



Center for Health

# CPP Proposed Changes

Conference Forum 2016



General Board

**Pension and Health Benefits**

*Caring For Those Who Serve*

# Agenda

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## **Comprehensive Protection Plan (CPP)**

- Plan Eligibility
- Disability Benefit Amount and Offsets
- Mental Nervous Limitation
- Voluntary Transition Program Eligibility
- Other Benefits

# Transition to General Eligibility

Current Benefit	Proposed Change
<p><b>General Eligibility</b></p> <ul style="list-style-type: none"> <li>• Full-time clergy and local pastors earning at least 60% of DAC/CAC*</li> </ul> <p>* DAC: Denominational average compensation CAC: Conference average compensation</p>	<p><b>General Eligibility</b></p> <ul style="list-style-type: none"> <li>• Full-time clergy and local pastors**</li> <li>• Plan sponsor can elect coverage for ordained clergy and/or <b>part-time or student local pastors</b> with <math>\frac{3}{4}</math>-time or greater appointments**</li> <li>• Plan sponsor to elect <i>continuation</i> of coverage (voluntary leave, sabbatical leave, medical leave and leave to attend school)</li> </ul> <p>**Plan compensation must be greater than 25% of DAC/CAC</p>
<p><b>Special Arrangements</b></p> <ul style="list-style-type: none"> <li>• Part-time clergy (<i>excluding</i> part-time local pastors)</li> <li>• Full-time clergy earning <i>at least 25% of DAC/CAC but less than 60% of DAC/CAC</i></li> <li>• Clergy on leave of absence (LOA)</li> </ul>	<p><b>Special Arrangements</b></p> <ul style="list-style-type: none"> <li>• Not available</li> </ul>

# Eligibility—Rationale

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- **Streamline** plan eligibility/premium structure
- Current special arrangement premium structure (3.4% or 4.4% of DAC) is **too costly**
  - Less-than-full-time clergy
  - Clergy with lower compensation
- **Greater flexibility** and **cost effectiveness** available through UMLifeOptions for those no longer covered under CPP
  - Fully insured long-term disability (LTD) and death benefit plan

# CPP vs. UMLifeOptions

Benefits	CPP	UMLifeOptions
<b>Plan Sponsorship</b>	Conference	Conference OR Local Church
<b>Premium Calculation</b>	3% of Plan Compensation	Age-based
<b>LTD Benefits</b>	70% of pre-disability comp	60% of pre-disability comp
<b>LTD Elimination Period</b>	None (LTD benefits retroactive to day 1)	90 or 180 days before LTD begin
<b>Participant Death Benefit</b>	Yes; flat dollar amount	Yes; flat dollar— plan sponsor elected
<b>Spousal Death Benefit</b>	Yes; percentage of DAC	Yes; flat dollar— plan sponsor elected
<b>Surviving Spouse Death Benefit</b>	Yes; percentage of DAC	No
<b>Child Death Benefit</b>	Yes; percentage of DAC	Yes; flat dollar— plan sponsor elected
<b>Retiree Death Benefit</b>	Yes; percentage of DAC (paid up benefit)	Yes; flat dollar— plan sponsor elected
<b>Retiree Dependent Death Benefits</b>	Yes; percentage of DAC	No
<b>Surviving Spouse Annuity</b>	Yes	No
<b>Educational Benefit</b>	Yes	No

# Quote for Clergy Losing Coverage

**SAMPLE**

**Unum Plans - Premium Quote Summary**

The Premiums listed below are Annual Premiums.

*Unum bills on a quarterly basis.*

**Lay Long-Term Disability Insurance Premium** **Annual Premium**

Option # 1 - 180 Day Elimination Period:	\$1,583.02
Option # 2 - 90 Day Elimination Period:	\$2,007.04

**Lay Life Insurance Premium**

**Active Participants**

Flat Option Benefit Amount:	\$	<b>50,000.00</b>	\$	3,691.20
AD&D (Flat)	\$	<b>50,000.00</b>	\$	174.00

Spouse Life Amount:	\$	<b>20,000.00</b>	\$	1,476.00
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Child Life Amount:	\$	<b>10,000.00</b>	\$	72.00
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All Plans Comparison			
		UMLife Options	CPP Special Arrangments
<b>Total Annual Cost</b>	<b>\$6,996.22</b>	<b>(180 day)</b>	<b>\$24,355</b>
	<b>\$7,420.24</b>	<b>(90 day)</b>	

Sample	26250	2366	Required Special Arrangement Cost
Sample	29000	2366	
Sample	18000	2366	
Sample	23500	2366	
Sample	10065	3061	
Sample	29414	2366	
Sample	39375	2366	
Sample	25000	2366	
Sample	26610	2366	
Sample	26920	2366	
		24355	

# Quote for 75% Ordained

**SAMPLE**

**Unum Plans - Premium Quote Summary**

The Premiums listed below are Annual Premiums . .

*Unum bills on a quarterly basis*

**Lay Long-Term Disability Insurance Premium**

**Annual Premium**

Option # 1 - 180 Day Elimination Period:	\$3,777.62
Option # 2 - 90 Day Elimination Period:	\$4,739.71

**Lay Life Insurance Premium**

**Active Participants**

Flat Option Benefit Amount:	\$ 50,000.00		\$ 6,612.60
AD&D (Flat)	\$ 50,000.00		\$ 156.60

Spouse Life Amount:	\$ 20,000.00		\$ 2,645.04
Child Life Amount:	\$ 10,000.00		\$ 64.80

All Plans Comparison			
		UMLife Options	CPP New Premium
<b>Total Annual Cost</b>	<b>\$13,256.66</b>	<b>(180 day)</b>	<b>\$12,525</b>
	<b>\$14,218.75</b>	<b>(90 day)</b>	

SAMPLE	59589	1787.67
SAMPLE	40000	1200
SAMPLE	47987	1439.61
SAMPLE	46650	1399.5
SAMPLE	42318	1269.54
SAMPLE	47275	1418.25
SAMPLE	47115	1413.45
SAMPLE	38625	1158.75
SAMPLE	47931	1437.93
		12524.7

# Statistics

## Losing Coverage

<b>25%/50%</b>	<b>182</b>
Compensation (less than 25% DAC)	9
75% Ordained*	247
Leave of Absence*	255

## Gaining Coverage

<b>Compensation (Not covered; plan comp is greater than 25% DAC)</b>	<b>278</b>
Compensation (Already covered under Special Arrangements; premium will be less)	574

\* Plan sponsor can elect to cover under proposed rules; premium level 3% of plan compensation



# Timeline

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**Effective Date: January 1, 2017**



# Minimum Disability Benefit and Offsets

Current Benefit	Proposed Change
<p><b>Participants Enrolled in CPP Under General Eligibility</b></p> <ul style="list-style-type: none"> <li>Disability benefit equal to 70% of plan compensation or 40% of DAC— <i>whichever is greater</i></li> <li>Social Security Disability Insurance (SSDI) offset applied until benefit is equal to 40% of DAC</li> </ul>	<p><b>Eliminate the 40% of DAC Disability Benefit Minimum</b></p> <ul style="list-style-type: none"> <li>Resulting LTD* benefit equal to 70% of plan compensation</li> <li>SSDI award applied as follows:               <ul style="list-style-type: none"> <li>No imputed SSDI offset applied                   <ul style="list-style-type: none"> <li>➤ <b>Participants denied due to medical reasons</b></li> <li>➤ <b>Participants denied if they do not have enough service</b></li> </ul> </li> </ul> </li> <li>Imputed offset for participants who opt out of SSDI</li> <li><b>Proposed:</b> Healthcare allowance not considered Other Income</li> </ul> <p>* LTD: Long-term disability</p>
<p><b>Participants Enrolled Under Special Arrangements</b></p> <ul style="list-style-type: none"> <li>Disability benefit is 70% of plan compensation</li> <li>Entire SSDI offset applied to benefit</li> </ul>	

# Minimum Disability Benefit and Offsets

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## Rationale

- Disproportionate benefit for some participants
  - Full-time clergy with low compensation— could exceed 100% of pre-disability income, since disability benefit minimum is **40% of DAC**
  - Some clergy do not have full “actual or hypothetical SSDI offset” applied— since benefit is “bumped up to minimum”
- Benefit calculation—**same** among all participants regardless of eligibility provision

# Minimum Disability Benefit and Offsets

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## Considerations

### **Currently Receiving Disability Benefit**

Grandfathered under current plan provision,  
since disability benefit could be reduced  
as a result of this change

### **New Participants**

(Date of disability: January 1, 2017 and after)  
Disability benefit calculated under new plan provisions

# Mental Nervous Limitation

Current Benefit	Proposed Change
<p>24-month limitation for certain treatable and returnable mental health conditions (identified by diagnostic ICD-9 codes)</p> <ul style="list-style-type: none"><li>• Benefits terminate June 30 following end of limitation term</li><li>• Participants still need to meet definition of “disability”</li><li>• Claim will continue to be evaluated for limitation</li></ul>	<p>Claims no longer identified by specific ICD-9 codes</p>

# Mental Nervous Limitation

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## Rationale:

- Current use of ICD-9 codes is proving difficult
  - Doctors don't update ICD-9 codes for ongoing claims
  - Code application—inconsistent for new claims
- Industry has moved away from focusing on limited set of specific ICD-9 codes; limitation typically either:
  - Applied broadly to all Mental Nervous (MN) claims
  - Focused on appropriate care
- **October 2015:** ICD-9 replaced by ICD-10
  - No guarantee that codes will be the same; some codes will be retired, and new ones will be introduced
  - Change-over will magnify difficulty with identifying “treatable” and “returnable” by codes alone

# Standards of Care

All physical and mental health conditions

## Current Benefit

### Standards of Appropriate Care

Requires participants to be under the care of a physician (non-family member) that specializes in treatment of the disabling condition

## Proposed Change

### Standards of Appropriate Care

Industry Standard of Appropriate Care—  
Minimum levels of care for disabling conditions

- **Mental health:** American Psychiatric Association Practice Guidelines
- **Physical conditions:** Each condition has associated guidelines
  - Example: Asthma—National Asthma Education and Prevention Program—*Expert Panel Report 3: Guidelines for the Diagnosis and Management of Asthma*

# Standards of Care

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## Rationale:

- Limitation based on standards of appropriate care for all conditions is considered more reasonable and prudent
- General limitation would better align with ¶162(X) of *The Book of Discipline*:  
*“Right and a responsibility to obtain care appropriate to their condition”*



# Voluntary Transition Program (VTP)

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Current Benefit	Proposed Change
<p data-bbox="285 625 591 679"><b>Not eligible</b></p> <ul data-bbox="285 732 880 1089" style="list-style-type: none"><li data-bbox="285 732 768 772">• Associate members</li><li data-bbox="285 825 880 929">• Participants on voluntary leave of absence</li><li data-bbox="285 982 745 1089">• Clergy placed on honorable location</li></ul>	<p data-bbox="1045 625 1234 679"><b>Eligible</b></p> <ul data-bbox="1045 732 1528 1001" style="list-style-type: none"><li data-bbox="1045 732 1518 772">• Associate members</li><li data-bbox="1045 825 1528 1001">• Clergy on voluntary leave of absence for up to 24 months</li></ul>

# VTP—Rationale

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## **Clergy request voluntary leave of absence to discern their next steps**

- Program will allow graceful exit if clergy choose not to return to active service

# VTP–Statistics

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## Voluntary Transition Program—as of March 2016

<b>Number of Participants</b>	<b>29</b>
Gender	Male (23) – Female (6)
Average age	50
Average years of service	15
Average payout	\$28, 431

# Other Benefits

## Educational Benefit

### Current Benefit

- Benefit based on attending post-secondary school on a full-time basis, regardless of grades received
- Benefit—equal to 20% of DAC
  - Paid regardless of cost of class/school
    - Half paid in lump sum
    - Remaining balance paid in equal monthly installments

### Proposed Change

- Benefit amount not changing
- Benefit administration and payout to change
  - Benefit paid out in proportionate partial lump sums
    - At beginning of semester, trimester, quarter, etc.
    - After school certificate is received and full-time enrollment is verified



General Board

# Pension and Health Benefits

