided healthcare benefits. Indeed, of the more than 2,000 full-time clergy who responded to the Healthcare Feasibility Study, 100% report that they currently receive a healthcare benefit. 82% receive their healthcare coverage from the church, 13.5% from their spouse/partner, and 4.5% from other sources. Even among those clergy working fewer than 30 hours per week, only 2.6% report receiving no healthcare benefits and being uninsured.

The Cost to Cover Today's Church Employees

Clergy Employees

In 2007, the average annual cost of healthcare benefits from a variety of vendors including the Medical Trust was $12,300 per cleric. The benefit offered to a cleric typically includes a spouse/partner or family benefit as appropriate, thus explaining much of the $5,000 average cost difference between clergy and lay employee benefits. In addition, the higher median age of the clergy and their utilization of benefits are additional factors in the cost disparity.

As with lay employees, the cost to the congregation per individual cleric did not vary significantly by church size. With the same expectations of 9.5% healthcare cost increases per year, the cost of providing a comparable benefit will have risen to $16,100 by 2010. And again, by contrast, with the implementation of a denominational health plan, the expected average cost in the year 2010 for providing healthcare benefits to a cleric would be $14,500.

Lay Employees

Over 1,600 congregations responded to the detailed financial survey conducted as part of the feasibility study. In 2007, the average annual cost of healthcare benefits from a variety of vendors including the Medical Trust was $7,300 per lay employee, and did not vary significantly by congregation size. Given the projected cost increase of 9.5% per year, the cost of providing a comparable benefit will rise to $9,600 per lay employee by 2010.

These average costs are not an average premium of church-provided health benefits for clergy but rather the national average (mean) value that is essentially a weighted value that reflects different carriers, health insurance plans, family situations, and those who are not covered by a Church plan today. It is important to note that current healthcare benefits costs per individual covered differ considerably by region, diocese, and the specific benefits provided under the variety of plans now offered throughout The Episcopal Church.

The Financial Impact to an Individual Congregation, Diocese, or Institution

Church Size Categories

The 7,145 domestic congregations of The Episcopal Church can be classified into five categories as measured by average Sunday attendance (ASA). These congregation size categories have been widely adopted throughout the Church as a useful way to understand the cultural and financial differences of these various congregational models. The categories were developed by the Diocese of Texas through the work and teaching of Kevin Martin. Martin extended the pioneering work of Alan Routhage, which postulated four church sizes. Under the five category system, congregations are classified as Family (1 to 75 ASA), Pastoral (76 to 140 ASA), Transitional (141 to 225 ASA), Program (226 to 400 ASA), and Resource (401+ ASA).

The five church size categories are helpful in evaluating the differing potential financial impacts of the denominational health plan, particularly as levels of revenue, per capita giving, staffing, and benefits correlate closely with church size. Plate and Pledge income, or current member giving, typically grows at a more rapid rate than average Sunday attendance. By contrast, although clergy compensation also correlates well with church size, it grows more slowly than operating revenue.

That said, healthcare costs for an individual clergy or lay employee with comparable benefits are independent of congregation size. This makes it easier for a larger congregation not only to add additional paid staff but also to fund their ministries at a higher level. In financial terms, congregation costs are highly leveraged, with small gains in giving and attendance significantly enhancing the ability of a congregation to do ministry and mission as additional revenues are available over and above the costs of staff and benefits. Cost reductions through the implementation of a denominational health plan would enhance the leveraging of growth in a congregation's giving and attendance.

As previously mentioned, the impact on an individual congregation may vary due to many factors, including congregational operating revenue and staffing levels, plan coverage currently offered, and the actual health plan(s) chosen by the diocese in which the congregation is located, family status of clergy and lay employees, and the number of employees currently receiving healthcare benefits from another source who choose to enroll in the denominational health plan. Healthcare benefits costs of an individual congregation will also be affected by the extent to which employees working less than 30 hours may be offered healthcare benefits now or in the future, and to what extent cost-sharing is involved for individuals who are below the mandated healthcare benefits threshold.

Data from the feasibility study has been compared with parochial report data and CPF compensation report data. They generally correlate quite well by church size categories. However, it is important to note that while a minimum of 30 scheduled hours per week is generally the minimum threshold at which healthcare benefits are offered, many congregations and institutions offer full or partial healthcare benefits to those who work fewer than 30 hours per week. Additionally, many who are offered healthcare benefits choose to waive coverage (opt out) because of the high costs of the employee share. Under a denominational health plan, some of those who currently waive coverage may choose to enroll.

The examples that follow were selected to be as representative as possible for each church size category, including operating revenues and staffing. Data was taken from a variety of sources, including the annual Parochial Reports and annual Compensation Reports.

Impact of Denominational Health Plan on Family Size Congregations (1 to 75 ASA)

Family Size Congregations (1 to 75 ASA)

3,640 congregations	50.9% of all domestic TEC congregations
Mean ASA	38
Median ASA	36
Median Operating Revenue	$ 50,500
Total number of full-time clergy (est.)	1,115
All full-time clergy, median compensation (stipend, housing, SSA offset)	$ 51,996
Total number of full-time lay employees (est.)	225
All full-time lay employees, median compensation (salary/wages)	$ 31,209
Average annual giving (annual per capita ASA giving)	$ 1,290

The 3,640 Family size congregations represent 51% of all domestic TEC congregations, with 17.6% of the total TEC average Sunday attendance and 15.7% of the total operating revenue, and are served by 21% of the full-time parochial clergy and 4% of the full-time congregational lay employees. In most diocese, particularly in dioceses away from the coasts and outside of the southeastern United States, this type of congregation is the most prevalent.

Much of the leadership and decision-making functions are typically vested in a few lay individuals and couples who often are described as “matriarchs and patriarchs” and congregational “pillars.” In the smaller 70% of the Family size congregations, clergy are generally part-time, often scheduled just for Sunday and perhaps one additional day or so, and tend to function primarily as chaplains. These clergy generally work below the scheduled 30 hours per week threshold and would not receive healthcare benefits unless they serve in yoked ministry arrangements with one or several other congregation(s) that results in a combined weekly total of 30 scheduled hours or more.

Nevertheless, in about 30% of Family size congregations, some combination of factors, such as high rates of member per capita giving, diocesan financial support, endowment income, or outside sources of income, including yoking with another congregation, yield an operating budget adequate to support a full-time cleric, and occasionally an associate or lay employee as well. Where use of endowment funds are involved, questions of long term sustainability arise where the corpus of the endowment (as well as income) is being used to support the operating budget.

Since the denominational health plan threshold for mandated coverage for either a cleric or lay employee would be at least 1,500 regularly scheduled hours per year or 30 or more hours per week with annual earnings documented by the issuance of a W-2, the subsequent remarks for Family size congregations are divided into those without a full-time cleric (less than 30 hours per week) and those that do have a full-time cleric (30 or more hours per week) and in some cases additional clergy and lay employees. In approximately a quarter of these congregations that report having a full-time cleric, the cleric is involved in yoked and shared ministries.

However, it is important to note that while a minimum of 30 scheduled hours per week is generally the minimum threshold at which healthcare benefits are offered, many congregations and institutions offer full or partial healthcare benefits to those who work less than 30 hours per week. In many of these cases, the employee shares part of the cost of the healthcare benefits. Additionally, many who do work 30 or more hours per week and are offered healthcare benefits choose to opt out of either individual coverage or additional spouse/partner/dependent coverage, often because of the high costs of the employee share.

Family Size Congregations Without Full-Time Clergy or Lay Employees

2,526 congregations	35.4% of all domestic congregations
Mean ASA	27.5
Median ASA	28.0
Median operating revenue	$ 39,355
Average annual giving (annual per capita ASA giving)	$ 1,202

This sub-category of the 2,526 Family size congregations without a full-time cleric or a full-time lay employee represents more than a third (35.4%) of all of the 7,145 congregations in domestic TEC dioceses and about 70% of all Family size congregations. These 2,526 smaller congregations have median operating revenues of $39,355 and median ASA of 28. The average annual giving of the members is $1,202, about 60% of the average level of all domestic TEC congregations. Thus, currently, these congregations do not by themselves have the resources necessary to call a full-time cleric or lay employee and pay pension and medical coverage.

The member and funding limitations inherent to a congregation with a median ASA of 28, median operating revenue of about $40,000, and minimal income from other sources, impose severe restraints. Nevertheless, resiliency and ingenuity are reflected in the variety of ways by which these congregations are able to recruit and retain a full-time cleric.

Clergy and staffing coverage are characterized by a variety of creative solutions. This may frequently involve a cleric who is retired for pension purposes and who receives healthcare benefits through Medicare and pension supplements, a non-stipendiary cleric who receives an income or pension from non-TEC sources, or a cleric who may serve multiple congregations or a congregation in another denomination such as The Evangelical Lutheran Church in America. A few of these congregations have a part-time paid lay employee who may be a “lay missioner” on an ordination track. The part-time cleric often serves only on Sunday and serves more as chaplain and sacramentalist. The cleric may travel significant distances in order to provide sacerdotal ministry. Terms of agreement may thus provide for a mileage and travel reimbursement.

A rectory or vicarage, perhaps including utilities, may be provided in lieu of a cash stipend. Partial healthcare benefits are often part of the agreement and may be provided in a variety of ways. For example, healthcare benefits may be in the form of a Health Savings Account (HSA) nested within a small cash stipend or an additional supplement to the stipend which is, in fact, considered a partial, de facto contribution to allow the individual cleric to purchase healthcare benefits from a non-TEC vendor. In some yoked congregation arrangements, one location may provide a rectory or housing allowance, while another provides a stipend which is implicitly understood to provide an allowance for partial or even full healthcare benefits or substitute.

A retired cleric over the age of 65 will most likely rely on Medicare and, if having served sufficient years, receive some Medicare supplemental benefits or a portion thereof as part of his/her CPF retirement benefits. In situations involving yoked congregations, one congregation may provide partial or even full healthcare benefits while the other(s) provide housing, etc.

Thus, very few of these 2,526 or so smaller Family size congregations would be impacted by the passage and implementation of a denominational health plan as they simply would not have employees, clerical or lay, who would reach the 30 hours per week coverage threshold unless they serve in yoked or shared ministries with other congregations. However, for those congregations desiring a full-time cleric for whom health benefits would be an integral part of the total compensation package, and for which future gains in congregational income and attendance makes this a realistic goal, the 8% to 10% cost savings achievable through the denominational health plan could result in future savings and reduce the total compensation package for a full-time cleric at such time as adequate funding is available.

Family Size Congregations With Full-Time Clergy

(Family size congregations typically do not have full-time lay employees.)

1,114 congregations	15.6% of all domestic TEC congregations
Mean ASA	62
Median ASA	62
Median operating revenue	$111,698
Median clergy compensation	$ 50,500
Average annual giving (annual per capita ASA giving)	$ 1,380

About 30% or 1,100 Family size congregations have a full-time cleric. Less commonly, they may also have a full-time lay employee. These congregations typically have an ASA of 60 or more, a per capita giving rate of $1,380, or 15% higher than the smaller family congregations, and generally supplement the budget through other income such as endowment, diocesan support, or a yoked arrangement with another congregation.

Many of these clerics, while classified as full-time by virtue of exceeding the CPF 2006 threshold of $28,080 annually or who are scheduled for 30 or more hours a week, are, in fact, part-time as measured by the clergy compensation guidelines of minimum compensation in the diocese in which they serve. For example, a cleric could earn a $30,000 stipend and housing and be full-time for purposes of published clergy compensation, work 30 or more hours a week and receive healthcare benefits, but be three-quarter-time by the standards of a diocese where the minimum is $40,000. These clergy would typically receive healthcare benefits; however, the wide range of creative solutions used by the smaller Family size congregations are not uncommon here.

Example of a Typical Larger Family Size Congregation with a Full-Time Cleric

About 30% of Family size congregations have a full-time priest who receives some form of healthcare benefits. There may also be a part-time lay administrator or secretary who works 20 hours or less per week and generally does not receive healthcare benefits. Assuming healthcare benefits for the cleric are comparable to those in larger congregations and include coverage for a spouse/partner or family as appropriate, the average annual premium of $16,100 in 2010 represents 12.8% of a $126,000 annual budget. Thus, annual increases in the cost of providing health coverage will be an extraordinary challenge to vestries of congregations of this size. The estimated national average of a premium in the year 2010 under a denominational health plan would be $14,500, freeing $1,600 for additional ministry and mission.

Because of factors previously noted, this is a representative example only, and the impact on any individual congregation may vary.

Impact of Denominational Health Plan on Pastoral Size Congregations (76 to 140 ASA)

Pastoral Size Congregations (76 to 140 ASA)	
1,737 congregations	24.3% of all domestic TEC congregations
Mean ASA	103.9
Median ASA	102.0
Median Operating Revenue	$180,000
Total number of full-time clergy (est.)	1,442
All full-time clergy, median compensation (stipend, housing, SSA offset)	$ 61,462
Total number of full-time lay employees (est.)	620
All full-time lay employees, median lay compensation (salary/wages)	$ 31,652
Average annual giving (annual per capita ASA giving)	$ 1,481

The 1,737 Pastoral size congregations represent 24.3% of all domestic U.S. congregations in TEC, have 22.9% of the total ASA and 21.1% of total operating revenue, and are served by 27% of the full-time parochial clergy and 11% of the full-time lay employees. These congregations are typically the traditional "one priest, one roof" congregation where leadership and pastoral care are centered around the priest.

The priest's compensation, including benefits, is usually about half of the annual congregational budget. The cost of family healthcare benefits alone is often at least 8%, and frequently 14% or more, of the total congregational budget. Accordingly, increases in the cost of providing healthcare benefits severely impact the congregation's budget. This is particularly true in those congregations where additional clergy or lay employees are employed and healthcare benefits are provided.

Within the Pastoral size category, there are considerable differences between smaller and larger congregations with respect to operating revenues and the funds available for payroll and benefits. For example, the difference between a congregation of 80 ASA and 120 ASA for Plate and Pledge income alone is likely to be at least $60,000.

Example of a Typical Pastoral Size Congregation
(A) In a typical Pastoral size congregation, there is one full-time priest who receives healthcare benefits which include spouse/partner or family coverage as appropriate. There is also a part-time administrator or secretary, scheduled to work less than 30 hours per week, who does not receive health benefits. The average annual premium of $16,100 represents 7.9% of a $204,000 annual budget. The estimated average annual premium under the denominational health plan would be $14,500, freeing $1,600 for additional ministry and mission.

(B) In a significant minority of Pastoral size congregations, particularly the larger ones, a lay employee in an administrator position is typically scheduled to work more than 30 hours per week and receives healthcare benefits, single coverage being the most common choice (which may or may not represent parity between a cleric and a lay employee). In this case, the Pastoral size congregation without a denominational health plan will pay an average annual premium of $25,600. The estimated premium under a denominational health plan, with parity achieved for the cleric and lay employee maintaining the same overall percentage of cost-sharing, would be $25,200, resulting in a net decrease in healthcare costs for the congregation of $400.

Because of factors previously noted, this is a representative example only, and the impact on any individual congregation may vary.

Impact of Denominational Health Plan on Transitional Size Congregations (141 to 225 ASA)

Transitional Size Congregations (141 to 225 ASA)

1,011 congregations	14.1% of all domestic TEC congregations
Mean ASA	177.4
Median ASA	175.0
Median Operating Revenue	$329,880
Total number of full-time clergy (est.)	1,195
All full-time clergy, median compensation (stipend, housing, SSA offset)	$ 69,017
Total number of full-time lay employees (est., 30 or more hours)	1,175
All full-time lay employees, median compensation (salary/wages)	$ 34,660
Average annual giving (annual per capita ASA giving)	$ 1,623

The 1,011 Transitional size congregations represent 14.1% of all domestic TEC U.S. congregations, have 22.8 % of the total ASA and 22.0% of total TEC operating revenue, and are served by 23% of the full-time parochial clergy and 21% of full-time congregation lay employees. Typically, Transitional congregations, at 141 ASA, have reached the level of attendance where additional clergy and lay employees are essential to sustain mission and ministry. Generally, however, the breakeven point for additional full-time staff can be reached only at the attendance level of a Program size congregation (226 ASA or above). Accordingly, Transitional congregations typically struggle to bring the additional lay and clergy staff to the level of full-time status. The high cost of providing healthcare benefits exacerbates the problem.

Example of a Typical Transitional Size Congregation
In a typical Transitional size congregation, there is one full-time priest who receives healthcare benefits including spouse/partner or family coverage as appropriate. There is one full-time administrator or secretary who receives healthcare benefits, single coverage being the most common choice. There are typically additional part-time clergy and lay employees working below the 30 hour a week threshold for healthcare benefits.

In a congregation that offers parity of benefits between clergy and lay employees, the combined average annual premium without a denominational health plan will be $27,900 in 2010, representing 6.7% of a $373,000 annual budget. The estimated premium under a denominational health plan would be $25,200, freeing $2,700 for additional ministry and mission.

In a congregation that does not currently offer parity of benefits for clergy and lay employees, the combined average annual premium without a denominational health plan will be $25,000, representing 6.2% of the $373,000 annual budget for 2010. The estimated premium under a denominational health plan, with parity achieved for the cleric and lay employee maintaining the same overall percentage of cost-sharing, would be $25,200, resulting in a net decrease in healthcare benefits costs for the congregation of $400.

Because of factors previously noted, this is a representative example only, and the impact on any individual congregation may vary.

Impact of Denominational Health Plan on Program Size Congregations (226 to 400 ASA)

Program Size Congregations (226 to 400 ASA)	
552 congregations	7.7% of all domestic TEC congregations
Mean ASA	291.3
Median ASA	283.0
Median Operating Revenue	$535,052
Total number of full-time clergy (est.)	915
All full-time clergy, median compensation (stipend, housing, SSA offset)	$ 73,054
Total number of full-time lay employees (est.)	1,790
All full-time lay employees, median lay compensation (salary/wages)	$ 45,061
Average annual giving (annual per capita ASA giving)	$ 1,649

The 552 Program size congregations represent 7.7% of all domestic TEC U.S. congregations but have 20.4% of the total ASA and 20.5% of the total TEC operating revenue, and are served by 17% of the full-time parochial clergy and 32% of the full-time congregation lay employees. Program congregations generally have a variety of adequately funded programs and ministries with multiple paid and volunteer staff. Congregations of this size tend to be concentrated in the larger dioceses and in urban areas, particularly in the southeast and Texas. Many TEC diocese have no congregations of this size or larger.

Congregations with similar ASAs and budgets may staff very differently; differences are likely to reflect the way vestries decide to allocate the available personnel funds between benefits and compensation, particularly with respect to the compensation package of the senior cleric.

Example of a Typical Program Size Congregation

In a typical Program size congregation, there are full-time priests who receive healthcare benefits which include spouse/partner or family coverage as appropriate. There are two full-time lay employees who receive healthcare benefits and typically choose single coverage. There are usually additional part-time clergy and lay employees working below the 30 hour a week threshold for mandated healthcare benefits.

In a congregation that offers parity of healthcare benefits for clergy and lay employees, the combined average annual premium in 2010 without a denominational health plan will be $55,800, representing 8.3% of a $605,000 annual budget. The estimated premium under a denominational health plan will be $50,400, freeing $5,400 for additional ministry and mission.

In a congregation that does not currently offer parity of benefits between clergy and lay employees, the combined average annual premium without a denominational health plan will be $51,200 in 2010, representing 7.7% of the $605,000 annual budget. The estimated premium under a denominational health plan, with parity achieved for the cleric and lay employee maintaining the same overall percentage of cost-sharing, will be $50,400, resulting in a net decrease of $800 in healthcare costs for the congregation.

Because of factors previously noted, this is a representative example only, and the impact on any individual congregation may vary.

Impact of Denominational Health Plan on Resource Size Congregations (400+ ASA)

Impact of Denominational Health Plan on Resource Size Congregations (400+ ASA)	
205 congregations	2.9% of all domestic TEC congregations
Mean ASA	625.3
Median ASA	532.0
Median Operating Revenues	$1,304,437
Total number of full-time clergy (est.)	610
All full-time clergy, median compensation (stipend, housing, SSA offset)	$ 74,810
Total number of full-time lay employees (est.)	1,735
All full-time lay employees, median compensation (salary/wages)	$ 59,048
Average annual giving (annual per capita ASA giving)	$ 2,086

The 205 Resource size congregations represent only 2.9% of all domestic TEC U.S. congregations but have 17.6% of the total average ASA and 20.9% of the total TEC congregational operating revenue, and are served by 12% of the full-time parochial clergy and 31% of the full-time congregational lay employees. The number of ministries, programs, and outreaches define a congregation that has effectively become a “federation” of smaller churches under the leadership of a strong charismatic rector and experienced vestry. Some of the largest resource churches approach an ASA of 2,000 and thus have attendance and revenues larger than some of the smaller dioceses.

Benefits including healthcare as well as compensation for both clergy and lay employees are generally significantly higher than in smaller congregations. This is not only because of more congregational members but also because the per capita or average annual giving rate of $2,086 is 28% higher than Program size congregations and some 62% higher than in the typical Family size congregation. Lay employees are more likely to receive healthcare benefits that are comparable to those offered to the clergy. In the median Resource size congregation, with an ASA of 532 and operating revenues of $1,304,437, the rector’s total compensation package, including healthcare and pension benefits, is only 11% of the total budget.

Example of a Typical Resource Size Congregation
In a typical Resource size congregation, there are three full-time priests who receive healthcare benefits which include spouse/partner or family coverage as appropriate. There are seven full-time lay employees who receive healthcare benefits and typically choose single coverage. There are usually additional part-time clergy and lay employees working below the 30 hour per week threshold for a mandated benefit.

In a congregation that offers parity of benefits for clergy and lay employees, the combined average annual premium without a denominational health plan would be $130,900 in 2010, representing 8.7% of a $1,475,000 annual budget. The estimated premium under the denominational health plan would be $118,400, freeing $12,500 for additional ministry and mission.

In a congregation that does not currently offer parity of benefits for clergy and lay employees, the combined average annual premium in 2010 would be $114,80, representing 6.7% of the $1,475,000 annual budget. The estimated premium under the denominational health plan, with parity achieved for the cleric and lay employee maintaining the same overall percentage of cost-sharing, would be $118,400, resulting in a net increase in $3,600 in healthcare costs for the congregation.

Because of factors previously noted, this is a representative example only, and the impact on any individual congregation may vary.

Impact of Denominational Health Plan on Diocesan Offices

The dioceses of The Episcopal Church vary considerably with respect to the number of congregations, attendance, giving, endowment, and revenues. Accordingly, diocesan budgets and staffs vary as well, and may range from a diocesan bishop with an assistant to a diocesan bischop with several bishops and a staff of dozens.

Most dioceses offer healthcare benefits to full-time staff, and many offer parity between clergy and lay employees, including family coverage when eligible. Those working on a diocesan staff are closer to parity than those in congregations, with 55.1% of lay employees and 68.6% of clergy receiving healthcare coverage that includes additional family members. In most cases, there will be direct net savings of 8% to 10% to the line item for healthcare benefits in a diocesan budget with the denominational health plan.

Since the majority of all dioceses are comprised predominantly of smaller congregations, a nationally administered denominational health plan will not only provide estimated cost savings of at least 8% to 10%, but also provide intangible but important time savings to a diocese with respect to plan selection and administration. Many diocesan staff members spend significant amounts of time explaining plan design and benefits to clergy and lay employees. The denominational health plan would centralize such functions, freeing staff from interruptions and allowing them to redirect and to invest the time saved on ministry and mission. The reductions of hidden costs of plan administration for an individual diocese are thus likely to be substantial.

Impact of Denominational Health Plan on Province IX, Haiti, and the Virgin Islands

The denominational health plan design for the domestic dioceses could not be implemented in non-domestic TEC dioceses due to differences in vendors and national law and healthcare systems. Nevertheless, alternative ways are being explored by which healthcare benefits for clergy and lay employees in these dioceses may be improved.

As with income and standard of living, there is considerable variation with respect to healthcare and healthcare benefits among the dioceses of Puerto Rico, the Dominican Republic, Honduras, Venezuela, Colombia, Ecuador Central, Ecuador Litoral, Haiti, and the Virgin Islands.

Iglesia Episcopal Puertorriqueña (IEP) rejoined The Episcopal Church and returned to the Church Pension Fund effective April 1, 2007. Puerto Rico is a commonwealth of the United States and has its own tax code and regulations. As a result, technically, clergy in IEP receive benefits under a separate pension plan that mirrors the benefits provided by the Clergy Pension Plan. They are eligible to participate in Medicare after reaching the age of 65. Active clergy and lay employees not only have healthcare benefits through Triple-S, an affiliate of BlueCross/BlueShield, but for needs such as surgery, they have access to the Diocese of Puerto Rico's hospital and health system which employs 9,000 people in state-of-the-art hospitals. When teachers and employees of the diocesan parochial school system are added, the diocese is the third-largest non-governmental employer on the island.

The non-domestic diocese of TEC have a strong desire to improve healthcare and healthcare benefits available to clergy and lay employees who currently have access only to the national healthcare systems. These systems typically have three tiers: one system for the large indigenous populations; a healthcare system for employees that is part of the social security system; and private clinics and healthcare insurance. However, the latter are expensive, with premiums often well above a median salary.

The national healthcare systems are typically underfunded, with access that is not only limited, but characterized by delays of weeks to months and time-consuming and burdensome procedures for making appointments. Once a doctor is seen, prescription medications are often not available, and surgery, if required, may require an additional wait time. Healthcare coverage for employees enrolled in the national social security health systems is generally only for the individual employee with no spousal or family coverage available. In virtually all cases, healthcare costs are high and unmanageable relative to disposable income.

When provided, diocesan healthcare benefits represent a high percentage of the diocesan budget. The legitimate desire to simultaneously plant churches and improve compensation and benefits puts tremendous strains on available diocesan funds. Although many dioceses have made heroic progress towards financial self-sufficiency, most are still dependant on outside support. Devolution while progressing will nevertheless be a multi-year process. Most of these diocese also use their limited funds, often with mission support from domestic dioceses, to address healthcare needs of the general population though clinics and medical missions.

Some non-domestic dioceses have worked hard to improve healthcare benefits by adopting a variety of creative and innovative solutions. In Venezuela, for example, the diocese took the lead in forming a mini insurance cooperative with employees from other non-profits as well as for-profit firms in order to create a pool big enough to secure healthcare insurance from a major vendor at more favorable rates. This includes full parity of benefits for clergy and lay employees, and AIDS coverage for all employees in the cooperative, a type of coverage that is unusual in Venezuela. However, compensation for some individuals employed by the diocese has suffered in order to make this possible.

In most of these dioceses, relatively small additional monies, if available, could significantly improve access to healthcare for clergy and lay employees. Due to the national differences in standard of living, and healthcare and legal systems, healthcare benefit improvements would need to be tailored to each country.

Section 6: Implementation Plan

The project team has created a comprehensive, multi-year transition plan encompassing benefits administration, staffing and personnel, communications, and member education. The goal is to transition those not currently with the Medical Trust in the most expedient and pastoral fashion and with the least amount of disruption to their constituents. This section describes the elements and timeline of the transition process as well as the inclusion and expansion of new health and wellness programs.

The implementation plan has been designed to ensure that dioceses, congregations, and groups, including congregations in rural areas, will be transitioned effectively and pastorally, and in such a way as to reduce the administrative burden on individual employers. In addition, transitioning to the denominational health plan will improve access to expanded health and wellness programs for all eligible employees.

The implementation program will take a simultaneous four-pronged approach:

1. Transitioning of those dioceses, congregations, and groups that do not currently participate in the Medical Trust ("non-participants")
2. Inclusion and expansion of health and wellness programs that may not have been available to non-participants
3. Assisting dioceses to develop policies to implement parity in the funding of healthcare benefits for clergy and lay employees
4. Ensuring a seamless, pastoral, and efficient transition to the denominational health plan

A Phased Transition

The project team considered a number of ways of implementing the denominational health plan, and ultimately determined that a phased transition process would be the most supportive, effective, and efficient. Therefore, if Resolution A177 is passed, the implementation plan will begin in the fall of 2009 and be completed by December 31, 2012. "Waves" of dioceses and groups will be transitioned to healthcare administration through the Medical Trust during each calendar year.

The process of adding new dioceses and enrolling new members will be managed by a Quality Assurance program to ensure that internal and external expectations are met. This phased process allows adequate time to enroll new participants while maintaining high levels of customer service.

Implementation of Non-Participating Dioceses and Congregations: A Multi-Year Phased Approach

At the beginning of the implementation program, the Medical Trust will work closely with diocesan and group administrators to develop an implementation schedule that reflects local timing preferences. Working with diocesan administrators, the Medical Trust will notify congregations in a timely manner of upcoming transition activities. All dioceses and other groups will be slotted into a transition wave that permits a steady and manageable transition, year by year. Dioceses and groups will be selected for a given wave based on several factors, including their existing contracts with health plans or other vendors, group size, and geographic location.

The implementation plan also allows for flexibility for dioceses and groups to move from one designated wave to another as circumstances warrant. For example, a diocese who signed a three-year contract with a health plan vendor in 2008 would certainly not be asked to transition to the Medical Trust prior to the contract's effective termination date. Alternatively, if a group implemented significant health plan design changes for 2009 (e.g., the introduction of a consumer-driven health plan), the project team would recognize that for employers and employees to have to deal with two concurrent years of significant change would not provide the type of member experience appropriate for Church employees.

The phased transition process is designed to produce a membership increase rate that maximizes the discounts and economies of scale inherent in the modeling of the denominational health plan while maintaining the highest levels of quality control and customer service for both current and onboarding Medical Trust clients. In this way, phased implementation of the denominational health plan will be as expedient as administratively possible without negatively impacting the quality of service and administrative support offered to diocesan and group administrators and their members.

Staffing Expansion

Of the more than 13,000 clergy and lay employees currently covered through congregation- and diocesan-sponsored healthcare benefit programs, 8,300 are in plans administered by the Medical Trust. In this regard, the Medical Trust currently serves 78 dioceses, as well as a number of Church institutions and agencies, with active healthcare benefits. As the number of participating dioceses has increased over the years, the Medical Trust has expanded its capacity in administration and management systems to ensure its ability to provide quality support for participating Church employers and employees.

Analysis of Medical Trust staffing levels has determined that resources — including customer service, member education and communication, and enrollment administration employees — are currently sufficient to accommodate the increased demand for support from administrators and covered individuals during the first implementation wave. And new staff will be added and trained during later waves, as required. The Medical Trust is confident of being prepared to meet the additional needs of transitioning dioceses and their employees throughout the coming years of transition.

The Medical Trust Service Model

The mission of the Medical Trust is to "balance compassionate Christian benefits with financial stewardship." This is a unique mission in the world of healthcare, and it is reflected in all aspects of its operations.

Each diocese and group participating in the Medical Trust will immediately benefit from a high level of customer service, a broad array of plan design options, access to several partners in health-care delivery, comprehensive member communications, and decision support resources. Nevertheless, the project team understands that even positive change can be difficult and confusing at times. To that end, a detailed activity and event schedule was developed for each wave of the transition. The following schedule for the first year of implementation is designed to simplify the process for both diocesan administrators and employees, and provide the best possible experience during the transition.

Activity and Event Schedule for First Year of Implementation

Timing	Activity/Event
June – July 2009	• The Medical Trust confirms adequate staffing in customer service, member education and communication, and enrollment administration employees to support annual benefits enrollment in the fall • If needed, conduct additional hiring
July – August 2009	• Identify transitioning groups for this year's wave; determine single administration point of contact for each new diocese • Share transition communication plan and calendar with onboarding dioceses and groups • Diocesan plan pricing and cost-sharing determined for each group • Identify eligible employees and covered dependents for each group, including census data for transitioning groups to facilitate the enrollment process • Customize benefits enrollment education and communication materials for each transitioning group
September – October 2009	• Diocesan plan selection for following year (may include maintaining current plans if those are also offered through the Medical Trust and/or adding new plan options) • Conduct train-the-trainer workshops for diocesan and other group administrators • Schedule employee benefits meetings • Distribute benefits enrollment education and communication materials
November 2009	• Continue employee benefits meetings • Annual benefits enrollment window
December 2009	• The Medical Trust transfers enrollment files to health plans • The Medical Trust welcome packages are sent to new enrollees • New ID cards mailed by health plans
January – February 2010	• "Transition Lessons Learned" communication shared with all participating and non-participating dioceses (and applied to improve process in subsequent years) • Updated plan handbooks available on ***www.cpg.org*** • The Medical Trust begins to include new employees and family members in ongoing communications about wellness, preventive care, and using health plans most effectively

The Medical Trust and the project team will solicit feedback throughout the process from group administrators, plan members, staff, board members, and other constituencies, and adjust the Activity and Event Schedule appropriately. Due to the timing of General Convention, the first year's schedule begins in June; in subsequent years, the schedule will begin in January.

As shown in the schedule, the Medical Trust intends to provide comprehensive communication and education materials to assist participants in understanding the process and to facilitate the transition. Dioceses and employees will receive the following support:

Diocesan Transition Support

- **Train-the-Trainer Benefits Workshops**
- **MLPS/Web Self-Service Training:** An online real-time enrollment system for benefit administrators.
- **Church Pension Group website training:** The CPG website offers a convenient access point for administrators to access important documents and forms.

Employee and Family Member Transition Support

- **Introduction to the denominational health plan:** The Medical Trust will develop a user-friendly overview of the denominational health plan to share with employees and family members ahead of annual enrollment. This way, they will be familiar with the provisions of the resolution and understand and be prepared for the transition they will be experiencing.
- **Healthcare Benefits Enrollment Guide:** This booklet provides an overview of all available health plan options, including medical, prescription drug, dental, vision, mental health and substance abuse, employee assistance and health advocacy programs, and travel assistance benefits. It also provides detailed instructions for enrolling online, offers important considerations for choosing the right coverage, and outlines costs.
- **Schedules of Benefits (Plan Highlights):** These abbreviated, easy-to-digest summaries provide high-level overviews of the covered benefits and services of individual health plans.
- **Plan Handbooks:** These detailed guides provide complete coverage provisions for the individual plans, including covered services and exclusions, claims filing, and appeals information.
- **Employee Meetings:** It is the practice of the Medical Trust to conduct employee meetings for newly-participating dioceses and groups in order to provide an in-person, high-touch opportunity for employees and family members to learn about their available healthcare options and to get answers to any questions they may have.
- **The Church Pension Group website:** The CPG website offers a convenient access point for employees and family members to access important documents and forms, including the guides, summaries, and handbooks mentioned above.

Implementation of Local Health Plans and/or Regional Carriers
Through the course of the healthcare coverage feasibility study, the project team has reviewed the plans and carriers used by each diocese. In certain geographic areas, a diocese may be using a local health plan/regional carrier that may be categorized as "best-in-market" for reasons of provider access or advantageous rates. For this reason, careful analysis must be given to the possibility of maintaining the relationship with the local carrier. The Medical Trust is committed to conducting further analysis of these local plans and carriers. Provider access and advantageous rates may change quickly in a volatile healthcare marketplace such as exists today.

The Medical Trust will partner with each new diocesan/group administrator to determine which carriers and plan designs are best suited to local budgets and participant needs. In determining the scope of plans to offer, the implementation team will seek to balance national plan options with local plans so as not to erode the benefits of economies of scale achieved by the denominational health plan. There is no minimum or maximum number of health plans that must be selected to offer employees, and there is no mandate to select one health plan provider over another. During 2009, the Medical Trust has partnered with Aetna, CIGNA, Empire BlueCross/BlueShield, and United Healthcare to offer 16 medical plan options.

In addition, efforts continue to address the employee healthcare benefit needs in Province IX. As mentioned earlier in this report, Province IX dioceses present unique challenges as they are separate nations, for the most part, having some form of national or governmental healthcare program. The project team has worked closely with Province IX leadership to identify its employee healthcare benefits needs and to start the process of finding local and regional carriers that may have the potential to serve multiple dioceses. The implementation of health plans in Province IX, to the extent feasible, will be done in consultation with diocesan leadership.

Inclusion and Expansion of Health and Wellness Programs

As a healthcare benefits provider, enhancing health and wellness wherever possible is a logical extension of the Medical Trust's mission of balancing the delivery of compassionate Christian healthcare benefits with financial stewardship. The Medical Trust has been committed to improving and sustaining the health of Church employees since 1978. The Medical Trust currently provides an employee assistance program, health promotion programs, including affordable preventive routine care, and other wellness services. Through the denominational health plan, the Medical Trust is committed to expanding these programs to all domestic dioceses and Province IX over the next several years, with the goal of creating a "Global Culture of Wellness" for Episcopal Church employees.

In order to significantly impact the health of members, the denominational health plan will have health and wellness programs that are robust enough to engage members at all levels along the healthcare continuum (well, acute, and chronic). The goal of the wellness program is to maintain or restore, to the best possible quality, the health of the Church's clergy and lay employees. The denominational health plan will offer a comprehensive wellness program to address the lifestyles and enhance the well-being of employees and their families. Dioceses and groups currently participating in the Medical Trust already take advantage of these wellness programs, and the Medical Trust looks forward to bringing them to the whole Church.

An integral component of the wellness program is a Personal Health Assessment — a confidential questionnaire that enables employees and their adult family members to assess their current health and identify health risks. Health promotion programs will be targeted to risks such as smoking, obesity, stress, depression, elevated cholesterol levels, and pre-diabetes. Every effort will be made to engage Church leadership since executive support has been proven to have a significant positive impact on the impact of these types of programs.

Restoring health and preventing the onset of illness brings benefits both to the individual and the Church as a whole. A membership engaged in taking care of its health can significantly enhance Church wellness and has the potential to positively impact the cost of healthcare for the Church.

Employee Assistance Program

The Medical Trust understands that employees' personal challenges are inextricably linked to their work lives. Issues related to relationships, child rearing, substance abuse, or other sources of stress can have an impact on the health, happiness, and quality of lives of clergy and lay employees and their families. Therefore, the Medical Trust has arranged for members to have access to Employee Assistance (EAP), an exceptional support program that is currently managed by CIGNA Behavioral Health Services.

The EAP program offers an array of family and personal services, including counseling, assessment, intervention, and training. To ensure that all employees interested in using the program feel comfortable doing so, services can be accessed electronically, via a toll-free phone number, or by visiting an offsite counselor.

The Medical Trust continuously evaluates the services provided and identifies areas for future development. The EAP program will evolve as new issues surface and programs are needed. By the end of 2012, the goal is to expand the EAP program to all domestic dioceses and Puerto Rico. During that same time, the EAP programs will be reviewed carefully in order to customize EAP services in culturally sensitive ways for Church employees in non-domestic dioceses.

Health Promotion Services

The Medical Trust is keenly interested in helping employees and their dependents make informed choices about their health. Through its health promotion services, the Medical Trust provides employees with access to credible information about how to stay healthy and prevent disease and injury, offers user-friendly health promotion resources, and, through its product partners, offers all employees access to information about multiple health topics and preventable diseases.

As part of the implementation program, all health benefits plans offered through the denominational health plan will provide employees and their dependents with the ability to have routine and preventive healthcare services at no out-of-pocket cost. By 2010, all participating employees and their dependents will have this benefit available.

Implementation of Parity in the Funding of Healthcare Benefits for Clergy and Lay Employees

Each diocese will need to establish its own policy for congregations regarding the minimum required employer cost-sharing. That means that a diocese can decide to cover 100% of the premium cost for employees and families, or only a portion. The diocesan policy regarding employer cost-sharing must be the same for both clergy and lay employees working 1,500 hours or more per year (full-time), thus eliminating the disparity that exists today between full-time clergy and lay employees. Resolution A177 requires that the policy regarding employer cost-sharing must be implemented no later than December 31, 2012.

The Medical Trust will assist dioceses to develop policies to implement parity in the funding of healthcare benefits for clergy and lay employees by providing access to sample policy documents and by aiding in the modeling of funding options. Each diocese will formulate its own policy based on local polity and preferences.

Ensuring a Seamless, Pastoral, and Efficient Transition to the Denominational Health Plan

The Medical Trust will form an implementation team to organize and coordinate the overall implementation and transition process. Other related departments within the Church Pension Group are prepared to assist in formulating supportive education and informational materials. The implementation team will work with administrators at the diocesan and congregational levels to strengthen the overall implementation program, and will ensure the involvement of diocesan and parish administrators, wardens and vestry meetings, and other local resources, in the implementation process.

The denominational health plan implementation involves a wide range of complex situations, so the implementation team will work closely with diocesan and group administrators before interacting with local congregations and employees. The implementation team understands that conditions vary from place to place. Dioceses will be encouraged to work with the implementation team to formulate specific plans to accommodate actual local conditions and make changes as required. The implementation team will be responsible for the overall coordination and guidance of the transition in the various dioceses and geographic locations. Serious attention will be given to examining the implementation experience as it proceeds and to improving the transition experience progressively through continuous process improvement.

From the beginning of the implementation process, efforts will be made to:

- Provide accurate and timely information to employees and members
- Formulate written enrollment guides that offer step-by-step guidance

- Use comprehensive and understandable communication materials to announce and explain the implementation process

These communication activities are intended to effectively resolve any concerns of employees and employers about “What comes next?” By announcing and explaining the implementation process in a timely and clear manner, the team is confident of achieving a high level of customer satisfaction and comfort during and after the transition experience.

Section 7: Resolution A177 and Proposed Canonical Change

Resolution A177: Denominational Health Plan

Resolved, the House of _______ concurring, That this church establish The Denominational Health Plan of this church for all domestic dioceses, parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this church, for clergy and lay employees who are scheduled to work a minimum of 1,500 hours annually, in accordance with the following principles:

1. The Denominational Health Plan shall be designed and administered by the Trustees and officers of The Church Pension Fund, following best industry practices for comparable plans;
2. The Denominational Health Plan shall provide that, subject to the rules of the plan administrator, each diocese has the right to make decisions as to plan design options offered by the plan administrator, minimum cost-sharing guidelines for parity between clergy and lay employees, domestic partner benefits in accordance with General Convention Resolution 1997-C024 and the participation of schools, day care facilities and other diocesan institutions (that is, other than the diocese itself and its parishes and missions) in The Denominational Health Plan;
3. The Denominational Health Plan shall provide benefits that are comparable in coverage to those benefits currently provided by the domestic dioceses and parishes of this church;
4. The Denominational Health Plan shall provide equal access to health care benefits for eligible clergy and eligible lay employees;
5. The Denominational Health Plan shall provide benefits through The Episcopal Church Medical Trust, which shall be the sole plan sponsor for such benefits and continue to be operated on a financially sound basis;
6. The Denominational Health Plan shall have a church-wide advisory committee that is representative of the broader church and appointed by The Church Pension Fund, and such church-wide advisory committee shall receive an annual report about the status of The Denominational Health Plan;
7. For purposes of this Resolution, the term “domestic” shall mean ecclesiastical organizations and bodies located in the United States, including the Dioceses of Puerto Rico and Virgin Islands;
8. The Church Pension Fund shall continue to work with the Dioceses of Colombia, Convocation of American Churches in Europe, Dominican Republic, Ecuador Central, Ecuador Litoral, Haiti, Honduras, Micronesia, Taiwan and Venezuela to make recommendations with respect to the provision and funding of healthcare benefits of such dioceses under The Denominational Health Plan; and
9. The implementation of The Denominational Health Plan shall be completed as soon as practicable, but in no event later than by the end of 2012; and be it further

Resolved, That Canon I.8 shall be amended as follows:

Sec. 1. The Church Pension Fund, a corporation created by Chapter 97 of the Laws of 1914 of the State of New York as subsequently amended, is hereby authorized to establish and administer the clergy pension system, including life, accident and health benefits, of this Church, substantially in accordance with the principles adopted by the General Convention of 1913 and approved thereafter by the several Dioceses, with the view to providing pensions and related benefits for the Clergy who reach normal age of retirement, for the Clergy disabled by age or infirmity, and for the surviving spouses and minor children of deceased Clergy. *The Church Pension Fund is also authorized to establish and administer the denominational* *health plan of this Church, substantially in accordance with the principles adopted by the General Convention of 2009, with the view to providing health care and related benefits for the eligible Clergy and eligible lay employees of this Church, as well as their eligible dependents.*

Sec. 3. For the purpose of administering the pension system, The Church Pension Fund shall be entitled to receive and to use all net royalties from publications authorized by the General Convention, and to levy upon and to collect from all Parishes, Missions, and other ecclesiastical organizations or bodies subject to the authority of this Church, and any other societies, organizations, or bodies in the Church which under the regulations of The Church Pension Fund shall elect to come into the pension system, assessments based upon the salaries and other compensation paid to Clergy by such Parishes, Missions, and other ecclesiastical organizations or bodies for services rendered currently or in the past, prior to their becoming beneficiaries of the Fund. *For the purpose of administering the denominational health plan, The Church Pension Fund shall determine the eligibility of all Clergy and lay employees to participate in the denominational health plan through a formal benefits enrollment process, and The Church Pension Fund shall be entitled to levy upon and collect contributions for health care and related benefits under the denominational health plan from all Parishes, Missions, and other ecclesiastical organizations or bodies subject to the authority of this Church with respect to their Clergy and lay employees.*